# UNITED STATES
## SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

---

## AMENDMENT NO. 1
## TO
## FORM S-1
## REGISTRATION STATEMENT
## Under
## The Securities Act of 1933

---

## SPLUNK INC.
(Exact name of registrant as specified in its charter)

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<tr>
<th>Delaware</th>
<th>7372</th>
<th>86-1106510</th>
</tr>
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<tbody>
<tr>
<td>(State or other jurisdiction of incorporation or organization)</td>
<td>(Primary Standard Industrial Classification Code Number)</td>
<td>(I.R.S. Employer Identification Number)</td>
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250 Brannan Street
San Francisco, California 94107
(415) 848-8400

(Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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 o Accelerated filer o Non-accelerated filer o Smaller reporting company o
The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.
Splunk Inc. is offering shares of common stock and the selling stockholders are offering shares of common stock. We will not receive any proceeds from the sale of shares by the selling stockholders. This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price will be between $ and $ per share.

We intend to apply to list our common stock on the under the symbol "SPLK."

Investing in our common stock involves risks. See "Risk Factors" beginning on page 11.

We and the selling stockholders have granted the underwriters the right to purchase up to an additional shares of common stock to cover over-allotments at the initial public offering price less the underwriting discount, with up to an additional shares sold by us and up to an additional shares sold by the selling stockholders.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on , 2012.

MORGAN STANLEY CREDIT SUISSE J.P. MORGAN BoA MERRILL LYNCH

UBS INVESTMENT BANK

PACIFIC CREST SECURITIES COWEN AND COMPANY

, 2012
Our mission is to make machine data accessible, usable and valuable to everyone.
Table of Contents

Machine Data

Business Insights
Splunk enables organizations to gain real-time insight from their machine data to make better-informed business decisions.

Operational Visibility
Splunk enables organizations to gain operational visibility to make better-informed IT decisions.

Proactive Monitoring
Splunk enables organizations to monitor their infrastructure to identify issues, processes and attacks before they impact their customers and services.

Search and Investigation
Splunk enables organizations to find and fix problems across the organization using machine data.

Splunk is the Engine For Machine Data
Splunk enables organizations to gain real-time operational intelligence from their machine data.

Operating Results

More than Half of the Fortune 100
Over 3,300 Customers
In More than 75 Countries

Total Number of Customers

[Bar Chart]

[Table]
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Through and including , 2012 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer’s obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

For investors outside the United States: neither we, the selling stockholders nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

Splunk, the Splunk logo and other trademarks or service marks of Splunk appearing in this prospectus are the property of Splunk. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of their respective holders.
PROSPECTUS SUMMARY

This summary highlights selected information appearing elsewhere in this prospectus and is qualified in its entirety by the more detailed information and financial statements included elsewhere in this prospectus. This summary does not contain all the information you should consider before investing in our common stock. You should carefully read this prospectus in its entirety before investing in our common stock, including the sections entitled "Risk Factors" and "Management Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus. Our fiscal year ends on January 31. As such, references to fiscal 2009, 2010 and 2011 herein refer to the fiscal years ended January 31, 2009, 2010 and 2011, respectively.

SPLUNK INC.

Splunk provides an innovative software platform that enables organizations to gain real-time operational intelligence by harnessing the value of their data. Our software collects and indexes data at massive scale, regardless of format or source, and enables users to quickly and easily search, correlate, analyze, monitor and report on this data, all in real time. Our software addresses the risks, challenges and opportunities organizations face with increasingly large and diverse data sets commonly referred to as big data, and is 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 software is designed to help users in various roles, including IT and business professionals, quickly analyze machine data and realize real-time visibility into operational intelligence about their organization's operations. This operational intelligence enables organizations to improve service levels, reduce costs, mitigate security risk, demonstrate and maintain compliance and gain new insights that enable them to drive better business decisions.

The volume and diversity of digital information within and available to today's organizations, including enterprises, universities and government agencies, has grown significantly over the last several years due to the proliferation of network-enabled devices, advances in virtual and cloud-computing, and evolving business and consumer uses of technology. International Data Corporation, or IDC, estimates that the volume of digital information created and replicated worldwide will grow approximately 45% annually from 1.8 trillion gigabytes in 2011 to 7.9 trillion gigabytes in 2015. Machine data is one of the fastest growing components of this digital information and comes in an increasing number of formats. The applications, servers, network devices, mobile phones, desktop computers, laptops and various other systems and devices that comprise an organization's IT infrastructure are continuously generating information in a variety of disparate formats relating to application and system performance, user activity, configuration changes, transactions, security alerts, error messages and other time-series information. Outside of an organization's traditional IT infrastructure, nearly every electronic device and software application, such as smart electrical meters, mobile applications, GPS equipment and radio-frequency identification devices, continually generate machine data.

We believe our software is disrupting established markets and enabling new ones by delivering operational intelligence to organizations of all sizes. Our software enables organizations to harness the value of machine data in their enterprise across a variety of use cases. Our customers are deploying our software to enable more effective application management, IT operations management, security and compliance, and to realize operational intelligence and insight across a broad base of the organization's activities.

The core of our software is a proprietary machine data engine, comprised of collection, indexing, search and data management capabilities. Our software can collect and index terabytes of information daily, irrespective of format or source. Our machine data engine uses an innovative data architecture that enables dynamic schema creation on the fly, allowing users to run queries on data without having to...
understand the structure of the data prior to collection and indexing. Our machine data fabric for data collection and indexing delivers speed and scalability when processing massive amounts of machine data. Our software leverages improvements in the cost and performance of commodity computing and can be deployed in a wide variety of computing environments, from a single laptop to large globally distributed data centers.

To extend our software’s functionality, customers can deploy additional solutions as well as lightweight applications, or apps, on top of our core data engine. Our apps, which are available for download via our Splunkbase website, provide incremental functionality in the form of pre-built data inputs, searches, reports, alerts and dashboards, and are generally available for free. We, along with a number of third-party developers and customers, have developed over 300 apps for specific use cases in our core and adjacent markets. We also build and deliver a select number of packaged solutions that provide more robust functionality targeting a specific market or use case. We currently provide Splunk for Enterprise Security and Splunk for PCI (payment card industry) Compliance and have made available, through controlled preview, Splunk for VMware. These packaged solutions and apps allow our customers to further extend the value of their machine data using our software.

We provide application programming interfaces, or APIs, and software development kits, or SDKs, in various programming languages that enable developers to leverage our machine data engine and its broad capabilities in their own software. In addition to our packaged solutions and apps, we are investing in the development of Splunk Storm, which is a cloud-based service currently in beta that provides a subset of our software’s capabilities, but is tailored for machine data in the cloud. Our online user communities, Splunkbase and Splunk Answers, provide our customers with an environment to share these apps, collaborate on the use of our software and provide community-based support. We believe this user-driven ecosystem results in greater use of our software and drives cost-effective marketing, increased brand awareness and viral adoption of our product.

Our software is designed to accelerate adoption and return-on-investment for our customers. It does 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 and begin realizing operational intelligence. We also offer customers with complex infrastructure the ability to leverage the expertise of our professional services organization to deploy our software.

As of October 31, 2011, we had over 3,300 customers, including a majority of the Fortune 100. Some of our largest customers include Autodesk, Bank of America, Comcast, Etsy, Harvard University, Viacom and Zynga. Our customers pay license fees based on their estimated indexing capacity needs. For fiscal 2009, 2010 and 2011, our revenues were $18.2 million, $35.0 million and $66.2 million, respectively, representing year-over-year growth of 93% for fiscal 2010 and 89% for fiscal 2011, and our net loss was $14.8 million, $7.5 million and $3.8 million, respectively. For the first nine months of fiscal 2011 and fiscal 2012, our revenues were $43.5 million and $77.8 million, respectively, representing year-over-year growth of 79%, and our net loss was $2.0 million and $9.7 million, respectively.

Our Market Opportunity

Today’s IT infrastructure has become increasingly complex and diverse, with a wide range of on-premise and cloud-based software applications, networking infrastructure, physical and virtual servers and endpoint devices, such as desktop computers and an array of mobile devices. The rapidly growing volume of data generated by this infrastructure, including application log files, call detail records, website clickstream data and system configuration files, provides a valuable and definitive record of the activity and behavior of users, customers, transactions, applications, servers and networks. The table below illustrates
While machine data has always been generated by computing environments, many organizations have failed to recognize the value of this data or have encountered challenges extracting value from it. Traditional IT products, such as relational databases, enterprise applications and IT management and security software, are typically built to work with pre-defined data structures, or schema. As a result, because machine data consists of both structured and unstructured data, these products are not ideally suited to handle a large portion of an organization’s data. Additionally, these products are generally narrowly scoped to only work with specific data formats and systems and are unable to correlate machine data from multiple sources, formats and systems for both historical and real-time analysis without significant configuration. Managing and cross-correlating data and outputs across multiple products can be especially challenging, leading to significant IT complexity and cost. Moreover, these solutions and systems are not architected to take advantage of recent improvements in the price and performance of computing and storage systems, and in many cases require significant investment in computing hardware. Because of these limitations, traditional IT products are unable to full leverage the information and value in machine data.

Organizations need to capture the value locked in their machine data to enable more effective application management, IT operations management, security and compliance, and to derive intelligence and insight across the organization. Our software enables users to realize real-time operational intelligence across their business.

We believe software that provides operational intelligence addresses several established markets that in aggregate have been estimated by Gartner to be approximately $32 billion in 2012. Specifically, Gartner expects the market that our products address for IT operations, which includes application management, to be approximately $18.6 billion in 2012; the market that our products address for business intelligence, including web analytics software, to be approximately $12.5 billion in 2012; and the market that our products address for security information and event management software to be approximately $1.3 billion in 2012. Beyond these areas, we believe software that provides operational intelligence can address a wide variety of additional markets in areas such as online marketing optimization, video-on-demand analytics, radio-frequency identification tracking and scientific applications using time-series data.

### Our Solution

Our mission is to make machine data accessible, usable and valuable to everyone in an organization. Our software helps users derive new insights from machine data that can be used to, among others,
improve service levels, reduce operational costs, mitigate security risks, demonstrate and maintain compliance, and gain new insights that enable them to drive better business decisions. Key benefits of our solution include:

Real-time operational intelligence and visibility. Our software collects and indexes data at massive scale, regardless of the format or source, and enables users to quickly and easily search, correlate, analyze, monitor and report on this data, all in real time. Our software enables users to identify problems, get answers and gain new business insights and intelligence from machine data across their globally distributed enterprise all through one platform.

Low total cost of ownership. Our software enables customers to improve their customer service levels and systems availability, reduce operational cost improve security and compliance, and increase business insights. Although our data engine can index terabytes of data daily, it does not require the high-end hardware software, extensive professional services or other capital intensive IT investments commonly associated with traditional enterprise software.

Fast time to value. Unlike traditional relational databases or business and IT applications, our software does not require custom implementations or long deployment cycles. While some enterprises leverage our professional services team to deploy our software in large, highly complex IT environments, most users simply download and install the software, typically in a matter of hours, to connect to the relevant machine data sources and begin realizing operational intelligence.

Ease of use. While we utilize complex data structures and algorithms in our machine data engine, we abstract that complexity to provide a compelling, intuitive interface similar to that of an internet search engine. Our software can be accessed through a standard web browser and requires limited training, saving on time and cost, as well as making it accessible to the broader set of non-technical users.

Highly scalable and flexible data engine. Our machine data engine, machine data fabric and broad technology stack are built to be highly flexible and scalable allowing our customers to index terabytes of data daily and search petabytes of historical data. Our software can be deployed in a wide variety of environments, from single user on a laptop to globally distributed data centers.

Open, extensible platform. Our machine data engine is a powerful, extensible platform on which custom reports, dashboards and applications can be run to analyze machine data for specific use cases. Splunk, as well as a number of customers and third-party developers, have developed numerous applications for specific use cases across application management, IT operations management, security and compliance, and business intelligence.

Our Growth Strategy

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 strategy are to:

- extend our technology capabilities through continued investment in research and development designed to enhance our software, including our data engine and associated solutions;
- continue to expand our direct and indirect sales organizations, including our channel relationships, to acquire new customers;
- further penetrate our existing customer base;
- develop additional solutions in adjacent markets as well as products that enable organizations to use our software in different ways, such as Splunk Storm, our cloud-based service;
- 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; and
become the developer platform for machine data.

**Risks Affecting Us**

Our business is subject to numerous risks and uncertainties, including those highlighted in the section entitled “Risk Factors” immediately following this prospectus summary. These risks include, but are not limited to, the following:

> the market for our software is new and unproven and may not grow;
> 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;
> our future operating results may fluctuate significantly, and our recent operating results may not be a good indication of our future performance;
> if we fail to effectively manage our growth, our business and operating results could be adversely affected;
> we have a history of losses, and we may not be profitable in the future;
> we derive substantially all of our revenues and cash flows from one software product;
> we face intense competition in our markets;
> our business and growth depend substantially on customers expanding their use of our software and renewing their maintenance agreements with us;
> interruptions or performance problems associated with our technology and infrastructure may adversely affect our business and operating results; and
> assertions by third parties that we violate their intellectual property rights or our failure to protect our intellectual property rights could adversely affect our business.

**Corporate Information**

Our principal executive offices are located at 250 Brannan Street, San Francisco, California 94107, and our telephone number is (415) 848-8400. Our website www.splunk.com. Information contained on, or that can be accessed through, our website is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this prospectus. We were incorporated in California in October 2003 and were reincorporated in Delaware in May 2006.
## THE OFFERING

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<td>Common stock offered by us</td>
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<tr>
<td>Common stock offered by the selling stockholders</td>
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<tr>
<td>Total common stock offered</td>
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<tr>
<td>Over-allotment option (with shares being offered by us and shares being offered by the selling stockholders)</td>
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<tr>
<td>Common stock to be outstanding after this offering (shares, if the over-allotment option is exercised in full)</td>
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**Use of proceeds**

We intend to use the net proceeds we receive from this offering for general corporate purposes, including working capital, sales and marketing activities, product development, general and administrative matters, and capital expenditures. We also may use a portion of the net proceeds to acquire complementary businesses, products, services or technologies. However, we do not have agreements or commitments for any specific acquisitions at this time. We will not receive any of the proceeds from the sale of shares to be offered by the selling stockholders. See "Use of Proceeds."

**Proposed symbol**

"SPLK"

The number of shares of our common stock to be outstanding after this offering is based on 79,350,595 shares of our common stock outstanding as of October 3, 2011, which includes the exercise of a warrant to purchase 200,000 shares of our Series A preferred stock, which occurred subsequent to October 31, 2011, as excludes:

- 19,430,429 shares of common stock issuable upon the exercise of options outstanding as of October 31, 2011, with a weighted average exercise price of $1.3 per share;
- 3,328,000 shares of common stock issuable upon the exercise of options granted after October 31, 2011 through January 31, 2012, with an exercise price of $4.82 per share;
- 469,557 shares of common stock issuable upon the exercise of outstanding warrants to purchase shares of Series C preferred stock with an exercise price of $1.56 per share; and
- unallocated shares of common stock reserved for future issuance under our stock-based compensation plans, consisting of 2,462,856 shares of common stock reserved for future issuance under our 2003 Equity Incentive Plan, which shares will be added to the shares to be reserved under our 2012 Equity Incentive Plan, shares of common stock reserved for future issuance under our 2012 Equity Incentive Plan, which will become effective in connection with this offering, and shares of common stock reserved for future issuance under our 2012 Employee Stock Purchase Plan, which will become effective in connection with this offering, and shares that become available under our 2012 Equity Incentive Plan and 2012 Employee Stock Purchase Plan, pursuant to provisions thereof that automatically increase the share reserves under the plans each year, as more fully described in "Executive Compensation—Employer Benefit and Stock Plans."
Unless otherwise noted, the information in this prospectus reflects and assumes the following:

- the automatic conversion of all outstanding shares of our convertible preferred stock as of October 31, 2011 into an aggregate of 56,930,194 shares of common stock immediately prior to the completion of this offering (including the exercise of a warrant to purchase 200,000 shares of our Series A preferred stock which occurred subsequent to October 31, 2011);

- the filing of our amended and restated certificate of incorporation in connection with the completion of this offering;

- no exercise of outstanding options or warrants; and

- no exercise of the underwriters' over-allotment option.
SUMMARY CONSOLIDATED FINANCIAL DATA

You should read the following summary consolidated financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, all included elsewhere in this prospectus. We derived the consolidated statements of operations data for fiscal 2009, 2010 and 2011 from our audited consolidated financial statements included elsewhere in this prospectus. The summary statement of operations data for the nine-months ended October 31, 2010 and 2011 and the balance sheet data as of October 31, 2011 have been derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future, and the results for the nine months ended October 31, 2011 are not necessarily indicative of operating results to be expected for the full fiscal year ending January 31, 2012 or any other period.

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<td>(in thousands, except per share amounts)</td>
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<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>License</td>
<td>$14,948</td>
<td>$27,183</td>
<td>$49,926</td>
<td>$32,255</td>
<td>$55,494</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>3,208</td>
<td>7,817</td>
<td>16,319</td>
<td>11,209</td>
<td>22,267</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>18,156</td>
<td>35,000</td>
<td>66,245</td>
<td>43,464</td>
<td>77,761</td>
</tr>
<tr>
<td><strong>Cost of revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>License</td>
<td>86</td>
<td>102</td>
<td>228</td>
<td>123</td>
<td>712</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>2,711</td>
<td>3,188</td>
<td>6,428</td>
<td>4,214</td>
<td>7,458</td>
</tr>
<tr>
<td><strong>Total cost of revenues</strong>(1)</td>
<td>2,797</td>
<td>3,290</td>
<td>6,656</td>
<td>4,337</td>
<td>8,170</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>15,359</td>
<td>31,710</td>
<td>59,589</td>
<td>39,127</td>
<td>69,591</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development(1)</td>
<td>8,684</td>
<td>8,479</td>
<td>14,025</td>
<td>9,181</td>
<td>16,227</td>
</tr>
<tr>
<td>Sales and marketing(1)</td>
<td>17,281</td>
<td>24,072</td>
<td>39,909</td>
<td>25,663</td>
<td>48,337</td>
</tr>
<tr>
<td>General and administrative(1)</td>
<td>4,462</td>
<td>6,462</td>
<td>8,949</td>
<td>6,261</td>
<td>13,108</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>30,427</td>
<td>39,013</td>
<td>62,883</td>
<td>41,105</td>
<td>77,672</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>(15,068)</td>
<td>(7,303)</td>
<td>(3,294)</td>
<td>(1,978)</td>
<td>(9,666)</td>
</tr>
<tr>
<td><strong>Loss before income taxes</strong></td>
<td>332</td>
<td>(69)</td>
<td>(387)</td>
<td>32</td>
<td>(1,585)</td>
</tr>
<tr>
<td><strong>Provision for income taxes</strong></td>
<td>36</td>
<td>79</td>
<td>125</td>
<td>80</td>
<td>50</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$ (14,736)</td>
<td>(7,372)</td>
<td>(3,681)</td>
<td>(1,946)</td>
<td>(9,716)</td>
</tr>
<tr>
<td><strong>Net loss per share:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>$(1.14)</td>
<td>$(0.52)</td>
<td>$(0.21)</td>
<td>$(0.12)</td>
<td>$(0.48)</td>
</tr>
<tr>
<td><strong>Weighted-average shares outstanding:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>12,911</td>
<td>14,392</td>
<td>17,738</td>
<td>17,492</td>
<td>20,069</td>
</tr>
<tr>
<td><strong>Pro forma net loss per share (unaudited)</strong>(2):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>$ (0.05)</td>
<td>$ (0.12)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pro forma weighted-average shares outstanding used in calculating net loss per share (unaudited)</strong>(2):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>74,668</td>
<td>76,999</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Fiscal Year Ended January 31, 2010

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-GAAP operating loss</strong></td>
<td>$(14,301)</td>
<td>$(6,003)</td>
<td>$(1,709)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of revenues</strong></td>
<td>$11</td>
<td>$31</td>
<td>$59</td>
</tr>
<tr>
<td><strong>Research and development</strong></td>
<td>96</td>
<td>215</td>
<td>347</td>
</tr>
<tr>
<td><strong>Sales and marketing</strong></td>
<td>176</td>
<td>382</td>
<td>495</td>
</tr>
<tr>
<td><strong>General and administrative</strong></td>
<td>484</td>
<td>672</td>
<td>684</td>
</tr>
<tr>
<td><strong>Total stock-based compensation</strong></td>
<td>$767</td>
<td>$1,300</td>
<td>$1,585</td>
</tr>
</tbody>
</table>

As of October 31, 2011

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Pro Forma(1)</th>
<th>Pro Forma As Adjusted(2)(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Balance Sheet Data:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$22,997</td>
<td>$23,047</td>
<td>$23,047</td>
</tr>
<tr>
<td>Working capital</td>
<td>(570)</td>
<td>(520)</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>56,451</td>
<td>56,501</td>
<td></td>
</tr>
<tr>
<td>Deferred revenue, current and long term</td>
<td>36,570</td>
<td>36,570</td>
<td></td>
</tr>
<tr>
<td>Debt and capital lease obligations, current and long term</td>
<td>2,556</td>
<td>2,556</td>
<td></td>
</tr>
<tr>
<td>Preferred stock warrants</td>
<td>2,528</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Total stockholders' equity (deficit)</td>
<td>(42,260)</td>
<td>267</td>
<td></td>
</tr>
</tbody>
</table>

(1) The pro forma balance sheet data in the table above reflects the automatic conversion of all outstanding shares of convertible preferred stock into common stock immediately prior to the completion of this offering, the conversion of the Series C preferred stock warrants into warrants to purchase common stock in connection with this offering, and the exercise of the warrant to purchase Series A preferred stock, which occurred subsequent to October 31, 2011.

(2) The pro forma as adjusted balance sheet data in the table above also reflects (i) the pro forma items described immediately above plus (ii) the sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(3) A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) cash and cash equivalents, working capital, total assets and total stockholders' equity by $ million, assuming that the number of shares offered by us, set forth on the front cover of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma as adjusted information...
discussed above is only illustrative and will be adjusted based on the actual public offering price and other terms of this offering determined pricing.

**Non-GAAP Operating Loss**

We believe that the use of non-GAAP operating loss is helpful for an investor to determine whether to invest in our common stock. In computing non-GAAP operating loss, we exclude stock-based compensation expense which represents non-cash charges for the fair value of stock options and other non-cash awards granted to employees. Because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that impact a company’s non-cash operating expenses, we believe that providing a non-GAAP financial measure that excludes stock-based compensation expense allows for meaningful comparisons between our core business operating results and those of other companies, as well as providing us with an important tool for financial and operational decision making and for evaluating our own core business operating results over different periods of time.

Our non-GAAP operating loss may not provide information that is directly comparable to that provided by other companies in our industry, as other companies in our industry may calculate non-GAAP financial results differently, particularly related to non-recurring, unusual items. Our non-GAAP operating loss is not a measurement of financial performance under GAAP and should not be considered as an alternative to operating income or as an indication of operating performance or any other measure of performance derived in accordance with GAAP. We do not consider non-GAAP operating loss to be a substitute for, or superior to, the information provided by GAAP financial results.

The following table reflects the reconciliation from GAAP operating loss to non-GAAP operating loss.

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended January 31</th>
<th>Nine Months Ended October 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>GAAP operating loss</td>
<td>$ (15,068)</td>
<td>$ (7,303)</td>
</tr>
<tr>
<td>Non-GAAP adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee stock-based</td>
<td>$ 767</td>
<td>$ 1,300</td>
</tr>
<tr>
<td>compensation expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-GAAP operating</td>
<td>$ (14,301)</td>
<td>$ (6,003)</td>
</tr>
<tr>
<td>loss</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risks and all other information contained in this prospectus, including our consolidated financial statements and the related notes, before investing in our common stock. 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 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, and you may lose some or all of your investment.

Risks Related to Our Business and Industry

The market for our software 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 software that provides operational intelligence, particularly software designed to collect and index machine data. We market our software as a targeted solution 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 product to increase its acceptance and use by the broader market. It is difficult to predict customer adoption and renewal rates, customer demand for our software, 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 such software. If the market for our software does not achieve widespread adoption or there is a reduction in demand for software in our market caused by a lack of customer acceptance, technological challenges, lack of accessible machine data, competing technologies and products, decreases in corporate 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. You should consider our business and prospects in light of the risks and difficulties we encounter in this new and unproven market.

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:

- maintain and expand our customer base and the ways in which our customers use our software;
- increase revenues from existing customers through increased or broader use of our software within their organizations;
- improve the performance and capabilities of our software through research and development;
- continue to develop our cloud-based service, Splunk Storm;
- successfully expand our business domestically and internationally;
- successfully compete with other companies, open source initiatives and custom development efforts that are currently in, or may in the future enter, the markets for our software;
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- continue to invest in our application development platform to foster an ecosystem of developers and users to expand the use cases of our software;
- generate leads and convert users of the trial version of our software to paying customers;
- prevent users from circumventing the terms of their software licenses;
- maintain and enhance our website infrastructure to minimize interruptions or slower than expected download times when accessing our software from our website;
- process, store and use our customers’ data in compliance with applicable governmental regulations and other legal obligations related to data privacy; and
- hire, integrate and retain world class 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 operating results will suffer.

**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 typically enter into 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. 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. 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, since the beginning of fiscal 2011, more than 70% of the revenues we 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 disproportionally 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 operating 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, and the loss or delay of a few large contracts may have a significant adverse impact on our operating results;
- 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 software;
- the mix of revenues attributable to perpetual and term licenses, maintenance and professional services and training, which may impact our gross margins and operating income;
- the renewal and usage rates of our customers;

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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 software or software enhancements by us or our competitors; 
customer acceptance of and willingness to pay for new versions of our software or new solutions for specific product and end markets; 
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 collectibility of receivables from customers and resellers, which may be hindered or delayed if these customers or resellers experience financial distress; 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.

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 October 31, 2011, nearly half 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;
- 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 software could suffer, which could negatively affect our brand, operating results and overall business.

**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 $14.8 million in fiscal 2009, $7.5 million in fiscal 2010, $3.8 million in fiscal 2011 and $9.7 million in the nine months ended October 31, 2011. As a result, we had an accumulated deficit of $52.7 million at October 31, 2011. Because the market for our software is rapidly evolving and has not yet reached widespread adoption, it is difficult for us to predict our operating results. We expect our operating expenses to increase over the next several years as we hire additional personnel, particularly in sales and marketing, expand and improve the effectiveness of our distribution channels, and continue to develop features and applications, or apps, for our software. In addition, as we grow and as we become a newly public company, we will incur additional significant legal, accounting and other expenses that we did not incur as a private company. 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 software, 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 sustain or increase profitability on a consistent basis, could cause the value of our common stock to materially decline.

**Because we derive substantially all of our revenues and cash flows from 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.**

We derive and expect to continue to derive substantially all of our revenues and cash flows from Splunk Enterprise. As such, the market acceptance of our software is critical to our continued success. Demand for our software is affected by a number of factors beyond our control, including continued market acceptance of our software 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, to date, we have not offered a cloud-based service on a commercial basis. We expect the proliferation of machine data to lead to an increase in the data analysis demands of our customers, and our software may not be able to scale and perform to meet those demands. If we are unable to continue to meet customer demands or to achieve more widespread market acceptance of our software, our business, results of operations, financial condition and growth prospects will be materially and adversely affected.

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

Although our product targets the new and emerging market for software that provides operational intelligence, we compete against a variety of large software vendors and smaller specialized companies, open source initiatives 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 and systems management vendors, including BMC Software, CA, Compuware, HP, IBM, Intel, Microsoft and Quest Software;
web analytics vendors, including Adobe Systems, Google, IBM and Websense; business intelligence vendors, including EMC, IBM, Oracle and SAP; companies targeting the big data market by commercializing open source software, such as Hadoop; and small specialized vendors, which provide complementary solutions in enterprise data analytics, data warehousing and big data technologies that may compete with our software.

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 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 product or causes potential customers to believe that such product and our software perform the same function. If companies move a greater proportion of their data and computational needs to the cloud, new competitors may emerge which offer services comparable to ours or that are better suited for cloud-based data, and the demand for our product 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 software. If we are unable to differentiate our product 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 solutions, which would adversely affect our business, results of operations, financial condition and cash flows. 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 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 software. 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, results of operations, financial condition and cash flows could be materially and adversely affected.

If customers do not expand their use of our software beyond the current predominant use cases, our ability to grow our business and operating results may be adversely affected.

Most of our customers currently use our software 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 software 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 software for these applications, or if a competitor establishes a more widely adopted solution for these applications, our ability to grow our business and operating results will be adversely affected. In addition, as the amount of data indexed by our software for a given customer grows, that customer must agree to higher license fees for our software 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 software has become eclipsed by such fees or otherwise. If customers react adversely to our pricing model, 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 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 product. 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 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, varies substantially from customer to customer. Our sales cycle can extend to more than a year for 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. 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 maintenance agreements with us. Any decline in our customer renewals could adversely affect our future operating results.

While most 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. 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 pricing, the effects of economic conditions 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.

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

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 efficiently and effectively use our software, or our failure to provide maintenance services to our customers, may result in negative publicity or legal claims against us. Also, as we continue to expand our customer base, any failure by us to properly provide these services will likely result in lost opportunities for follow-on sales of our software and services.

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

In fiscal 2011 and the first nine months of fiscal 2012, we derived 21% and 24% of our revenues, respectively, 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 resellers for non-U.S. sales. Our ability to convince customers to expand their use of our software 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 uncertainty around the world, including recent sovereign debt issues in Europe;

> compliance with foreign laws and regulations and the risks and costs of non-compliance with such laws and regulations;

> compliance with U.S. laws and regulations for foreign operations, including the Foreign Corrupt Practices Act, the U.K. Bribery Act, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to sell our software 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 related effect on our operating 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 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, operating results and financial condition 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 government requirements 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 U.S. regulations applicable to us. Although we 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 software and services and could have a material adverse effect on our business and results of operations.

We are subject to governmental export and import controls that could subject us to liability or impair our ability to compete in international markets.

Our products are subject to U.S. 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 are in the process of remediating our export compliance procedures to prevent such violations from recurring.

Furthermore, U.S. export control laws and economic sanctions prohibit the shipment of certain products and services to countries, governments, and persons targeted by U.S. sanctions. While we are taking precautions to prevent our products and services from being shipped to U.S. sanctions targets, we
believe that certain of our products that are available at no cost have been downloaded by persons in countries that are the subject of U.S. embargoes. These free downloads were likely made in violation of U.S. export control and sanctions laws. Based upon our inquiry to date, we believe that we have not had any paying customers in countries sanctioned by the U.S. 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 U.S. 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 inquiry to date, we believe that we do not have any paying customers on any U.S. Government lists of prohibited persons. We are in the process of screening our non-paying customers to determine if we have permitted any free downloads to any prohibited persons. We are also instituting a process for screening all paying and non-paying customers against U.S. Government lists of prohibited persons going forward.

We are continuing to review this matter and new or different facts may be discovered in the course of our inquiry. In January 2012, we filed Initial Notifications of Voluntary Self Disclosures with the U.S. Department of Commerce's Bureau of Industry and Security, or BIS, and the U.S. Department of Treasury's Office of Foreign Assets Control, or OFAC, concerning these potential violations. Once we complete our review, we will supplement the Initial Notifications by filing Final Disclosures with both agencies. If we are found to be in violation of U.S. 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. The voluntary disclosure processes with OFAC and BIS are in the initial stages, and we cannot predict when OFAC and BIS will complete their reviews or what enforcement action, if any, they will take.

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 of certain encryption technology, including import 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, financial condition and results of operations.

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

In addition to our direct sales force, we use strategic indirect channel partners, such as distribution partners and resellers, to license and support our software. We derive a substantial portion of our revenues from sales of our software through our channel network, 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 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 software, 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 software may be adversely affected. Our channel partners may cease marketing our software 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 collectibility concerns, in particular sales by our channel partners in developing markets, and accordingly, variations in the mix between revenues attributable to sales by channel partners and revenues attributable to direct sales may result in fluctuations in our operating results.

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 software. 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 a unique pricing model which subjects us to various challenges that could make it difficult for us to derive expected value from our customers.

We charge our customers for their use of our software based on the customers' estimated daily indexing capacity. As the amount of machine data within our customers' organizations grows, we may face pressure from our customers regarding our pricing, which could adversely affect our revenues and operating margins. Furthermore, while our software 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 software. To the extent that a customer improperly copies and distributes the encrypted key to others or uses the encrypted key to install our software on multiple machines, we may not be able to capture the full value for the use of our software. Our enterprise license is meant for our customers' internal use only. If customers improperly make our software available to their customers, for example, through a cloud or managed service offering, it may cannibalize our end user sales or commoditize our software in the market. Additionally, if a customer that has received a volume discount from us offers our software to its end customers, we may experience price erosion and be unable to capture the appropriate value from those end customers.

Our license agreements generally provide that we can audit our customers' use of our software 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.

Interruptions or performance problems associated with our technology and infrastructure, and our reliance on SaaS technologies from third parties, may adversely affect our business and operating results.

Our continued growth depends in part on the ability of our existing and potential customers to access our website and download our software or encrypted access keys for our software within an acceptable amount of time. We have experienced, and may in the future experience, website 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.
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 performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve our website performance, especially during peak usage times and as our software becomes more complex and our user traffic increases. If our website is 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 website performance and to enable rapid releases of new features and apps for our software. 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, Software-as-a-Service, or SaaS, technologies from third parties in order to operate critical functions of our business, including enterprise resource planning services from NetSuite and customer relationship management services from salesforce.com. If these services become unavailable due to extended outages, interruptions or because they are no longer available on commercially reasonable terms or prices, our expenses could increase, our ability to manage our finances could be interrupted and our processes for managing sales of our software 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 systems are also vulnerable to damage or interruption from catastrophic occurrences such as earthquakes, floods, fires, power loss, telecommunication failures, terrorist attacks and similar events. Our U.S. corporate offices and certain of the facilities we lease to house our computer and telecommunications equipment are located in the San Francisco Bay Area, a region known for seismic activity. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at our hosting facilities could result in interruptions, performance problems or failure of our infrastructure.

One of our marketing strategies is to offer a trial version of our software, and we may not be able to realize the benefits of this strategy.

We offer a trial version of our software to users free of charge as part of our overall strategy of developing the market for software that provides operational intelligence and promoting additional penetration of our software in the markets in which we compete. Some users never convert from the trial version to the paid version of our software. Further, we depend on individuals within an organization who download the trial version of our software being able to convince managers and decision-makers within their organization to convert to a paid version of our software. To the extent that these users do not become or lead to others who become paying customers, we will not realize the intended benefits of this marketing strategy and our ability to grow our revenues will be adversely affected.

If customers demand software that provides operational intelligence via a “Software-as-a-Service” business model, our business could be adversely affected.

Software-as-a-Service, or 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. While we do not currently offer a commercial version of our product through a SaaS model, we are investing in the development of Splunk Storm, our cloud-based service (currently in beta) that provides a subset of our software's capabilities but is tailored for supporting machine data processing in the cloud. A SaaS business model can require a vendor to undertake substantial capital investments and develop related sales and support resources and personnel. 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. If customers were to require that we provide our product via a SaaS deployment, we would need to direct a significant portion of our capital investments to implement
this alternative business model, which would negatively affect our gross margins. Even if we make these investments, we may be unsuccessful in implementing a SaaS business model. Moreover, sales of a potential future SaaS offering could cannibalize sales of Splunk Enterprise. In addition, the change to a SaaS model would result 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, results of operations, financial condition and cash flows.

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 our software in the future or otherwise have an adverse effect on our business, results of operations, financial condition and cash flows.

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 U.S. federal, state and local governmental bodies, which affect how we and our channel partners do business in connection 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, results of operations, financial condition and cash flows.

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

Because our software is complex, undetected errors, failures or bugs may occur, especially when new versions or updates are released. Our 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 software until it is released.
to our customers. In the past, we have discovered software errors, failures and bugs in some of our offerings after their introduction. Real or perceived errors, failures or bugs in our software could result in negative publicity, loss of or delay in market acceptance of our software, 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 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 software 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 operating results and growth prospects.

**If our new software and software enhancements do not achieve sufficient market acceptance, our results of operations and competitive position will suffer.**

We spend substantial amounts of time and money to research and develop new and enhanced versions of our existing software 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 engine to target specific 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 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 service, Splunk Storm, does not garner widespread market adoption and implementation, our operating results and competitive position could suffer.

Further, we may make changes to our software 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 software.

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

- failure to predict market demand accurately in terms of software functionality and to supply software that meets this demand in a timely fashion;
- defects, errors or failures;
- negative publicity about their performance or effectiveness;
- delays in releasing our new software or enhancements to our existing software 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 software incorporating open source software.

If our new software 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 operating 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 software or enhancements.
If we are not able to maintain and enhance our brand, our business and operating results may be adversely affected.

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 software and our ability to successfully differentiate our software from that 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 product, as well as those of our competitors, and perception of our product 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, results of operations, financial condition and cash flows.

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

Our software enables third-party software developers to build apps on top of our machine data engine. We operate a community website that we call Splunkbase for sharing these third party apps, including add-ons and extensions. While we expect Splunkbase 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 Splunkbase;
- 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 software 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 software 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 software 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 Splunk Answers, users of our software may experience unsatisfactory results from using our software, which could adversely affect our reputation and our ability to grow our business.

In addition, as part of Splunkbase, we host a community site called Splunk Answers for sharing knowledge about how to perform certain functions with our software. Our users are increasingly turning to Splunk Answers for support in connection with their use of our software. We do not review or test the information that non-Splunk employees post on Splunk Answers to ensure its accuracy or efficacy in resolving technical issues. Therefore, we cannot ensure that all the information listed on Splunk Answers is accurate or that it will not adversely affect the performance of our software. Furthermore, users who post such information on Splunk Answers 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 Splunk Answers, our customers or other users of our software may experience unsatisfactory results from using our software, which could adversely affect our reputation and our ability to grow our business.

**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, 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. As of December 31, 2011, we had one issued U.S. patent covering our machine data technology. We also had two provisional patent applications pending and nine utility patent applications pending for examination in the United States. Finally, we also had five utility patent applications pending for examination in non-U.S. jurisdictions, all of which are counterparts of our U.S. utility patent applications. Our issued patent, and any patents issued in the future, may not provide us with any competitive advantages or may be challenged by third parties, 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 prosecute all necessary or desirable patent applications 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 validity, enforceability and scope of protection of patent and other intellectual property rights are 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 software, that we were the first to file for protection in our patent applications, or that third parties do not have blocking patents that could be used to prevent us from marketing or practicing our patented software or technology. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our software is 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 changes to intellectual property legislation enacted in the United States (including the recent “America Invents Act”) and other national governments 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. Although we endeavor to enter into non-disclosure agreements with our employees, licensees and others who may have access to this information, we cannot assure you that these agreements or other steps we have taken will prevent unauthorized use, disclosure or reverse engineering of our technology. Moreover, third parties may independently develop technologies or products that compete with ours, and we may be unable to prevent this competition.

We might be required to spend significant resources to monitor and protect our intellectual property rights. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Litigation also puts our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing. Additionally, we may provoke third parties to assert counterclaims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially viable. Any litigation, whether or not it is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel, which may adversely affect our business, results of operations, financial condition and cash flows.

We have been, and may in the future be, subject to intellectual property rights claims by third parties, which are extremely costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies.

Companies in the software and technology industries, including some of our current and potential competitors, own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. In addition, many of these companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. The litigation may involve patent holding companies or other adverse patent owners that have no relevant product revenues and against which our patents may therefore provide little or no deterrence. We have received, and may in the future receive, notices that claim we have misappropriated, misused, or infringed other parties' intellectual property rights, and, to the extent we gain greater market visibility, we face a higher risk of being the subject of intellectual property infringement claims, which is not uncommon with respect to the enterprise software market. In this regard, we are currently involved in a dispute with respect to the Splunk trademark in the European Union. There may be third-party intellectual property rights, including issued or pending patents, that cover significant aspects of our technologies or business methods. Any intellectual property claims, with or without merit, could be very time-consuming, could be expensive to settle or litigate and could divert our management's attention and other resources. These claims could also subject us to significant liability for damages, potentially including treble damages if we are found to have willfully infringed patents or copyrights. These claims could also result in our having to stop using technology found to be in violation of a third party's rights. We might be required to seek a license for the intellectual property, which may not be available on reasonable terms or at all. Even if a license were available, we could be required to pay significant royalties, which would increase our operating expenses. As a result, we may be required to develop alternative non-infringing technology, which could require significant effort and expense. If we cannot license or develop technology for any infringing aspect of our business, we would be forced to limit or stop sales of our software and may be unable to compete effectively. Any of these results would adversely affect our business, results of operations, financial condition and cash flows.

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Our use of "open source" software could negatively affect our ability to sell our software and subject us to possible litigation.

We use open source software in our software and expect to continue to use open source software in the future. We may face claims from others claiming ownership of, or seeking to enforce the terms of, an open source license, including by demanding release of the open source software, derivative works or our proprietary source code that was developed using such software. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our software, any of which would have a negative effect on our business and operating results. In addition, if the license terms for the open source code change, we may be forced to re-engineer our software or incur additional costs. Finally, we cannot assure you that we have not incorporated additional open source software in our software in a manner that is inconsistent with our current policies and procedures.

If our security measures are breached or unauthorized access to customer data is otherwise obtained, our software may be perceived as not being secure, customers may reduce the use of or stop using our software, and we may incur significant liabilities.

Our software involves 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 Splunk Storm, our cloud-based service currently in beta, we do not have the ability to monitor or review the content that our customers store, and therefore, we have no direct control over the substance of the content. Therefore, if customers use our software 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 to not renew their subscriptions, or subject us to third-party lawsuits, regulatory fines or other action or liability, thereby adversely affecting our operating results.

Because our software 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 software.

Personal privacy has become a significant issue in the United States and in many other countries where we offer our software. The regulatory framework for privacy 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. 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 software, 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 software. Privacy concerns, whether valid or not valid, may inhibit market adoption of our software 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 Splunk Answers, 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. For example, we are actively recruiting a Senior Vice President of Product Development, an important role that we will need to fill as we continue to grow. 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 or stock options. Employees may be more likely to leave us if the shares they own or the shares underlying their vested options have significantly appreciated in value relative to the original purchase 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 could adversely affect our business and results of operations. 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 product, 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, financial services, healthcare and pharmaceuticals, high 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 software 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 software.

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

**Future acquisitions could disrupt our business and adversely affect our results of operations, financial condition and cash flows.**

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 results of operations, financial condition or cash flows 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;
- 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;
- 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;
- Our use of cash to pay for 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, results of operations, financial condition and cash flows.

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

As we continue to expand our international operations, we become more exposed to the effects of fluctuations in currency exchange rates. Our sales contracts are denominated in U.S. dollars, and therefore substantially all of our revenues are not subject to foreign currency risk. However, a strengthening of the U.S. dollar could increase the real cost of our software to our customers outside of the United States, which could adversely affect our business, results of operations, financial condition and cash flows. 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 U.S. 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 U.S. 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 U.S. 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 U.S. 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 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. Our existing NOLs may be subject to limitations arising from previous ownership changes, and if we undergo an ownership change in connection with or after this offering, our ability to utilize NOLs could be further 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 material 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 results of operations.**

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 results of operations.

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

We generally conduct our international operations through wholly owned subsidiaries 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 recently 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.

Risks Related to Ownership of Our Common Stock and this Offering

There has been no prior market for our common stock and an active market may not develop or be sustained and investors may not be able to resell their shares at or above the initial public offering price.

There has been no public market for our common stock prior to this offering. The initial public offering price for our common stock will be determined through negotiations between the underwriters and us and may vary from the market price of our common stock following this offering. If you purchase shares of our common stock in this offering, you may not be able to resell those shares at or above the initial public offering price. An active or liquid market in our common stock may not develop upon completion of this offering or, if it does develop, it may not be sustainable.

Our stock price may be volatile or may decline regardless of our operating performance resulting in substantial losses for investors purchasing shares in this offering.

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

- actual or anticipated fluctuations in our operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet 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 the overall stock market, including as a result of trends in the economy as a whole;

> 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 will be 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 operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business, 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 will depend 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.

We may invest or spend the proceeds of this offering in ways with which you may not agree or in ways which may not yield a return.

We expect to use the net proceeds we receive from this offering for capital expenditures and for general corporate purposes, including working capital, sales and marketing activities, product development, and general and administrative matters. We may also use a portion of the net proceeds to acquire complementary businesses, products, services or technologies. We do not have any agreements or commitments for any acquisitions at this time. Our management will have considerable discretion in the application of the net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. The net proceeds may be used for corporate purposes that do not increase the value of our business, which could cause our stock price 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 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. After this offering, we will have outstanding shares of our common stock, based on the number of shares outstanding as of , 2012. This includes the shares included in this offering, which may be resold in the public market immediately. The remaining shares, or % of our outstanding shares after this offering, are currently restricted as a result of lock-up agreements but will be able to be sold in the near future as set forth below.

After this offering, the holders of an aggregate of shares of our common stock as of , 2012 will have rights, subject to some conditions, to require us to file registration...
statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders. Substantially all of these shares are subject to lock-up agreements restricting their sale for 180 days after the date of this prospectus, subject to potential extension in the event we release earnings results or a material event relating to us occurs near the end of the lock-up period. We also intend to register shares of common stock that we may issue under our employee equity incentive plans. Once we register these shares, they will be able to be sold freely in the public market upon issuance, subject to existing lock-up agreements. Morgan Stanley & Co. LLC may, in its sole discretion, permit our officers, directors, employees and current stockholders who are subject to the 180-day contractual lock-up to sell shares prior to the expiration of the lock-up agreements. The 180-day lock-up period is subject to extension in some circumstances.

**Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.**

The initial public offering price per share will be substantially higher than the pro forma net tangible book value per share of our common stock outstanding prior to this offering. As a result, investors purchasing common stock in this offering will experience immediate dilution of $ per share. This dilution is due in large part to the fact that our earlier investors paid substantially less than the initial public offering price when they purchased their shares of common stock. In addition, we have issued options to acquire common stock at prices significantly below the initial public offering price. To the extent outstanding options are ultimately exercised, there will be further dilution to investors in this offering. In addition, if the underwriters exercise their option to purchase additional shares from us or if we issue additional equity securities, you will experience additional dilution.

**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 will be 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 and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. 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 new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, 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.

We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

As a result of disclosure of information in this prospectus and in filings required of a public company, our business and financial condition will 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 and operating results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results.

As a result of becoming a public company, we will be obligated to develop and maintain proper and effective internal control over financial reporting. We may not complete our analysis of our internal control over financial reporting in a timely manner, or 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 will be required, pursuant to Section 404 of the Sarbanes–Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for the fiscal year ended January 31, 2014. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our independent registered public accounting firm has issued an opinion on our internal control over financial reporting.

We are in the very early stages of the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify 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 our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls, 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, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.
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, as amended and restated in connection with this offering, may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated 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.

Our directors, executive officers and significant stockholders will continue to have substantial control over us after this offering and could delay or prevent a change in corporate control.

After this offering, our directors, executive officers and holders of more than 5% of our common stock, together with their affiliates, will beneficially own, in the aggregate, % of our outstanding common stock. As a result, these stockholders, acting together, would have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, these stockholders, acting together, would have the ability to control the management and affairs of our company. Accordingly, this concentration of ownership might adversely affect the market price of our common stock by:

- delaying, deferring or preventing a change in control of the company;
- impeding a merger, consolidation, takeover or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of the company.
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and "Compensation Discussion and Analysis." Forward-looking statements include information concerning:

- our financial performance, including our revenues, cost of revenues, operating expenses, ability to generate positive cash flow and ability to attain and sustain profitability;
- our ability to effectively manage our growth;
- our ability to diversify our sources of revenues;
- our ability to attract and retain customers;
- our ability to drive increased use cases for our software with new and existing customers;
- our ability to introduce and successfully commercialize Splunk Storm and other new products and services;
- our ability to displace existing products in established markets;
- our ability to adapt to changing market conditions;
- the effects of increased competition in our markets;
- our ability to successfully enter new markets and manage our international expansion; and
- our ability to attract and retain qualified employees and key personnel.

Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" or similar expressions and the negatives of those terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in "Risk Factors" and elsewhere in this prospectus. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this prospectus. You should read this prospectus and the documents that we have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

You should rely only on the information contained in this prospectus or contained in any free writing prospectus prepared by or on behalf of us. Neither we, the selling stockholders nor the underwriters have authorized anyone to provide you with information different from, or in addition to, that contained in this prospectus or any related free writing prospectus. We, the selling stockholders and the underwriters are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is current only as of its date, regardless of its delivery. Our business, financial condition, results of operations and prospects may have changed since that date.

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This prospectus also contains estimates and other information concerning our industry, including market size and growth rates, that are based on industry publications, surveys and forecasts, including those generated by IDC and Gartner. This information involves a number of assumptions and limitations. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors." These and other factors could cause results to differ materially from those expressed in these publications.
USE OF PROCEEDS

We estimate that the net proceeds from our sale of [number of shares] shares of common stock in this offering at an assumed initial public offering price of $[price per share] per share, the midpoint of the price range set forth on the front cover of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $[net proceeds] million, or $[net proceeds with over-allotment] million if the underwriters' over-allotment option is exercised in full. A $1.00 increase (decrease) in the assumed initial public offering price would increase (decrease) the net proceeds to us from this offering by $[increase in net proceeds] million, assuming the number of shares offered by us, as set forth on the front cover of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions. We will not receive any proceeds from the sale of common stock by the selling stockholders.

The principal purposes of this offering are to increase our capitalization and financial flexibility, increase our visibility in the marketplace and create a public market for our common stock. As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds to us of this offering. However, we currently intend to use the net proceeds we receive from this offering primarily for general corporate purposes, including working capital, sales and marketing activities, product development, general and administrative matters, and capital expenditures. We may also use a portion of the net proceeds for the acquisition of, or investment in, technologies, solutions or businesses that complement our business, although we have no present commitments or agreements to enter into any acquisitions or investments. We will have broad discretion over the uses of the net proceeds in this offering. Pending these uses, we intend to invest the net proceeds from this offering in short-term, investment-grade interest-bearing securities such as money market accounts, certificates of deposit, commercial paper and guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have never declared or paid cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our common stock in the foreseeable future. Our loan and security agreement restricts our ability to pay cash dividends on our common stock and we may also enter into credit agreements or other borrowing arrangements in the future that will restrict our ability to declare or pay cash dividends on our common stock. Any future determination to declare dividends will be made at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant.
CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of October 31, 2011 on:

- an actual basis;
- on a pro forma basis to reflect the exercise and conversion to common stock of a warrant to purchase 200,000 shares of our Series A preferred stock, which occurred subsequent to October 31, 2011, the conversion of the Series C preferred stock warrants into warrants to purchase our common stock in connection with this offering, and the automatic conversion of all outstanding shares of our convertible preferred stock into 56,730,194 shares of our common stock prior to the completion of this offering; and
- on a pro forma as adjusted basis to reflect our receipt of the net proceeds from our sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the front cover of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses.

The information below is illustrative only, and our capitalization following the completion of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing as well as our actual expenses. You should read this table together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and the related notes appearing elsewhere in this prospectus.

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<td>Convertible preferred stock, $0.001 par value: 57,904,560 shares authorized, 56,730,194 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted</td>
<td>39,949</td>
</tr>
<tr>
<td>Stockholders’ equity (deficit):</td>
<td></td>
</tr>
<tr>
<td>Common stock, $0.001 par value; 106,511,960 shares authorized, 22,420,401 shares issued and outstanding, actual; 106,511,960 shares authorized, 79,350,595 shares issued and outstanding, pro forma; and 106,511,960 shares authorized, shares issued and outstanding, pro forma as adjusted</td>
<td>10,484</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(24)</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>52,742</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td></td>
</tr>
<tr>
<td>Total stockholders’ equity (deficit)</td>
<td></td>
</tr>
</tbody>
</table>

(1) A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, would increase (decrease) each of cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by $ million, assuming that the number of shares offered by us, as set forth on the front cover of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.
The number of shares of our common stock to be outstanding after this offering is based on 79,350,595 shares of our common stock outstanding as of October 31, 2011, which includes the exercise of a warrant to purchase 200,000 shares of our Series A preferred stock, which occurred subsequent to October 31, 2011, and excludes:

- 19,430,429 shares of common stock issuable upon the exercise of options outstanding as of October 31, 2011, with a weighted average exercise price of $1.39 per share;
- 3,328,000 shares of common stock issuable upon the exercise of options granted after October 31, 2011 through January 31, 2012, with an exercise price of $4.82 per share;
- 469,557 shares of common stock issuable upon the exercise of outstanding warrants to purchase shares of Series C preferred stock with an exercise price of $1.56 per share; and
- unallocated shares of common stock reserved for future issuance under our stock-based compensation plans, consisting of 2,462,856 shares of common stock reserved for future issuance under our 2003 Equity Incentive Plan, which shares will be added to the shares to be reserved under our 2012 Equity Incentive Plan, shares of common stock reserved for future issuance under our 2012 Equity Incentive Plan, which will become effective in connection with this offering, and shares of common stock reserved for future issuance under our 2012 Employee Stock Purchase Plan, which will become effective in connection with this offering, and shares that become available under our 2012 Equity Incentive Plan and 2012 Employee Stock Purchase Plan, pursuant to provisions thereof that automatically increase the share reserves under the plans each year, as more fully described in “Executive Compensation—Employee Benefit and Stock Plans.”
DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the amount per share paid by purchasers of shares of common stock in this initial public offering and the pro forma as adjusted net tangible book value per share of common stock immediately after this offering.

As of October 31, 2011, our net tangible book value was approximately $ , or $ per share of common stock. Net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the shares of common stock outstanding as of October 31, 2011, assuming the conversion of all outstanding shares of our convertible preferred stock and Series C preferred stock warrants into common stock, and the exercise of the Series A preferred stock warrants.

After giving effect to our sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the front cover of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses, our pro forma as adjusted net tangible book value as of October 31, 2011 would have been $ , or $ per share of common stock. This represents an immediate increase in pro forma as adjusted net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors purchasing shares in this offering.

The following table illustrates this dilution:

| Assumed initial public offering price per share | $ |
| Net tangible book value per share as of October 31, 2011 | $ |
| Increase per share attributable to this offering | |
| Pro forma as adjusted net tangible book value per share after this offering | |
| Net tangible book value dilution per share to new investors in this offering | $ |

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the front cover of this prospectus, would increase (decrease) our pro forma net tangible book value, as adjusted to give effect to this offering, by $ per share and the dilution in pro forma as adjusted net tangible book value per share to new investors in this offering by $ per share, assuming the number of shares offered by us, as set forth on the front cover of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses.

If the underwriters exercise their over-allotment option in full, sales by us in this offering will reduce the percentage of shares held by existing stockholders to % and will increase the number of shares held by our new investors to , or %.

The following table summarizes, on a pro forma as adjusted basis as of October 31, 2011, assuming the conversion of all outstanding shares of our convertible preferred stock into common stock, the total number of shares of common stock purchased from us, the total consideration paid to us, and the average price per share paid to us by existing stockholders and by new investors purchasing shares in this offering at the initial public offering price of $ per share, the midpoint of the price range set forth on the

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front cover of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses:

Each $1.00 increase (decrease) in the assumed public offering price of $\$\$\$ per share, the midpoint of the price range set forth on the front cover of this prospectus, would increase (decrease) total consideration paid by new investors, total consideration paid by all stockholders and the average price per share paid by all stockholders by $\$\$ million, $\$\$ million and $\$\$, respectively, assuming the number of shares offered by us, as set forth on the front cover of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses.

Sales of shares of common stock by the selling stockholders in this offering will reduce the number of shares of common stock held by existing stockholders to $\%\%$ of the total shares of common stock outstanding after this offering, and will increase the number of shares held by new investors to $\%\%$ of the total shares of common stock outstanding after this offering.

The foregoing discussion and tables exclude:

- 19,430,429 shares of common stock issuable upon the exercise of options outstanding as of October 31, 2011, with a weighted average exercise price of $1.39 per share;
- 3,328,000 shares of common stock issuable upon the exercise of options granted after October 31, 2011 through January 31, 2012, with an exercise price of $4.82 per share;
- 469,557 shares of common stock issuable upon exercise of outstanding warrants with an exercise price of $1.56 per share; and
- unallocated shares of common stock reserved for future issuance under our stock-based compensation plans, consisting of 2,462,856 shares of common stock reserved for future issuance under our 2003 Equity Incentive Plan, which shares will be added to the shares to be reserved under our 2012 Equity Incentive Plan, which will become effective in connection with this offering, and shares of common stock reserved for future issuance under our 2012 Employee Stock Purchase Plan, pursuant to provisions thereof that automatically increase the share reserves under the plans each year, as more fully described in "Management—Employee Benefit Plans."

To the extent that any outstanding options are exercised, new investors will experience further dilution. In addition, we may grant more options or warrants in the future.

---

<table>
<thead>
<tr>
<th>Shares Purchased</th>
<th>Total Consideration</th>
<th>Average Price Per Share</th>
</tr>
</thead>
</table>
| Number | Percent | Amount | Percent | %
| Existing stockholders | | | |
| New investors | | | |
| Total | | | |
**SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected consolidated financial data should be read together with our financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus. The selected financial data in this section is not intended to replace our financial statements and the related notes. Our historical results are not necessarily indicative of our future results.

We derived the consolidated statements of operations data for fiscal 2009, 2010 and 2011 and the consolidated balance sheet data as of January 31, 2010 and 2011 from our audited consolidated financial statements appearing elsewhere in this prospectus. The consolidated balance sheet data as of January 31, 2009 is derived from our audited consolidated financial statements, which are not included in this prospectus. The consolidated statements of operations data for fiscal 2008, and the consolidated balance sheet data as of January 31, 2008 are derived from our unaudited consolidated financial statements, which are not included in this prospectus. The consolidated statements of operations data for the fiscal year ended December 31, 2006, and the consolidated balance sheet data as of December 31, 2006 are derived from our audited consolidated financial statements, which are not included in this prospectus. The consolidated statements of operations data for the nine months ended October 31, 2010 and 2011 and the consolidated balance sheet data as of October 31, 2011 are derived from our unaudited consolidated financial statements appearing elsewhere in this prospectus.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands, except per share amounts)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated Statement of Operations Data:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$ 1,065</td>
<td>$ 7,742</td>
<td>$ 14,948</td>
<td>$ 27,183</td>
</tr>
<tr>
<td>License</td>
<td>$ 1,065</td>
<td>$ 7,742</td>
<td>$ 14,948</td>
<td>$ 27,183</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>$ 3,130</td>
<td>$ 3,208</td>
<td>$ 7,817</td>
<td>$ 16,319</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$ 4,195</td>
<td>$ 10,950</td>
<td>$ 22,765</td>
<td>$ 43,464</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>$ 46</td>
<td>$ 1,418</td>
<td>$ 2,711</td>
<td>$ 6,428</td>
</tr>
<tr>
<td>License</td>
<td>$ 4</td>
<td>$ 46</td>
<td>$ 86</td>
<td>$ 102</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>$ 40</td>
<td>$ 1,418</td>
<td>$ 2,711</td>
<td>$ 6,428</td>
</tr>
<tr>
<td>Total cost of revenues</td>
<td>$ 44</td>
<td>$ 1,464</td>
<td>$ 3,290</td>
<td>$ 6,656</td>
</tr>
<tr>
<td>Gross profit</td>
<td>$ 1,024</td>
<td>$ 7,608</td>
<td>$ 15,079</td>
<td>$ 39,513</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>$ 7,965</td>
<td>$ 14,547</td>
<td>$ 30,427</td>
<td>$ 62,883</td>
</tr>
<tr>
<td>Research and development(1)</td>
<td>$ 3,072</td>
<td>$ 5,198</td>
<td>$ 8,479</td>
<td>$ 14,025</td>
</tr>
<tr>
<td>Sales and marketing(1)</td>
<td>$ 3,377</td>
<td>$ 7,739</td>
<td>$ 17,281</td>
<td>$ 24,072</td>
</tr>
<tr>
<td>General and administrative(1)</td>
<td>$ 1,516</td>
<td>$ 1,610</td>
<td>$ 4,626</td>
<td>$ 8,949</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$ 7,965</td>
<td>$ 14,547</td>
<td>$ 30,427</td>
<td>$ 62,883</td>
</tr>
<tr>
<td>Operating loss</td>
<td>$ (6,941)</td>
<td>$ (6,539)</td>
<td>$ (15,068)</td>
<td>$ (7,283)</td>
</tr>
<tr>
<td>Operating loss (9)</td>
<td>$ (6,941)</td>
<td>$ (6,539)</td>
<td>$ (15,068)</td>
<td>$ (7,283)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>$ 317</td>
<td>$ 365</td>
<td>$ (332)</td>
<td>$ (69)</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>$ (6,624)</td>
<td>$ (6,574)</td>
<td>$ (14,736)</td>
<td>$ (7,372)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>$ 50</td>
<td>$ 2</td>
<td>$ 36</td>
<td>$ 79</td>
</tr>
<tr>
<td>Net loss</td>
<td>$ (6,674)</td>
<td>$ (6,576)</td>
<td>$ (14,772)</td>
<td>$ (7,451)</td>
</tr>
<tr>
<td>Net loss per share:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and Diluted</td>
<td>$ (0.55)</td>
<td>$ (0.53)</td>
<td>$ (1.14)</td>
<td>$ (0.52)</td>
</tr>
<tr>
<td>Basic and Diluted</td>
<td>$ (0.55)</td>
<td>$ (0.53)</td>
<td>$ (1.14)</td>
<td>$ (0.52)</td>
</tr>
<tr>
<td>Weighted-average shares outstanding:</td>
<td>$ 12,066</td>
<td>$ 12,399</td>
<td>$ 12,911</td>
<td>$ 14,392</td>
</tr>
<tr>
<td>Basic and Diluted</td>
<td>$ 12,066</td>
<td>$ 12,399</td>
<td>$ 12,911</td>
<td>$ 14,392</td>
</tr>
<tr>
<td>Pro forma net loss per share (unaudited)(2):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and Diluted</td>
<td>$ (0.05)</td>
<td>$ (0.12)</td>
<td>$ (0.12)</td>
<td>$ (0.12)</td>
</tr>
</tbody>
</table>

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Non-GAAP Financial Results

We believe that the use of non-GAAP operating loss is helpful for an investor to determine whether to invest in our common stock. In computing non-GAAP operating loss, we exclude stock-based compensation expense which represents non-cash charges for the fair value of stock options and other non-cash awards granted to employees. Because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact a company's non-cash operating expenses, we believe that providing a non-GAAP financial measure that excludes stock-based compensation expense allows for meaningful comparisons between our core business operating results and those of other companies, as well as providing us with an important tool for financial and operational decision making and for evaluating our own core business operating results over different periods of time.

Our non-GAAP operating loss may not provide information that is directly comparable to that provided by other companies in our industry, as other companies in our industry may calculate non-GAAP financial results differently, particularly related to non-recurring, unusual items. Our non-GAAP operating loss is not a measurement of financial performance under GAAP, and should not be considered as an

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

<table>
<thead>
<tr>
<th>Fiscal Year Ended December 31,</th>
<th>Fiscal Year Ended January 31,</th>
<th>Nine Months Ended October 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>2010</td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>(in thousands)</td>
<td>(in thousands)</td>
<td>(in thousands)</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>$3</td>
<td>$7</td>
</tr>
<tr>
<td>Research and development</td>
<td>$13</td>
<td>$32</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>$10</td>
<td>$41</td>
</tr>
<tr>
<td>General and administrative</td>
<td>$43</td>
<td>$484</td>
</tr>
<tr>
<td>Total stock-based compensation expense</td>
<td>$68</td>
<td>$90</td>
</tr>
</tbody>
</table>

(2) See Note 15 to our audited consolidated financial statements appearing elsewhere in this prospectus for an explanation of our pro forma basic and diluted net loss per share calculations.
alternative to operating income or as an indication of operating performance or any other measure of performance derived in accordance with GAAP. We do not consider non-GAAP operating loss to be a substitute for, or superior to, the information provided by GAAP financial results.

The following table reflects the reconciliation of GAAP operating loss to non-GAAP operating loss.

<table>
<thead>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GAAP operating loss</td>
<td>$(6,941)</td>
<td>$(6,939)</td>
<td>$(7,303)</td>
<td>$(3,294)</td>
<td>$(1,979)</td>
</tr>
<tr>
<td>Non-GAAP adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee stock-based compensation expense</td>
<td>69</td>
<td>90</td>
<td>767</td>
<td>1,300</td>
<td>1,585</td>
</tr>
<tr>
<td>Non-GAAP operating loss</td>
<td>$(6,872)</td>
<td>$(6,849)</td>
<td>$(6,083)</td>
<td>$(1,709)</td>
<td>$(823)</td>
</tr>
</tbody>
</table>

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the consolidated financial statements and related notes that are included elsewhere in this prospectus. This discussion contains forward looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward looking statements as a result of various factors, including those set forth under "Risk Factors" or in other parts of this prospectus. The last day of our fiscal year is January 31. Our fiscal quarters end on April 30, July 31, October 31 and January 31. Fiscal 2012, our current fiscal year, will end on January 31, 2012.

Overview

Splunk provides an innovative software platform that enables organizations to gain real-time operational intelligence by harnessing the value of their data. Our software collects and indexes data at massive scale, regardless of format or source, and enables users to quickly and easily search, correlate, analyze, monitor and report on this data, all in real-time. Our software is designed to help users in various roles, including IT and business professionals, quickly analyze machine data and realize real-time visibility into and intelligence about their organization's operations.

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 software architecture is designed to accelerate adoption and return-on-investment for our customers. It does 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, connect to their relevant machine data sources and begin realizing operational intelligence. We also offer customers with complex IT infrastructure the ability to leverage the expertise of our professional services organization to deploy our software. 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.

While we believe that there is a significant market opportunity for software that provides operational intelligence, this market is largely new and unproven. As a result, we often must educate prospective customers about the value of our products, which can result in lengthy sales cycles, particularly for larger prospective customers, as well as the incurrence of significant marketing expenses. Prospective customers may view purchases of our software as discretionary when compared to more traditional IT applications, and as a result, our sales may be adversely affected by downturns in general economic conditions more quickly and dramatically than other software providers. In addition, 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 fixed in the short-term.

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 our software both in the United States and internationally. As a result, we do not expect to be profitable in the near future. We also intend to increase our investment in capital expenditures in future periods.
We were incorporated in California in 2003 and reincorporated in Delaware in 2006. From 2003 until 2005, our activities were focused on research and development that resulted in the commercial release of our software in 2005. Since then, we have opened sales and marketing offices in Hong Kong, Germany, Singapore and the United Kingdom. For the nine months ended October 31, 2011, 24% of our revenues were derived from customers located outside the United States. Our customers represent a wide variety of industries, including financial services, manufacturing, retail and technology, among others. As of October 31, 2011, we had over 3,300 customers, including a majority of the Fortune 100. Some of our largest customers include Autodesk, Bank of America, Comcast, Etsy, Harvard University, Viacom and Zynga.

For fiscal 2009, 2010 and 2011, our revenues were $18.2 million, $35.0 million and $66.2 million, respectively, representing year-over-year growth of 93% for fiscal 2010 and 89% for fiscal 2011, and our net loss was $14.8 million, $7.5 million and $3.8 million, respectively. For the first nine months of fiscal 2011 and fiscal 2012, our revenues were $43.5 million and $77.8 million, respectively, representing year-over-year growth of 79%, and our net loss was $2.0 million and $9.7 million, respectively.

Components of Operating Results

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 substantial 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. 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 license 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.

Professional services and training revenues as a percentage of total revenues were 6% for the nine months ended October 31, 2011. 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.
We expect maintenance and services revenues to become a larger portion of our total revenues as our installed customer base grows.

**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, 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 for our maintenance and services organization, allocated overhead for facilities and IT, and consulting services. 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 includes salaries, employee benefit costs, bonuses, commissions as applicable, and stock-based compensation. 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. We expect that our research and development expenses will continue to increase as we increase our research and development headcount to further strengthen and enhance our software 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 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, legal, accounting and other professional services fees, and other corporate expenses. We have recently incurred, and expect to continue to incur, additional expenses as we grow our operations and prepare to operate as a public company, including higher legal, corporate insurance and accounting expenses, and the additional costs of achieving and maintaining compliance with Section 404 of the Sarbanes-Oxley Act and related regulations. We also expect that general and administrative expenses will continue to increase as we expand our operations, including internationally.

**Other Income (Expense), net**

Other income (expense), net consists primarily of the changes in the fair value of our preferred stock warrants, interest expense on our outstanding debt and interest income on our cash balances.
Provision for Income Taxes

Provision for income taxes consists of state and foreign income taxes. Because we have generated net losses, we have fully reserved for any potential future benefits for loss carryforwards and research and development and other tax credits.

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, and the results for the first nine months of fiscal 2012 are not necessarily indicative of results to be expected for the full year or for any other period.

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended January 31,</th>
<th>Nine Months Ended October 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td><strong>Consolidated Statement of Operations Data:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>License</td>
<td>$ 14,948</td>
<td>$ 27,183</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>3,208</td>
<td>7,817</td>
</tr>
<tr>
<td>Total revenues</td>
<td>18,156</td>
<td>35,000</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>License</td>
<td>86</td>
<td>102</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>2,711</td>
<td>3,188</td>
</tr>
<tr>
<td>Total cost of revenues</td>
<td>2,797</td>
<td>3,290</td>
</tr>
<tr>
<td>Gross profit</td>
<td>15,369</td>
<td>31,710</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>8,684</td>
<td>8,479</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>17,281</td>
<td>24,072</td>
</tr>
<tr>
<td>General and administrative</td>
<td>4,462</td>
<td>6,462</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>30,427</td>
<td>39,013</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(15,068)</td>
<td>(7,303)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>332</td>
<td>(69)</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(14,736)</td>
<td>(7,372)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>36</td>
<td>79</td>
</tr>
<tr>
<td>Net loss</td>
<td>$ (14,772)</td>
<td>$ (7,451)</td>
</tr>
</tbody>
</table>
First Nine Months of Fiscal 2011 and 2012

Revenues

<table>
<thead>
<tr>
<th></th>
<th>2009 (as % of revenues)</th>
<th>2010 (as % of revenues)</th>
<th>2011 (as % of revenues)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>License</td>
<td>82.3%</td>
<td>77.7%</td>
<td>75.4%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>17.7%</td>
<td>22.3%</td>
<td>24.6%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Total revenues</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

Cost of revenues

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>License</td>
<td>0.6%</td>
<td>0.4%</td>
<td>0.5%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>84.5%</td>
<td>40.8%</td>
<td>39.4%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Total cost of revenues</td>
<td>15.4%</td>
<td>9.4%</td>
<td>10.0%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>84.6%</td>
<td>90.6%</td>
<td>90.0%</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

Operating expenses

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>47.8%</td>
<td>24.2%</td>
<td>21.2%</td>
<td>-12.5%</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>95.2%</td>
<td>68.8%</td>
<td>60.2%</td>
<td>-2.3%</td>
</tr>
<tr>
<td>General and administrative</td>
<td>24.6%</td>
<td>18.5%</td>
<td>13.5%</td>
<td>-12.6%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>167.6%</td>
<td>111.5%</td>
<td>94.9%</td>
<td>-26.2%</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(83.0)%</td>
<td>(20.9)%</td>
<td>(4.9)%</td>
<td>(14.8)%</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>1.8%</td>
<td>(0.2)%</td>
<td>(0.6)%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(81.2)%</td>
<td>(21.1)%</td>
<td>(5.5)%</td>
<td>(15.6)%</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Net loss</td>
<td>(81.4)%</td>
<td>(21.3)%</td>
<td>(5.7)%</td>
<td>(15.6)%</td>
</tr>
</tbody>
</table>

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

Total revenues increased $34.3 million primarily due to growth in license 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 97 and 188 orders greater than $100,000 in the first nine months of fiscal 2011 and 2012, respectively. Our total number of customers increased to approximately 3,300 in the first nine months of fiscal 2012 from approximately 2,000 in the first nine months of fiscal 2011. The increase in maintenance and services revenues was due to increases in sales of maintenance agreements resulting from the growth of our installed customer base as well as sales.
of our professional services. We also experienced an increase in the proportion of our total revenues derived from customers outside the United States, which represented 20% and 24% of our total revenues in the first nine months of fiscal 2011 and 2012, respectively.

Cost of Revenues and Gross Margin

<table>
<thead>
<tr>
<th>Cost of revenues</th>
<th>2010 (in thousands)</th>
<th>2011 (in thousands)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>License</td>
<td>$ 123</td>
<td>$ 712</td>
<td>478.9%</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>4,214</td>
<td>7,458</td>
<td>77.0%</td>
</tr>
<tr>
<td>Total cost of revenues</td>
<td>$ 4,337</td>
<td>$ 8,170</td>
<td>88.4%</td>
</tr>
</tbody>
</table>

Gross margin

<table>
<thead>
<tr>
<th>Gross margin</th>
<th>2010 %</th>
<th>2011 %</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>License</td>
<td>99.6%</td>
<td>98.7%</td>
<td></td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>62.4%</td>
<td>66.5%</td>
<td></td>
</tr>
<tr>
<td>Total gross margin</td>
<td>90.0%</td>
<td>89.5%</td>
<td></td>
</tr>
</tbody>
</table>

Total cost of revenues increased $3.8 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 $1.6 million in salaries and benefits expense due to increased headcount, $0.9 million related to professional services expense and $0.4 million related to internal overhead costs allocations. Total gross margin was flat, although maintenance and services gross margin increased 4.1 percentage points due to increased leverage resulting from the increase in maintenance and services revenues as well as an increase in maintenance revenues as a percentage of total maintenance and services revenues.

Operating Expenses

<table>
<thead>
<tr>
<th>Operating expenses</th>
<th>2010 (in thousands)</th>
<th>2011 (in thousands)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>$ 9,181</td>
<td>$ 16,227</td>
<td>76.7%</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>25,663</td>
<td>48,337</td>
<td>88.4%</td>
</tr>
<tr>
<td>General and administrative</td>
<td>6,261</td>
<td>13,108</td>
<td>109.4%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$ 41,105</td>
<td>$ 77,672</td>
<td>89.0%</td>
</tr>
</tbody>
</table>

Percentage of revenues

<table>
<thead>
<tr>
<th>Percentage of revenues</th>
<th>2010 %</th>
<th>2011 %</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>21.1%</td>
<td>20.9%</td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>59.0%</td>
<td>62.2%</td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>14.4%</td>
<td>16.9%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>94.5%</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

Includes stock-based compensation of

<table>
<thead>
<tr>
<th>Includes stock-based compensation of</th>
<th>2010 (in thousands)</th>
<th>2011 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>$ 249</td>
<td>$ 531</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>352</td>
<td>829</td>
</tr>
<tr>
<td>General and administrative</td>
<td>512</td>
<td>824</td>
</tr>
<tr>
<td>Total stock-based compensation</td>
<td>$ 1,113</td>
<td>$ 2,184</td>
</tr>
</tbody>
</table>
Research and development expense.  Research and development expense increased $7.0 million primarily related to a $5.3 million increase in salaries and benefits as we increased headcount as part of our focus on further developing and enhancing our product. We also had increases of $1.0 million related to overhead costs and $0.4 million related to consulting fees.

Sales and marketing expense.  Sales and marketing expense increased $22.7 million primarily related to a $15.9 million increase in salaries and benefits, as we increased headcount to expand our field sales organization, as well as commissions on increased customer orders. During the nine months ended October 31, 2011, we opened sales offices in Hong Kong and Singapore. We also had an increase in marketing related expenses of $3.3 million, primarily as a result of a significant increase in advertising. Additionally, we experienced increases in overhead costs of $1.6 million and travel expenses of $1.5 million.

General and administrative expense.  General and administrative expense increased $6.8 million primarily related to a $1.9 million increase in salaries and benefits, as we increased headcount to support our overall growth. We also had an increase of $4.0 million in consulting and professional services fees related to accounting, legal and recruiting activities, and an increase of $0.6 million related to other office expenses.

Other Income (Expense), net

<table>
<thead>
<tr>
<th>Nine Months Ended October 31</th>
<th>2010</th>
<th>2011</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other income (expense), net</td>
<td>$32</td>
<td>$(1,585)</td>
<td>NM</td>
</tr>
</tbody>
</table>

Other income (expense) decreased $1.6 million primarily due to $1.5 million of expense associated with the revaluation of our preferred stock warrants.

Provision for Income Taxes

<table>
<thead>
<tr>
<th>Nine Months Ended October 31</th>
<th>2010</th>
<th>2011</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for income taxes</td>
<td>$80</td>
<td>$50</td>
<td>(37.5)%</td>
</tr>
</tbody>
</table>

We recorded income taxes that were principally attributable to state and foreign taxes.
Fiscal 2009, 2010 and 2011

Revenues

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Fiscal Year Ended January 31,</th>
<th>2009 to 2010</th>
<th>2010 to 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td>% Change</td>
<td>% Change</td>
</tr>
<tr>
<td>License</td>
<td>$14,948</td>
<td>$27,183</td>
<td>$49,926</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>3,208</td>
<td>7,817</td>
<td>16,319</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$18,156</td>
<td>$35,000</td>
<td>$66,245</td>
</tr>
</tbody>
</table>

| Percentage of revenues    |                               |              |              |
| License                   | 82.3%                         | 77.7%        | 75.4%        |
| Maintenance and services  | 17.7%                         | 22.3%        | 24.6%        |
| Total                     | 100.0%                        | 100.0%       | 100.0%       |

**Fiscal 2010 compared to fiscal 2011.** Total revenues increased $31.2 million, or 89.3%, primarily due to the increase in license revenues. The increase in license revenues of $22.7 million 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 151 orders greater than $100,000 in fiscal 2011 compared to 72 orders in fiscal 2010. Our total number of customers increased to approximately 2,300 in fiscal 2011 from approximately 1,400 in fiscal 2010. The increase in maintenance and services revenues of $8.5 million was primarily due to increases in sales of maintenance agreements resulting from the growth of our installed customer base. We also experienced an increase in the proportion of our total revenues derived from customers outside the United States, which represented 19% and 21% of our total revenues in fiscal 2010 and 2011, respectively.

**Fiscal 2009 compared to fiscal 2010.** Total revenues increased $16.8 million, or 92.8%, primarily due to the increase in license revenues. The increase in license revenues of $12.2 million 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 72 orders greater than $100,000 in fiscal 2010 compared to 36 orders in fiscal 2009. Our total number of customers increased to approximately 1,400 in fiscal 2010 from approximately 800 in fiscal 2009. The increase in maintenance and services revenues of $4.6 million was primarily due to increases in sales of maintenance agreements resulting from the growth of our installed customer base. We also experienced an increase in the proportion of our total revenues derived from customers outside the United States, which represented 13% and 19% of our total revenues in fiscal 2009 and 2010, respectively.
**Cost of Revenues and Gross Margin**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>License</td>
<td>$86</td>
<td>$102</td>
<td>$228</td>
<td>18.6%</td>
<td>123.5%</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>2,711</td>
<td>3,188</td>
<td>6,428</td>
<td>17.6%</td>
<td>101.6%</td>
</tr>
<tr>
<td>Total cost of revenues</td>
<td>$2,797</td>
<td>$3,290</td>
<td>$6,656</td>
<td>17.6%</td>
<td>102.3%</td>
</tr>
</tbody>
</table>

**Gross margin**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>License</td>
<td>99.4%</td>
<td>99.6%</td>
<td>99.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>15.5%</td>
<td>59.2%</td>
<td>60.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total gross margin</td>
<td>84.6%</td>
<td>90.6%</td>
<td>90.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Fiscal 2010 compared to fiscal 2011.** Total cost of revenues increased $3.4 million primarily due to the increase in cost of maintenance and services revenues. The increase in cost of maintenance and services revenues of $3.2 million was primarily related to a $2.0 million increase in salaries and benefits expense due to increased headcount, $0.7 million in professional services fees and $0.3 million in travel expenses. Total gross margin was flat, although maintenance and services gross margin increased slightly due to increased leverage resulting from the increase in maintenance and services revenues as well as an increase in maintenance revenues as a percentage of total maintenance and services revenues.

**Fiscal 2009 compared to fiscal 2010.** Total cost of revenues increased $0.5 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 in salaries and benefits expense due to increased headcount. Total gross margin increased 6.0 percentage points due to the increased leverage resulting from the increase in license revenues as well as an increase in maintenance revenues as a percentage of total maintenance and services revenues.

**Operating Expenses**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>$8,684</td>
<td>$8,479</td>
<td>$14,025</td>
<td>(2.4)%</td>
<td>65.4%</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>17,281</td>
<td>24,072</td>
<td>39,909</td>
<td>39.3%</td>
<td>65.8%</td>
</tr>
<tr>
<td>General and administrative</td>
<td>4,462</td>
<td>6,462</td>
<td>8,949</td>
<td>44.8%</td>
<td>38.5%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$30,427</td>
<td>$39,013</td>
<td>$62,883</td>
<td>28.2%</td>
<td>61.2%</td>
</tr>
</tbody>
</table>

**Percentage of revenues**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>47.8%</td>
<td>24.2%</td>
<td>21.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>95.2</td>
<td>68.8</td>
<td>60.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>24.6</td>
<td>18.5</td>
<td>13.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>167.6%</td>
<td>111.5%</td>
<td>94.9%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Includes stock-based compensation expense**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>$96</td>
<td>$215</td>
<td>$347</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>176</td>
<td>382</td>
<td>495</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>484</td>
<td>672</td>
<td>684</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total stock-based compensation expense</td>
<td>$756</td>
<td>$1,269</td>
<td>$1,526</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Research and development expense

Fiscal 2010 compared to fiscal 2011. Research and development expense increased $5.5 million primarily due to a $4.5 million increase in salaries and benefits expense as we increased headcount as part of our focus on further developing and enhancing our product. We also had increases of $0.4 million related to consulting fees and $0.3 million related to overhead costs.

Fiscal 2009 compared to fiscal 2010. Research and development expense decreased $0.2 million primarily due to a decrease in consulting fees.

Sales and marketing expense

Fiscal 2010 compared to fiscal 2011. Sales and marketing expense increased $15.8 million primarily due to a $10.8 million increase in salaries and benefits expense as we expanded our field sales organization, as well as commissions on increased customer orders. Other increases included marketing-related expenses of $1.9 million, employee related expenses, such as recruiting, events and training, of $1.1 million, travel expenses of $0.8 million, overhead costs of $0.8 million, and consulting fees of $0.4 million.

Fiscal 2009 compared to fiscal 2010. Sales and marketing expense increased $6.8 million primarily due to a $6.0 million increase in salaries, commissions, and benefits expense as we expanded our field sales organization, including the opening of a sales office in Germany, and $0.4 million related to overhead costs.

General and administrative expense

Fiscal 2010 compared to fiscal 2011. General and administrative expense increased $2.5 million primarily due to a $0.5 million increase in salaries and benefits expense as we grew headcount to support our overall growth. We also had an increase in professional services fees of $1.1 million related to accounting, legal and recruiting activities, and $0.5 million related to office expenses.

Fiscal 2009 compared to fiscal 2010. General and administrative expense increased $2.0 million primarily due to salaries and benefits expense of $0.6 million, employee related expenses for recruiting, events and training of $0.5 million, $0.3 million related to other office expenses and $0.3 million related to sales tax expense.

Other Income (Expense), net

<table>
<thead>
<tr>
<th>Fiscal Year Ended January 31</th>
<th>2009</th>
<th>2010</th>
<th>% Change</th>
<th>2010 to 2011</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other income (expense)</td>
<td>$ 332</td>
<td>$ 69</td>
<td>(NM)</td>
<td>$ (387)</td>
<td>NM</td>
</tr>
</tbody>
</table>

Fiscal 2010 compared to fiscal 2011. The decrease in other income of $0.3 million was primarily related to the revaluation of our preferred stock warrants.

Fiscal 2009 compared to fiscal 2010. The decrease in other income of $0.4 million related to reduced interest income primarily related to higher yields on investments in fiscal 2009.

Provision for Income Taxes

<table>
<thead>
<tr>
<th>Fiscal Year Ended January 31</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>% Change</th>
<th>2010 to 2011</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for income taxes</td>
<td>$ 36</td>
<td>$ 79</td>
<td>$ 125</td>
<td>119.4%</td>
<td>58.2%</td>
<td></td>
</tr>
</tbody>
</table>
In each of fiscal 2011, 2010 and 2009, we recorded income taxes that were principally attributable to state and foreign taxes.

Quarterly Results of Operations

The following tables set forth selected unaudited quarterly statements of operations data for the last seven fiscal quarters, as well as the percentage that each line item represents of total revenues. The information for each of these quarters has been prepared on the same basis as the audited annual financial statements included elsewhere in this prospectus and, in the opinion of management, includes all adjustments, which includes only normal recurring adjustments, necessary for the fair statement of the results of operations for these periods. This data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this prospectus. These quarterly operating results are not necessarily indicative of our operating results for any future period.

### Consolidated Statement of Operations Data:

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>License</td>
<td>$ 9,179</td>
<td>$ 11,547</td>
<td>$ 11,529</td>
<td>$ 17,671</td>
<td>$ 14,546</td>
<td>$ 18,766</td>
<td>$ 22,182</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>3,009</td>
<td>3,746</td>
<td>4,454</td>
<td>5,110</td>
<td>6,093</td>
<td>7,183</td>
<td>8,991</td>
</tr>
<tr>
<td>Total revenues</td>
<td>12,188</td>
<td>15,293</td>
<td>15,983</td>
<td>22,781</td>
<td>20,639</td>
<td>25,949</td>
<td>31,173</td>
</tr>
<tr>
<td><strong>Cost of revenues</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>License</td>
<td>37</td>
<td>43</td>
<td>43</td>
<td>105</td>
<td>136</td>
<td>423</td>
<td>153</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>1,119</td>
<td>1,476</td>
<td>1,619</td>
<td>2,214</td>
<td>1,868</td>
<td>2,550</td>
<td>3,040</td>
</tr>
<tr>
<td>Total cost of revenues(1)</td>
<td>1,156</td>
<td>1,519</td>
<td>1,662</td>
<td>2,319</td>
<td>2,004</td>
<td>2,973</td>
<td>3,193</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>11,032</td>
<td>13,774</td>
<td>14,321</td>
<td>20,462</td>
<td>18,635</td>
<td>22,976</td>
<td>27,980</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development(1)</td>
<td>2,469</td>
<td>2,902</td>
<td>3,810</td>
<td>4,433</td>
<td>4,388</td>
<td>5,144</td>
<td>6,475</td>
</tr>
<tr>
<td>Sales and marketing(1)</td>
<td>7,629</td>
<td>8,646</td>
<td>9,387</td>
<td>14,247</td>
<td>12,768</td>
<td>16,390</td>
<td>19,179</td>
</tr>
<tr>
<td>General and administrative(1)</td>
<td>1,664</td>
<td>2,050</td>
<td>2,547</td>
<td>2,688</td>
<td>3,292</td>
<td>4,446</td>
<td>5,370</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>11,762</td>
<td>13,598</td>
<td>15,744</td>
<td>21,779</td>
<td>20,398</td>
<td>26,250</td>
<td>31,024</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>(730)</td>
<td>176</td>
<td>(1,423)</td>
<td>(1,317)</td>
<td>(1,763)</td>
<td>(3,274)</td>
<td>(5,044)</td>
</tr>
<tr>
<td><strong>Other income (expense), net</strong></td>
<td>12</td>
<td>23</td>
<td>31</td>
<td>(419)</td>
<td>(483)</td>
<td>(636)</td>
<td>(466)</td>
</tr>
<tr>
<td><strong>Loss before income taxes</strong></td>
<td>(718)</td>
<td>199</td>
<td>(1,426)</td>
<td>(1,736)</td>
<td>(2,246)</td>
<td>(3,910)</td>
<td>(5,510)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>30</td>
<td>30</td>
<td>20</td>
<td>45</td>
<td>—</td>
<td>—</td>
<td>50</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>(748)</td>
<td>169</td>
<td>(1,446)</td>
<td>(1,781)</td>
<td>(2,246)</td>
<td>(3,910)</td>
<td>(3,560)</td>
</tr>
</tbody>
</table>

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

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<tr>
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</thead>
<tbody>
<tr>
<td><strong>Cost of revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>10</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>19</td>
<td>27</td>
<td>37</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>67</td>
<td>91</td>
<td>91</td>
<td>98</td>
<td>121</td>
<td>181</td>
<td>229</td>
</tr>
<tr>
<td>General and administrative</td>
<td>81</td>
<td>131</td>
<td>140</td>
<td>143</td>
<td>179</td>
<td>245</td>
<td>405</td>
</tr>
<tr>
<td><strong>Total stock-based compensation</strong></td>
<td>324</td>
<td>414</td>
<td>417</td>
<td>430</td>
<td>510</td>
<td>716</td>
<td>1,041</td>
</tr>
</tbody>
</table>

57
The following table reflects the reconciliation of operating income (loss) measured in accordance with GAAP to non-GAAP operating income (loss).

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Other Financial Data:</td>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-GAAP operating income (loss) (1)</td>
<td>$ (406)</td>
<td>$ 590</td>
<td>$ (1,006)</td>
<td>$ (887)</td>
<td>$ (1,253)</td>
<td>$ (2,558)</td>
<td>$ (2,003)</td>
</tr>
</tbody>
</table>

(1) We define non-GAAP operating income (loss) as net operating income (loss) plus stock-based compensation. Please see "Non-GAAP Financial Results" in the section titled "Selected Consolidated Financial Data" for more information.

The following table reflects the reconciliation of operating income (loss) measured in accordance with GAAP to non-GAAP operating income (loss).

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>GAAP operating income (loss)</td>
<td>$ (730)</td>
<td>$ 176</td>
<td>$ (1,423)</td>
<td>$ (1,763)</td>
<td>$ (3,274)</td>
<td>$ (3,044)</td>
<td></td>
</tr>
<tr>
<td>Non-GAAP adjustments</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Employee stock-based compensation expense</td>
<td>324</td>
<td>414</td>
<td>417</td>
<td>430</td>
<td>510</td>
<td>716</td>
<td>1,041</td>
</tr>
<tr>
<td>Non-GAAP operating income (loss)</td>
<td>$ (406)</td>
<td>$ 590</td>
<td>$ (1,006)</td>
<td>$ (1,253)</td>
<td>$ (2,558)</td>
<td>$ (2,003)</td>
<td></td>
</tr>
</tbody>
</table>

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<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Statement of Operations Data:</td>
<td>(as % of revenues)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>License</td>
<td>75.3%</td>
<td>75.5%</td>
<td>72.1%</td>
<td>77.6%</td>
<td>70.5%</td>
<td>72.3%</td>
<td>71.2%</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>24.7</td>
<td>24.5</td>
<td>27.9</td>
<td>22.4</td>
<td>29.5</td>
<td>27.7</td>
<td>28.8</td>
</tr>
<tr>
<td>Total revenues</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>License(1)</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.6</td>
<td>0.9</td>
<td>2.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Maintenance and services(1)</td>
<td>37.2</td>
<td>39.4</td>
<td>36.3</td>
<td>43.3</td>
<td>30.7</td>
<td>35.5</td>
<td>33.8</td>
</tr>
<tr>
<td>Total cost of revenues</td>
<td>9.5</td>
<td>9.9</td>
<td>10.4</td>
<td>10.2</td>
<td>9.7</td>
<td>11.5</td>
<td>10.2</td>
</tr>
<tr>
<td>Gross profit</td>
<td>90.5</td>
<td>90.1</td>
<td>89.6</td>
<td>89.8</td>
<td>90.3</td>
<td>88.5</td>
<td>89.8</td>
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<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>20.3</td>
<td>19.0</td>
<td>23.8</td>
<td>21.3</td>
<td>21.0</td>
<td>20.9</td>
<td>20.8</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>62.6</td>
<td>56.5</td>
<td>58.7</td>
<td>62.5</td>
<td>61.9</td>
<td>63.2</td>
<td>61.5</td>
</tr>
<tr>
<td>General and administrative</td>
<td>13.7</td>
<td>13.4</td>
<td>15.9</td>
<td>11.8</td>
<td>16.0</td>
<td>17.1</td>
<td>17.2</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>96.6</td>
<td>88.9</td>
<td>98.4</td>
<td>95.6</td>
<td>98.9</td>
<td>101.2</td>
<td>99.5</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>(6.1)</td>
<td>1.2</td>
<td>(8.8)</td>
<td>(5.8)</td>
<td>(8.6)</td>
<td>(12.7)</td>
<td>(9.7)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>0.2</td>
<td>0.1</td>
<td>(0.1)</td>
<td>(1.8)</td>
<td>(2.3)</td>
<td>(2.4)</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(5.9)</td>
<td>1.3</td>
<td>(8.9)</td>
<td>(7.6)</td>
<td>(10.9)</td>
<td>(15.1)</td>
<td>(11.2)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>0.2</td>
<td>0.2</td>
<td>0.1</td>
<td>0.2</td>
<td>—</td>
<td>—</td>
<td>0.2</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(6.1)%</td>
<td>1.1%</td>
<td>(9.0)%</td>
<td>(7.8)%</td>
<td>(10.9)%</td>
<td>(15.1)%</td>
<td>(11.4)%</td>
</tr>
</tbody>
</table>

(1) This percentage is calculated as a percentage of the associated revenues.
Seasonality, Cyclicality and Quarterly Trends

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 make it difficult to achieve sequential revenue growth in the first fiscal quarter. Other than the third fiscal quarter of fiscal 2012, we have historically experienced relatively flat revenues in the third fiscal quarter compared to the second fiscal quarter. We believe that third fiscal quarter revenues are generally flat compared to second fiscal quarter revenues due to a seasonal slow down in customer orders during the late summer months. We expect these seasonal patterns to continue. 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 timing of revenues in relation to our expenses, much of which does not vary directly with revenues, has an impact on the cost of revenues, research and development expense, sales and marketing expense, and general and administrative expense as a percentage of revenues in each fiscal quarter during the year. 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. Although these seasonal factors are common in the technology industry, historical patterns should not be considered a reliable indicator of our future sales activity or performance.

As is typical in the software industry, we expect a significant portion of our product license orders to be received in the last month of each fiscal quarter. We typically ship products shortly after the receipt of an order. We may have backlog consisting of product license orders that have not shipped and maintenance, professional and training services that have not been billed and for which the services have not yet been performed. Historically, our backlog has varied from quarter to quarter and has been immaterial to our total revenues.

Other than the first quarter of fiscal 2012, our total revenues have increased over the periods presented due to increased sales to new customers as well as incremental sales to existing customers that seek to increase their daily indexing capacity or expand the use of our software through additional use cases or broader deployment within their organizations. Total revenues decreased in the first quarter of fiscal 2012 and were relatively flat in the third quarter of fiscal 2011, primarily as a result of the seasonality of our business described above.

Other than the first quarter of fiscal 2012, research and development expenses increased sequentially in every quarter primarily due to increases in headcount-related expenses from continued hiring to develop and enhance our products. Research and development expenses modestly decreased on a sequential basis in the first quarter of fiscal 2012, primarily due to expenses recorded in connection with year-end bonuses to our research and development personnel in the fourth quarter of fiscal 2011.

Other than the first quarter of fiscal 2012, sales and marketing expenses increased sequentially in every quarter primarily due to increases in headcount-related expenses, as well as increased marketing programs and events. Increases in the fourth quarter of each fiscal year also relate to increased commissions earned on customer orders entered into at year-end. In the fourth quarter of fiscal 2011, the increase in sales and marketing expenses related to sales commission, year-end bonuses and increased branding expenses.

General and administrative expenses increased sequentially in every quarter primarily due to increases in headcount-related expenses, as well as increased consulting and professional services fees related to accounting, legal and recruiting activities to support growth in our business and additional costs incurred in preparation for our initial public offering.
Liquidity and Capital Resources

Since fiscal 2010 we have funded our operations primarily through cash generated from operations. Prior to fiscal 2010 we financed our operations through private sales of equity securities and to a lesser extent cash generated from operations. At October 31, 2011, our cash and cash equivalents of $23.0 million were held for working capital purposes and were invested primarily in money market funds. We intend to increase our capital expenditures in fiscal 2013, 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, and the continuing market acceptance of our products. 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

For the nine months ended October 31, 2011, cash inflows from our operating activities were $4.6 million, which reflects our net loss of $9.7 million, adjusted by non-cash charges of $5.4 million consisting primarily of $2.3 million for stock-based compensation, $1.5 million for the change in valuation of preferred stock warrants and $1.4 million for depreciation and amortization. Additional sources of cash inflows were from changes in our working capital, including a $14.3 million increase in deferred revenue, a $2.2 million increase in prepaid expenses and other current assets, and a $0.3 million decrease in accounts payable due to the timing of payments.

For the nine months ended October 31, 2010, cash inflows from our operating activities were $1.9 million, which reflects our net loss of $2.0 million, adjusted by non-cash charges of $2.1 million consisting primarily of $1.2 million for stock-based compensation and $0.7 million for depreciation and amortization. Additional sources of cash inflows were from changes in our working capital, including a $4.8 million increase in deferred revenue, a $3.6 million increase in accrued compensation and accrued expenses and other liabilities, primarily due to increased headcount, partially offset by a $5.9 million increase in accounts receivable, due to increased sales, and a $0.7 million increase in prepaid expenses and other current assets.
For fiscal 2011, we generated $8.4 million of cash inflows from our operating activities, which reflects our net loss of $3.8 million, adjusted by non-cash charges of $3.4 million consisting primarily of $1.6 million for stock-based compensation and $1.0 million for depreciation and amortization. Cash inflows included an increase of $11.0 million in deferred revenue, a $6.2 million increase in accrued compensation and accrued expenses and other liabilities, and a $0.5 million increase in accounts payable due to the timing of payments, primarily due to an increase in headcount, partially offset by an $8.0 million increase in accounts receivable associated with increased sales, and a $0.9 million increase in prepaid expenses and other current assets.

For fiscal 2010, cash inflows from our operating activities were $0.9 million, which reflects our net loss of $7.5 million, adjusted by non-cash charges of $2.6 million consisting primarily of $1.3 million for stock-based compensation and $0.9 million for depreciation and amortization. Additional sources of cash inflows were from changes in our working capital, including a $6.0 million increase in deferred revenue, a $1.5 million increase in accrued compensation and accrued expenses and other liabilities, and a $0.5 million increase in accounts payable due to the timing of payments, partially offset by a $2.2 million increase in accounts receivable associated with increased sales.

For fiscal 2009, cash outflows from our operating activities were $11.2 million, which reflects our net loss of $14.8 million, adjusted by non-cash charges of $2.2 million consisting primarily of $0.8 million for depreciation and amortization and $0.8 million for stock-based compensation. Sources of cash inflows were changes in our working capital, including a $3.4 million increase in deferred revenue and a $1.4 million increase in accrued compensation and accrued expenses and other liabilities, primarily due to increased headcount. These increases were partially offset by a $2.9 million increase in accounts receivable associated with increased sales, and a $0.5 million increase in prepaid expenses and other current assets.

**Investing Activities**

Our investing activities consist primarily of capital expenditures to purchase property and equipment, sales of short-term investments and changes in our restricted cash. In the future, we expect to continue to invest in capital expenditures to support our expanding operations.

During the nine months ended October 31, 2011, cash used in investing activities of $6.1 million was primarily attributable to capital expenditures for technology hardware to support our growth during the period, as well as leasehold improvements on our corporate headquarters.

During the nine months ended October 31, 2010, cash used in investing activities of $0.8 million was primarily attributable to capital expenditures during the period.

During fiscal 2011, cash used in investing activities of $1.3 million was primarily attributable to capital expenditures for technology and software to support our corporate infrastructure.

During fiscal 2010, cash provided by investing activities of $4.7 million was attributable to $4.9 million from the sale of securities. This was partially offset by $0.4 million in capital expenditures related to the purchase of computer equipment to support the growth of our business.

During fiscal 2009, cash provided by investing activities of $2.3 million was attributable to $5.4 million from the sale of securities. This was partially offset by $2.2 million in capital expenditures and by a $1.0 million increase in restricted cash related to the lease of our headquarters in San Francisco.

**Financing Activities**

Cash provided by financing activities for the nine months ended October 31, 2011, nine months ended October 31, 2010 and for fiscal 2011, 2010 and 2009 was $4.7 million, $0.5 million, $0.9 million, $1.5 million and $0.6 million, respectively, and was primarily attributable to proceeds received from the exercises of stock options partially offset by payments related to our financing arrangements described below.
Loan and Security Agreement

In May 2009, we entered into a loan and security agreement with Silicon Valley Bank, which was most recently amended in February 2011. The agreement includes a revolving line of credit facility and a term loan facility described below. The agreement contains financial covenants and other customary affirmative and negative covenants. As part of the agreement, we granted the lender a security interest in our personal property, excluding intellectual property and other intangible assets. The agreement also contains customary events of default. We were in compliance with all covenants as of October 31, 2011.

The agreement provides for a revolving line of credit facility, which expires May 27, 2012, and a term loan facility, with each advance amortized over a period of 36 months with equal monthly payments of principal and interest. We may borrow up to $10.0 million under the revolving line of credit facility, subject to a borrowing base determined on eligible accounts receivable and subject to a total maximum outstanding amount of $10.0 million. As of October 31, 2011, we had no balance outstanding on the revolving line of credit. Interest on any drawdown under the revolving line of credit accrues at the greater of prime rate plus 0.75% (4.75% as of October 31, 2011) and 4.75% per annum. As of October 31, 2011, the interest rate on the revolving lines of credit was 4.75% per annum. In addition to the line of credit facility, a $3.0 million term loan facility was available for draw through June 30, 2011. As of October 31, 2011, we had $2.5 million outstanding in term debt consisting of $1.0 million due between October 31, 2011 and October 31, 2012 and $1.5 million due between October 31, 2012 and October 31, 2014. The interest rate for the term debt is fixed at 5.5%.

Contractual Payment Obligations

The following summarizes our contractual commitments and obligations as of January 31, 2011:

<table>
<thead>
<tr>
<th>Payments Due by Period</th>
<th>Total</th>
<th>Less Than 1 year (in thousands)</th>
<th>1-3 years</th>
<th>3-5 years</th>
<th>More Than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease obligations</td>
<td>$ 5,959</td>
<td>$ 1,862</td>
<td>$ 3,319</td>
<td>$ 689</td>
<td>$ 89</td>
</tr>
</tbody>
</table>

Future operating lease obligations increased during the nine months ended October 31, 2011 for costs related to additional leases. During the nine months ended October 31, 2011, we executed amendments increasing the square footage of our headquarters in San Francisco. In addition, we entered into new operating lease agreements for our Cupertino and certain international locations. Payments associated with lease agreements increased by $3.4 million, of which $0.6 million is due by January 31, 2012, $2.6 million is due between January 31, 2012 and January 31, 2014, and $0.2 million is due between January 31, 2014 and January 31, 2015.

Off-Balance Sheet Arrangements

During fiscal 2009, 2010 and 2011 and the first nine months of fiscal 2012, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, that would 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 include indemnification provisions within certain of our contracts. Pursuant to these agreements, we will indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally parties with which we have commercial relations, in connection with certain intellectual property infringement claims by any third party with respect to our products and services. To date, there have not been any costs incurred in

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connection with such indemnification clauses and therefore, there is no accrual of such amounts at January 31, 2010 and 2011 and October 31, 2011.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with generally accepted accounting principles in the United States. The preparation of 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. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Revenue Recognition

We generate revenues primarily in the form of software license fees and related maintenance and services fees. License fees include perpetual license fees, term license fees and royalties. Maintenance and services primarily consist of fees for maintenance services (including support and unspecified upgrades and enhancements when and if they are available), training and professional services that are not essential to functionality.

We recognize revenues when all of the following conditions are met:

- there is persuasive evidence of an arrangement;
- the software or services have been delivered to the customer;
- the amount of fees to be paid by the customer is fixed or determinable; and
- the collection of the related fees is probable.

Signed agreements are used as evidence of an arrangement. If a contract signed by the customer does not exist, we have used a purchase order as evidence of an arrangement. In cases where both a signed contract and a purchase order exist, we consider the signed contract to be the final persuasive evidence of an arrangement. Electronic delivery occurs when we provide the customer with access to the software via a license key. We assess whether a fee is fixed or determinable at the outset of the arrangement, primarily based on the payment terms associated with the transaction. We do not generally offer extended payment terms with typical terms of payment due between 30 and 60 days from delivery of software. We assess collectibility of the fee based on a number of factors such as collection history and creditworthiness of the customer. If we determine that collectibility is not probable, revenue is deferred until collectibility becomes probable, generally upon receipt of cash.

When contracts contain multiple elements wherein vendor specific objective evidence, or VSOE, exists for all undelivered elements and the services, if any, are not essential to the functionality of the delivered elements, we account for the delivered elements in accordance with the "Residual Method." Perpetual license arrangements are typically accompanied by maintenance agreements. Maintenance revenues consist of fees for providing software updates on a when and if available basis and technical support for software products, or post-contract support, or PCS, for an initial term. Maintenance revenues are recognized ratably over the term of the agreement. We have established fair value for maintenance on perpetual licenses due to consistently priced standalone sales of maintenance. Revenues related to term license fees are recognized ratably over the contract term beginning on the date the customer has access to the software license key and continuing through the end of the contract term. In these cases we do not
have VSOE of fair value for maintenance as fees for support and maintenance are bundled with the license over the entire term of the contract.

License arrangements may also include professional services and training services, which are typically delivered early in the contract term. In determining whether professional services revenues should be accounted for separately from license revenues, we evaluate whether the professional services are considered essential to the functionality of the software using factors such as the nature of our software products; whether they are ready for use by the customer upon receipt; the nature of our implementation services, which typically do not involve significant customization to or development of the underlying software code; the availability of services from other vendors; whether the timing of payments for license revenues is coincident with performance of services; and whether milestones or acceptance criteria exist that affect the realizability of the software license fee. Substantially all of our professional services arrangements are billed on a time and materials basis and, accordingly, are recognized as the services are performed. Training revenues are recognized as training services are delivered. VSOE of fair value of professional and training services is based upon stand-alone sales of those services. Payments received in advance of services performed are deferred and recognized when the related services are performed.

We are unable to establish VSOE of fair value for all undelivered elements in certain arrangements that include time-based licenses, maintenance and services. If VSOE does not exist for any undelivered element of the arrangement, all revenue is deferred until all elements have been delivered, or VSOE is established. If VSOE does not exist for any undelivered services elements of the arrangement, all revenue is recognized ratably over the period that the services are expected to be performed, provided the undelivered services are expected to be delivered over a similar period.

We do not offer credits or refunds and therefore have not recorded any sales return allowance for any of the periods presented. Upon a periodic review of outstanding accounts receivable, amounts that are deemed to be uncollectible are written off against the allowance for doubtful accounts. Our policy is to record revenues net of any applicable sales, use or excise taxes.

We recognize revenues from the indirect sales channel upon sell-through by the partner or distributor. A sell-through is determined when we receive an order form from a reseller for a specific end-user sale. We do not offer right of return, product rotation or price protection to any of our channel partners. We also have licensing arrangements with Original Equipment Manufacturer, or OEM, and Managed Service Provider, or MSP, customers for which royalty fees are generally recognized as revenue upon receipt of reports of units shipped or usage levels, respectively.

In our consolidated statements of operations, revenues are categorized as license or maintenance and services revenues. We allocate revenues from arrangements containing multiple elements to each of these categories based on the VSOE of fair value for elements in each revenue arrangement and the application of the residual method for arrangements in which we have established VSOE of fair value for all undelivered elements. In arrangements where we are not able to establish VSOE of fair value for all undelivered elements, we first allocate revenues to any undelivered elements for which VSOE of fair value has been established, then allocate revenues to any undelivered elements for which VSOE of fair value has not been established based upon management's best estimate of fair value of those undelivered elements and apply a residual method to determine the license fee. Management's best estimate of fair value of undelivered elements for which VSOE of fair value has not been established is based upon the VSOE of similar offerings and other objective criteria.

Stock-Based Compensation

We account for stock-based compensation in accordance with the authoritative guidance on stock compensation. Under the fair value recognition provisions of this guidance, stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense, net of
estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award.

Determining the fair value of stock-based awards at the grant date requires judgment. We use the Black-Scholes option-pricing model to determine the fair value of stock options. The determination of the grant date fair value of options using an option-pricing model is affected by our estimated common stock fair value as well as assumptions regarding a number of other complex and subjective variables. These variables include the fair value of our common stock, the expected term of the options, our expected stock price volatility, risk-free interest rates, and expected dividends, which are estimated as follows:

> **Fair value of our common stock.** Because our stock is not publicly traded, we must estimate the fair value of common stock, as discussed in "Common stock valuations" below.

> **Expected term.** The expected term represents the period that our stock-based awards are expected to be outstanding. As we do not have sufficient historical experience for determining the expected term of the stock option awards granted, we have based our expected term on the simplified method available under U.S. GAAP.

> **Expected volatility.** As we do not have a trading history for our common stock, the expected stock price volatility for our common stock was estimated by taking the average historic price volatility for industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. We did not rely on implied volatilities of traded options in our industry peers’ common stock because the volume of activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock share price becomes available.

> **Risk-free rate.** The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.

> **Dividend yield.** We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

If any of the assumptions used in the Black-Scholes model changes significantly, stock-based compensation for future awards may differ materially compared with the awards granted previously.

The following table presents the weighted-average assumptions used to estimate the fair value of options granted during the periods presented:

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended January 31</th>
<th>Nine Months Ended October 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Expected term (in years)</td>
<td>6.08</td>
<td>6.08</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>57.9-59.2%</td>
<td>50.2%</td>
</tr>
<tr>
<td>Risk-free rate</td>
<td>1.82-3.36%</td>
<td>2.71-2.94%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

**Common stock valuations**

The fair value of the common stock underlying our stock options was determined by our board of directors, which intended all options granted to be exercisable at a price per share not less than the per share fair value of our common stock underlying those options on the date of grant. The valuations of our common stock were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, **Valuation of Privately-Held-Company Equity Securities Issued as Compensation.** The assumptions we used in the valuation model were based on future expectations.
combined with management judgment. In the absence of a public trading market, our board of directors with input from management exercised significant judgment and considered numerous objective and subjective factors to determine the fair value of our common stock as of the date of each option grant, including the following factors:

- contemporaneous independent valuations performed at periodic intervals by an independent valuation firm;
- the prices, rights, preferences and privileges of our preferred stock relative to the common stock;
- the purchase of shares of common stock by several holders of our preferred stock from certain former employees in June and July 2011;
- our operating and financial performance and forecast;
- current business conditions;
- the hiring of key personnel;
- our stage of development;
- the likelihood of achieving a liquidity event for the shares of common stock underlying these stock options, such as an initial public offering or sale of our company, given prevailing market conditions;
- any adjustment necessary to recognize a lack of marketability for our common stock;
- the market performance of comparable publicly traded technology companies; and
- the U.S. and global capital market conditions.

We granted stock options with the following exercise prices since February 1, 2011:

<table>
<thead>
<tr>
<th>Grant Date</th>
<th>Number of Options Granted</th>
<th>Common Stock Fair Value Per Share at Grant Date</th>
<th>Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 17, 2011</td>
<td>1,037,000</td>
<td>$2.14</td>
<td>$2.14</td>
</tr>
<tr>
<td>April 21, 2011</td>
<td>500,000</td>
<td>2.14</td>
<td>2.14</td>
</tr>
<tr>
<td>April 22, 2011</td>
<td>50,000</td>
<td>2.14</td>
<td>2.14</td>
</tr>
<tr>
<td>June 14, 2011</td>
<td>2,299,300</td>
<td>2.94</td>
<td>2.94</td>
</tr>
<tr>
<td>July 15, 2011</td>
<td>1,000,000</td>
<td>2.94</td>
<td>2.94</td>
</tr>
<tr>
<td>July 28, 2011</td>
<td>582,500</td>
<td>2.94</td>
<td>2.94</td>
</tr>
<tr>
<td>September 15, 2011</td>
<td>799,000</td>
<td>3.94</td>
<td>3.94</td>
</tr>
<tr>
<td>October 26, 2011</td>
<td>150,000</td>
<td>3.94</td>
<td>3.94</td>
</tr>
<tr>
<td>December 15, 2011</td>
<td>1,780,500</td>
<td>4.82</td>
<td>4.82</td>
</tr>
<tr>
<td>December 27, 2011</td>
<td>1,547,500</td>
<td>4.82</td>
<td>4.82</td>
</tr>
</tbody>
</table>

Based upon the assumed initial public offering price of $ per share, the aggregate intrinsic value of options outstanding as of January 31, 2012 was $ million, of which $ million related to vested options and $ million related to unvested options.

In order to determine the fair value of our common stock underlying option grants, we considered contemporaneous valuations of our stock from an independent valuation firm that provided us with their estimation of our enterprise value and the allocation of that value to each element of our capital structure (preferred stock, common stock, warrants and options). For stock options granted on or prior to October 26, 2011, our enterprise value was estimated using the market-based approach and, within the market-based approach, the comparable company method and the recent transaction method. The market-based approach considers multiples of financial metrics based on both acquisitions and trading multiples of
a selected peer group of technology companies. We selected the peer group of companies based on their size, business model, industry, business description and developmental stage. While we believe that the operational intelligence that our software provides to organizations differentiates us from other software companies, we selected this peer group from publicly traded companies and acquired companies that are similarly viewed as being in the information technology, application management and data monitoring industries.

Because of our historical net losses but significant revenue growth, a multiple of enterprise value to revenue was used as the valuation metric for the market-based approach. In other words, for stock options granted on or prior to October 26, 2011, the revenue multiples of the peer group of companies were applied to our forward revenue estimates for 2011 to generate a valuation. For these option grants, our indicated enterprise value at each valuation date was allocated to the shares of preferred stock, common stock, warrants and options using an option pricing method, or OPM. Estimates of the volatility were based on available information on the volatility of common stock of the same peer group of technology companies for each valuation period.

Significant factors considered by our board of directors in determining the fair value of our common stock at these grant dates include:

March and April 2011. In March and April 2011, the U.S. economy and the financial and stock markets were continuing to recover from the global financial crisis that began in 2008 and continued in 2009. The outlook for economic growth in 2011 remained uncertain as a result of the continued unpredictable nature of economic factors such as the unemployment rate, financial contagion from Europe, budget problems at state and local governments, and falling housing prices. During this period, we experienced a seasonal decline in sequential revenue growth, generating $20.7 million of revenues for the quarter ended April 30, 2011 compared to $22.8 million for the quarter ended January 31, 2011. However, our revenues exceeded our forecast, we added approximately 275 customers, and we released a new version of our software. As a result, we increased our forecast of revenues for the remainder of fiscal 2012. During this period we also hired our first general counsel.

Our board of directors considered these market conditions, especially for technology companies, our better than anticipated operating performance and reduced operating risk in our business when it determined the fair value of our common stock. In addition, our board of directors considered our enterprise value and related allocation of our enterprise value to each element of our capital structure as detailed in a report from an independent valuation firm.

After consideration of all of these factors, we determined to use a market approach weighing public company comparables at 50% and acquired company comparables at 50%. With respect to the public company comparables and based on our growth expectations, relative size and lack of profitability, a revenue multiple between the first quartile and median multiple of the peer group of technology companies was applied to our estimated revenues for 2011. With respect to the acquired company comparables the mean revenue multiple of the peer group was applied.

A discount rate of 25% was applied, based on the industry cost of capital for newly public companies in the technology industry. The enterprise value was then allocated to the common stock utilizing an OPM with the following assumptions: a time to liquidity event of two years, a risk free rate of 0.58% and volatility of 52% over the time to a liquidity event. The results of the OPM were reduced by a discount for lack of marketability of 20%. This resulted in our board of directors determining that the fair value of our common stock was $2.14 per share.

June and July 2011. In June and July 2011, the U.S. economy and the financial and stock markets were continuing to recover. While the strengthening of the U.S. private sector and the improving credit conditions for individuals and smaller businesses suggested stronger economic growth in 2011, the economic outlook continued to be uncertain due to a number of factors, including the large federal budget.
deficit, large increases in commodity prices and continued weakening of housing prices. During this period, we experienced sequential revenue growth, generating $26.0 million of revenues for the quarter ended July 31, 2011 compared to $20.7 million for the quarter ended April 30, 2011, which exceeded our forecast. As a result of these positive operating results, we increased our forecast of revenues for fiscal 2012. During this period, we also hired our first chief financial officer, added approximately 325 customers and were granted our U.S. patent covering our machine data web technology.

Our board of directors considered these market conditions, our better than anticipated operating performance, reduced operating risk in our business, the hiring of our first chief financial officer, and a shorter time to expected exit when it determined the fair value of our common stock. In addition, our board of directors considered our enterprise value and related allocation of our enterprise value to each element of our capital structure as detailed in a report from an independent valuation firm.

After consideration of all of these factors, we determined to use a market approach weighing public company comparables at 50% and acquired company comparables at 50%. With respect to the public company comparables and based on our growth expectations, relative size and lack of profitability, a revenue multiple between the first quartile and median multiple of the peer group of technology companies was applied to our estimated revenues for 2011. With respect to the acquired company comparables, the average revenue multiple of the closest comparable companies in the peer group based on business description was applied. The selection of these acquired companies from the peer group resulted in a higher multiple than the mean multiple of all of the acquired companies in the peer group. In addition, these selected companies had the most recent acquisition dates of all of the companies in the peer group.

A discount rate of 25% was applied, based on the industry cost of capital for newly public companies in the technology industry. The enterprise value was then allocated to the common stock utilizing an OPM with the following assumptions: a time to liquidity event of 1.75 years, a risk free rate of 0.51% and volatility of 42% over the time to a liquidity event. The results of the OPM were reduced by a discount for lack of marketability of 20%. This resulted in our board of directors determining that the fair value of our common stock was $2.94 per share.

September and October 2011. In September and October 2011, the U.S. economy and the financial and stock markets began to stabilize from the uncertainty and high volatility that they experienced in the late summer of 2011. However, the overall economic recovery remained tenuous. During this period, we experienced sequential revenue growth, generating $31.2 million of revenues for the quarter ended October 31, 2011 compared to $26.0 million for the quarter ended July 31, 2011, which exceeded our forecast. As a result of these positive operating results, we increased our forecast of revenues for fiscal 2012. During this period, we also added approximately 350 customers and introduced Splunk Storm, our cloud-based service currently in beta.

Our board of directors considered these market conditions, especially for technology companies, our better than anticipated operating performance, reduced operating risk in our business, and a shorter time to expected exit when it determined the fair value of our common stock. In addition, our board of directors considered our enterprise value and related allocation of our enterprise value to each element of our capital structure as detailed in a report from an independent valuation firm.

After consideration of all of these factors, we determined to use a market approach weighing public company comparables at 37.5%, acquired company comparables at 37.5%, and the recent transaction method at 25%. The recent transaction method was added as a valuation methodology due to the purchase by existing preferred stock investors of 46,812 shares of common stock held by some of our employees at a price of $5.55 per share on September 9, 2011. Based on the terms of the transaction, the relatively small number of shares purchased in the transaction, the limited number of parties involved in the transaction, and the purchasers’ desire to increase the size of their investments in the company and their belief that the value of the company will appreciate over time, a 25% weighting was deemed appropriate as an indication.
of our value. With respect to the public company comparables and based on our growth expectations, relative size and lack of profitability, the median multiple of the peer group of technology companies was applied to our estimated revenues for 2011. With respect to the acquired company comparables, the average revenue multiple of the closest comparable companies in the peer group based on business description was applied. The selection of these acquired companies from the peer group resulted in a higher multiple than the mean multiple of all of the acquired companies in the peer group. In addition, these selected companies had the most recent acquisition dates of all of the companies in the peer group.

A discount rate of 25% was applied, based on the industry cost of capital for newly public companies in the technology industry. The enterprise value was then allocated to the common stock utilizing an OPM with the following assumptions: a time to liquidity event of 1.25 years, a risk free rate of 0.24% and volatility of 38% over the time to a liquidity event. The results of the OPM were reduced by a discount for lack of marketability of 15%. This resulted in our board of directors determining that the fair value of our common stock was $3.94 per share.

December 2011. In December 2011, the overall economic outlook remained uncertain, with some economists foreseeing significantly weaker prospects for the U.S. economy in 2011 and 2012 as the country struggled to avoid another recession. However, during this period, we continued to experience sequential revenue growth and expected to exceed our forecast for fiscal 2012. We also made significant progress in our preparation for a potential initial public offering.

Our board of directors considered market conditions, especially for technology companies, our better than anticipated operating performance, reduced operating risk in our business, and a shorter time to expected exit when it determined the fair value of our common stock. In addition, our board of directors considered our enterprise value and related allocation of our enterprise value to each element of our capital structure as detailed in a report from an independent valuation firm.

After consideration of all of these factors, we determined to use a probability-weighted expected return model, or PWERM, to determine our enterprise value and related allocation. This approach models potential future liquidity events and applies probabilities to each scenario. These future liquidity events are then discounted to present value and, after applying the relevant probability for each potential event, result in a probability-weighted equity value of the company. We estimated the probability of an initial public offering in 2012 at 40%, an initial public offering in 2013 at 10%, a merger or sale of the company in 2012 at 35%, and a merger or sale of the company in 2013 at 15%. The implied revenue multiples resulting from the exit values for each of these future liquidity events ranged from the first quartile to third quartile of the last 12 month revenue multiples of the public company comparables and ranged from the low to the third quartile of the last 12 month revenue multiples of the acquired company comparables. A discount rate of 25% was applied, based on the industry cost of capital for newly public companies in the technology industry. The results of the PWERM were reduced by a discount of 13% for lack of marketability. This resulted in our board of directors determining that the fair value of our common stock was $4.82 per share.

Income Taxes

Income taxes are accounted for under the asset and liability method in accordance with authoritative guidance for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

We adopted the provisions of ASC 740-10, Accounting for Uncertainty in Income Tax, on February 1, 2009. There was no impact upon adoption of ASC 740-10 as our liability recognized under previous
accounting guidance was consistent with that required under the new guidance. We have adopted the accounting policy that interest expense and penalties relating to income tax position are classified within the provision for income taxes.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risks, primarily changes in interest rates.

**Interest Rate Risk**

Our exposure to market risk for changes in interest rates primarily relates to our investments and any variable rate indebtedness.

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.

Any draws under our revolving credit facility bear interest at a variable rate tied to the prime rate. As of October 31, 2011, we had no outstanding debt under our revolving credit facility.

**Foreign Currency Exchange Risk**

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Substantially 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 U.S. 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 exchanges 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 last three fiscal years or in the nine months ended October 31, 2011. 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.

Recent Accounting Pronouncements

In May 2011, the FASB further amended its guidance related to fair value measurements in order to achieve common fair value measurements between U.S. GAAP and International Financial Reporting Standards. The amendments in the updated guidance explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. The amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the updated guidance should not result in a change in the application of previous fair value measurement guidance. The updated guidance is effective during interim and annual periods beginning after December 15, 2011. We do not expect the adoption of this guidance on February 1, 2012 to have a significant impact on our consolidated financial statements.
In June 2011, the FASB updated its guidance related to the presentation of comprehensive income. Under the updated guidance, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The updated guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders’ equity. The updated guidance does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The updated guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011, with early adoption permitted. The updated guidance must be applied retrospectively. We do not expect the adoption of this guidance on February 1, 2012 to have a significant impact on our consolidated financial statements.
BUSINESS

Overview

Splunk provides an innovative software platform that enables organizations to gain real-time operational intelligence by harnessing the value of their data. Our software collects and indexes data at massive scale, regardless of format or source, and enables users to quickly and easily search, correlate, analyze, monitor and report on this data, all in real time. Our software addresses the risks, challenges and opportunities organizations face with increasingly large and diverse data sets, commonly referred to as big data, and is 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 software is designed to help users in various roles, including IT and business professionals, quickly analyze their machine data and realize real-time visibility into and intelligence about their organization's operations. This operational intelligence enables organizations to improve service levels, reduce costs, mitigate security risks, demonstrate and maintain compliance and gain new insights that enable them to drive better business decisions.

The core of our software is a proprietary machine data engine, comprised of collection, indexing, search and data management capabilities. Our software can collect and index terabytes of information daily irrespective of format or source. Our machine data engine uses our innovative data architecture that enables dynamic, schema creation on the fly, allowing users to run queries on data without having to understand the structure of the data prior to collection and indexing. Our machine data fabric for data collection and indexing delivers speed and scalability when processing massive amounts of machine data. Our software leverages improvements in the cost and performance of commodity computing and can be deployed in a wide variety of computing environments, from a single laptop to large globally distributed data centers.

To extend our software's functionality, customers can deploy additional solutions as well as lightweight applications, or apps, on top of our core data engine. Our apps, which are available for download via our Splunkbase website, provide incremental functionality in the form of pre-built data inputs, searches, reports, alerts and dashboards, and are generally available for free. We, along with a number of third-party developers and customers, have developed over 300 apps for specific use cases in our core and adjacent markets. We also build and deliver a select number of packaged solutions that provide more robust functionality targeting a specific end market or use case. We currently provide Splunk for Enterprise Security and Splunk for PCI Compliance and have made available, through a controlled preview, Splunk for VMware. These packaged solutions and apps allow our customers to further extend the value of their machine data using our software. We provide APIs and SDKs in various programming languages that enable developers to leverage our machine data engine and its broad capabilities in their own software. In addition to our packaged solutions and apps, we are investing in the development of Splunk Storm, which is a cloud-based service currently in beta that provides a subset of our software's capabilities, but is tailored for machine data in the cloud. Our online user communities, Splunkbase and Splunk Answers, provide our customers with an environment to share these apps, collaborate on the use of our software and provide community-based support. We believe this user-driven ecosystem results in greater use of our software and drives cost-effective marketing, increased brand awareness and viral adoption of our product.

Our software is designed to accelerate adoption and return-on-investment for our customers. It does 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 and begin realizing operational intelligence. We also offer customers with complex IT infrastructure the ability to leverage the expertise of our professional services organization to deploy our software.

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As of October 31, 2011, we had over 3,300 customers, including a majority of the Fortune 100. Some of our largest customers include Autodesk, Bank of America, Comcast, Etsy, Harvard University, Viacom and Zynga. Our customers pay license fees based on their estimated indexing capacity needs. For fiscal 2009, 2010 and 2011, our revenues were $18.2 million, $35.0 million and $66.2 million, respectively, representing year-over-year growth of 93% for fiscal 2010 and 89% for fiscal 2011, and our net loss was $14.8 million, $7.5 million and $3.8 million, respectively. For the first nine months of fiscal 2011 and fiscal 2012, our revenues were $43.5 million and $77.8 million, respectively, representing year-over-year growth of 79%, and our net loss was $2.0 million and $9.7 million, respectively.

Industry Background

The Increasing Use, Diversity and Complexity of Technology are Generating Explosive Data Growth.

Organizations have broadly deployed business applications and related IT infrastructure to automate processes and improve performance in sales, marketing, customer support, human resources, product development, engineering, finance and operations. As more business processes involving employees, customers, partners, suppliers and other constituents are transacted through software and web-based applications, the amount of digital information produced by these applications and the hardware devices that run them has grown substantially.

According to IDC, the volume of digital information created and replicated worldwide will grow approximately 45% annually from 1.8 trillion gigabytes in 2011 to 7.9 trillion gigabytes in 2015. The large and diverse data sets that make up this digital information are often referred to as big data and are generally categorized into business application data, human-generated content and machine data.

- Business application data is the digital information used by organizations to conduct their daily operations, such as payroll, supply chain and financial data. Most business applications rely on traditional relational database technology and software that have pre-defined data structures, or schema for organizing, storing, accessing and reporting on structured data.

- Human-generated content is the digital information derived from human-to-human interactions, including email communications, spreadsheets and documents, and in recent years, mobile text messages, video, photos, recorded audio and social media messaging. Human-generated content typically comes in the form of unstructured data, which means that it is not optimized for storage in a relational database.

- Machine data is produced by nearly every software application and electronic device. The applications, servers, network devices, desktop and laptop computers, mobile devices and various other systems that organizations have deployed to support their operations are continuously generating information relating to their status and activities. Machine data can be found in a variety of formats such as application log files, call detail records, clickstream data associated with user web interactions, data files, system configuration files, alerts and tickets. It is generated by both machine-to-machine as well as human-to-machine interactions. Outside of an organization's traditional IT 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 machine data. Machine data can be structured or unstructured.

The increasing complexity of IT infrastructures driven by the adoption of virtual servers and desktops, as well as cloud-based services and mobile technologies, has accelerated the growth of machine data. For example, according to Gartner, the number of x86 server instances deployed globally per year, including virtual servers, is expected to grow from 19.4 million in 2010 to over 59.3 million in 2015. Additionally,
according to IDC, the number of internet-enabled access devices globally is expected to grow from 2.3 billion devices in 2010 to over 4.6 billion devices in 2015.

**Machine Data is a Strategic Asset that Organizations can Leverage to Gain Operational Intelligence.**

As organizations have become highly reliant on their technology assets, they require end-to-end visibility, analytics, and real-time intelligence across all of their applications, services and IT infrastructure to achieve required service levels, manage costs, mitigate security risks, demonstrate and maintain compliance and gain new insights to drive better business decisions. Machine data provides a definitive, time-stamped record of current and historical activity and events within and outside an organization, including application and system performance, user activity, system configuration changes, electronic transaction records, security alerts, error messages and device locations. Machine data in a typical enterprise is generated in a multitude of formats and structures, as each software application or hardware device records and creates machine data associated with their specific use. Machine data also varies among vendors and even within the same vendor across product types, families and models.

The table below illustrates the type of machine data created and the business and IT insights that can be derived when a single web visitor makes a purchase in a typical ecommerce environment:

<table>
<thead>
<tr>
<th>Action</th>
<th>Machine Data Example (subset of information generated)</th>
<th>Illustrative Business / IT Insights</th>
</tr>
</thead>
</table>
| Customer adds product to ecommerce / website shopping cart | ![Machine Data Example](image) | - Customer demand  
- Shopping cart activity  
- Website troubleshooting |
| Customer completes transaction through credit card purchase | ![Machine Data Example](image) | - Customer behavior  
- Inventory updates  
- Fraud heuristics analysis  
- Real-time product sales tracking |
| Web server attempts to write to database | ![Machine Data Example](image) | - Nature of application error  
- Source of error |

The illustration above is an example of the type and amount of valuable information generated by a single website visitor that is recorded in the machine data of IT systems. A typical ecommerce site serving thousands of users a day will generate gigabytes of machine data which can be used to provide significant insights into the IT infrastructure and business operations. As this information is constantly being generated by IT systems, enterprises have the opportunity to realize real-time intelligence about their operations by analyzing machine data.

**Existing IT and Business Intelligence Solutions are Unable to Fully Unlock the Value of Machine Data.**

While machine data has always been generated by computing environments, many organizations have failed to recognize the value of this data or have encountered challenges extracting value from it. As a result, diverse, heterogeneous machine data is largely ignored and restricted to ad hoc use at the time of troubleshooting IT failures or errors.

A number of IT management products are available to analyze log files and other information related to specific devices, applications or use cases. However, these point solutions are generally narrowly scoped to only work with specific data formats and systems and are unable to correlate machine data from multiple sources, formats and systems for both historical and real-time analysis without significant
configuration. Because each point solution targets a specific use case or data format, multiple point solutions are required to understand, cross-correlate and take advantage of the multitude of machine data sets available to an organization. This can lead to significant IT management complexity as well as significant capital and IT resource expenditures.

While computing environments have always generated large amounts of machine data, current legacy IT operations management, security and compliance and business intelligence technologies, such as relational databases, online analytical processing, or OLAP, engines and other analytical tools are built on software optimized for structured data, namely data where the structure is known and can thus be placed into pre-defined relational databases. Most of today's enterprise applications are architected for managing data in legacy relational databases. However, because machine data exists in a variety of formats and can be structured or unstructured, these legacy systems are not optimized to address the massive amounts of dynamic machine data generated within an organization. According to IDC, nearly 90% of data growth over the next few years, across IT and other operating environments, will come from unstructured content, a tangible portion of which will be machine data. Unstructured data generally, and machine data in particular, is extremely diverse and complex. Legacy data tools, which are generally designed to handle structured data, need to be re-architected to effectively address the complexity of machine data. If either the analysis or the format of the data changes, the legacy systems need to re-collect and normalize the data, and the application that leveraged the database need to modify their structure to handle the new data formats. Many legacy solutions are also expensive to install and maintain, often needing extended deployment and update cycles that require significant professional services, extensive training and technical support over several months, and sometimes years.

Point products as well as legacy IT systems were not built to address the challenges and opportunities of machine data. Moreover, existing solutions and systems are not architected to take advantage of recent improvements in the price and performance of computing and storage systems, and in many cases require significant investment in computing hardware. Because of these limitations, these solutions and systems are unable to fully leverage the information and value in machine data to provide historical and real-time operational intelligence across a wide variety of use cases.

Our Opportunity

We believe there is a large opportunity to help organizations unlock the value of machine data. Organizations need to capture the value locked in their machine data to enable more effective application management, IT operations management, security and compliance, and to derive intelligence and insight across the organization. Our software enables users to realize real-time operational intelligence across their business. While our software may be used to collect and index all types of data, including business application data and human-generated content, our primary market opportunity is focused on enabling our users to harness the value of their machine data.

We believe software that provides operational intelligence addresses several established markets that in aggregate have been estimated by Gartner to be approximately $32 billion in 2012. Specifically, Gartner expects the market that our products address for IT operations, in which, for purposes of its market study, Gartner includes application management, to be approximately $18.6 billion in 2012; the market that our products address for business intelligence, including web analytics software, to be approximately $12.5 billion in 2012; and the market that our products address for security information and event management software to be approximately $1.3 billion in 2012. Beyond these areas, we believe software that provides operational intelligence can address a wide variety of additional markets in areas such as online marketing optimization, video-on-demand analytics, radio-frequency identification tracking and scientific applications using time-series data.
Our Solution

Our mission is to make machine data accessible, usable and valuable to everyone in an organization. Splunk enables organizations to gain real-time operational intelligence by harnessing the value of their machine data. Splunk’s intuitive, browser-based approach to analyzing machine data makes our software easy to use and extend, allowing both technical and non-technical users to, with minimal training, use our products. Our customers leverage our software for various use cases, including infrastructure and operations management, applications management, security and compliance, business and web analytics, and scientific applications, among many others. Our software helps users derive new insights from machine data that can be used to, among others, improve service levels, reduce operational costs, mitigate security risks, demonstrate and maintain compliance and gain new insights that enable them to drive better business decisions. The result is a new level of operational visibility enabling more informed business decisions that can provide significant competitive advantage for our customers.

Key Benefits

Real-time operational intelligence and visibility. Our software collects and indexes data at massive scale, regardless of the format or source, and enables users to quickly and easily search, correlate, analyze, monitor and report on this data, all in real time. Our software enables users to identify problems, get answers and gain new business insights and intelligence from machine data across their globally distributed enterprise all through one platform. On the other hand, multiple point solutions, such as traditional application management, IT operations management, security and compliance and business intelligence tools, provide a more narrow view of the customer's operations as these products are only focused on one area of the infrastructure.

Low total cost of ownership. Our software enables customers to improve their customer service levels and systems availability, reduce operational costs, improve security and compliance, and increase business insights. Although our data engine can index terabytes of data daily, it does not require the high-end hardware, software, extensive professional services or other capital intensive IT investments commonly associated with traditional enterprise software. In addition, our customers have the option of purchasing our software on either a perpetual or term basis.

Fast time to value. Unlike traditional relational databases or business and IT applications, our software does not require custom implementations or long deployment cycles. While some enterprises leverage our professional services team to deploy our software in large, highly complex IT environments, most users simply download and install the software, typically in a matter of hours, to connect to the relevant machine data sources and begin realizing operational intelligence. Given our software's ease-of-use, our professional services engagements are typically short in duration and last from a few days to up to several weeks, significantly shorter than the professional services engagements associated with traditional enterprise software.

Ease of use. While we utilize complex data structures and algorithms in our machine data engine, we abstract that complexity to provide a compelling, intuitive interface similar to that of an internet search engine. Our software can be accessed through a standard web browser and requires limited training, saving on time and cost as well as making it accessible to the broader set of non-technical users. In addition, we provide flexible and easy-to-use tools to create ad-hoc searches, reports and custom dashboards to visualize business and operational activity and trends derived from machine data.

Highly scalable and flexible data engine. Our machine data engine, machine data fabric and broad technology stack are built to be highly flexible and scalable, allowing our customers to index terabytes of data daily and search petabytes of historical data. Our software can operate in a single data center or globally across multiple data centers both inside and outside an organization, and all from a single user
Our Growth Strategy

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 strategy are:

**Extend our technological capabilities.** We intend to continue to invest heavily in our product development efforts to deliver additional features, address customer needs and enable solutions that can address new end markets. We will continue to expand into adjacent product and technology areas that enable organizations to further unlock the value of their machine data. For example, we are actively investing in Splunk Storm, a cloud-based service that provides a subset of capabilities relative to our current software, and is tailored for machine data in the cloud.

**Continue to expand our direct and indirect sales organization, including our channel relationships, to acquire new customers.** We will continue to increase investments in our sales and marketing organizations to drive efficient acquisition of new customers across geographies and industries. We will continue to expand our sales operations globally to support new and existing customers in these regions. We will continue to invest in and foster the growth of our channel relationships, particularly outside the United States where channel partners provide greater sales leverage and play a greater role in the sales process. For example, we have increased the number of sales representatives and sales engineers in our direct and indirect sales teams and have grown our distributor and reseller partner network to over 200 channel partners worldwide as of October 31, 2011.

**Further penetrate our existing customer base.** We will continue to cultivate incremental sales from our existing customers by driving increased use of our software within organizations. In particular, we continue to seek to upsell existing customers for additional deployments and new use cases which will drive higher daily indexing needs. We believe our existing customer base serves as a strong source of incremental revenues given the horizontal applicability of our software and the growing machine data volumes our customers face. Our sales teams are responsible for driving renewals of existing contracts as well as increased adoption of our software by existing customers.

**Develop additional solutions in adjacent markets as well as products that enable organizations to use our software in different ways, such as Splunk Storm, our cloud-based service.** We believe there is a significant opportunity to provide additional solutions that leverage our core machine data engine to help organizations understand and unlock the value of their machine data in specific end markets and use cases. For example, our Splunk Enterprise Security solution enables customers to effectively target enterprise security events. We will continue to invest in both our core machine data engine as well as end-market specific packaged solutions to drive Splunk market penetration, expand our addressable market opportunity and make Splunk a more targeted solution for the machine data problems our customers and prospects encounter.
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. We believe our user community has the potential to provide significant operating leverage by delivering apps that extend our software's functionality to new use cases. We will continue to invest in business development initiatives in order to add additional OEM and strategic relationships to enable new sales channels for our software as well as extend our integration with third party products. In addition, once these relationships have been established, we expect that OEM vendors and managed service providers will invest in and create customized application functionality based on our machine data engine.

Become the developer platform for machine data. We intend to continue our investments in SDKs and APIs that help software developers leverage the functionality of our machine data engine. Our SDKs enable developers to build solutions that deeply integrate the functionality of our machine data engine and machine data fabric as well as access the data stored in the data indexes. Through our investments in SDKs and APIs, we intend to promote and extend the capabilities of our platform to customers who wish to build sophisticated applications and interfaces that leverage our software.

Splunk Technology

Key Technologies

We believe our investments in our product and key technologies drive significant competitive differentiation. The key technologies of our software, described below, have been built to address today's explosive growth in machine data. Our software has been architected to handle large volumes of machine data at a massive scale with minimal overhead, enabling robust throughput in a high availability environment. Our software platform is highly flexible and is able to collect and index large amounts of heterogeneous data formats, from physical, virtual and/or cloud environments.

Schema-on-the-fly. Our software collects and indexes data irrespective of source and format. Rather than requiring that data be input into a pre-defined structure, our software's innovative schema-on-the-fly technology creates structure as it searches the data from a single query. This allows users to ask new and different questions at any time without having to re-architect a schema as would be required in a relational database. Our software builds schema in real time and does not require any user intervention or pre-defined knowledge about the data it is processing. Our software allows different users to run a variety of queries, regardless of changes in format to the data being input into the system.

Machine data fabric. Our software provides robust machine data collection and indexing on terabytes of data daily. Our software enables users to process machine data no matter the infrastructure topology, from a single machine to a globally distributed, virtualized IT infrastructure. This machine data fabric allows customers to address the complexities of handling massive amounts of real-time, dynamic, heterogeneous machine data. Our APIs enable users to forward data from our software to other parts of their IT network, creating a machine data fabric across the organization irrespective of whether the data is used by our software for analysis and reporting or as a conduit to other systems.

Search language. Our software provides a comprehensive, intuitive and powerful proprietary search language that is specifically designed for working with machine data. Our search language supports basic arithmetic operations to refine searches and conduct calculations with the results of a query in real time. Powerful statistical and reporting commands native to our search language let users perform more robust calculations and analysis. Our software can also learn about the structure of the machine data through the searches users conduct. This learning mechanism allows users to leverage the machine data structure and knowledge garnered by previous Splunk searches. And finally, our search language makes it easier for us to distribute large work loads to the Splunk machine data fabric.
Features and Functionality

Our software contains the following features and functionality:

- **Universally collect, index, store and archive any machine data, from any source.** Our software processes machine data in real time from any source, format or location. This includes live data generated by hardware devices and software applications.

- **Search and investigate.** Our software lets users search real-time and historical machine data simultaneously.

- **User-friendly interface.** Our software uses an intuitive, user-friendly, customizable interface that enables users to understand and adopt the product. The interface also provides type-ahead and contextual help to accelerate adoption and usage.

- **Knowledge store.** Users can store knowledge about events, fields, transactions, patterns, statistics and key-value pairs so others who utilize the Splunk instance can leverage this information.

- **Monitor and alert.** Users can save searches so they can be run automatically to raise real-time alerts that trigger actions such as sending emails, running scripts, or posting to an RSS feed.

- **Report and analyze.** Users can create ad hoc reports on real-time and historical data to analyze business and IT data trends.

- **Custom dashboards and views.** Our software enables users to create custom dashboards that integrate multiple charts and views of real-time data to satisfy the needs of different users in different roles.

- **Platform extensibility.** Our software serves as an extensible platform through the use of its APIs and SDKs. The APIs and SDKs enable developers to leverage our machine data engine and its broad capabilities to build their own applications.

- **Role-based access and controls.** Splunk incorporates role-based access controls and authentication, integrated with existing enterprise-wide security policies, to help secure the data stored within our indexes as well as control users' activities in our software.
Splunk Architecture

Splunk's technology has been internally developed since our inception. The diagram below describes the various components of Splunk's technology architecture:

- **Collection.** Our software collects machine data from a number of different sources across a distributed environment including servers, network devices, desktop and laptop computers, mobile devices and various other systems that organizations have deployed to support their operations. Our software acts as a recording mechanism, collecting, storing and making available all of the machine data that it receives.

- **Indexing.** Our proprietary indexing technology allows for real-time indexing of any data collected by our software regardless of its source or format and without the use of any specific parsers or data connectors. Our software indexes the data intelligently and stores the data in a scalable storage format, which can reside on commodity servers and storage devices. Our software stores both the raw data and the index in an efficient, compressed, flat file format.

- **Search.** Our software enables users to search through the massive amounts of machine data that have been indexed and stored. At its most basic level, the search engine allows users to type and search for keywords or data fields that are of interest. This foundational capability forms the basis for deriving business insights from our dashboards and customized views. Users can leverage our search language and functionality to filter through indexed data and refine search results to obtain more precise information.

- **Core functions.** Our software's core functionality includes alerts, access control, statistics and correlation capabilities. With our software's granular, role-based access, an administrator can control various aspects of a given user's search including the data to which the user has access as well as what portions of the data may be visible in results. Search results and reports can be defined according to a particular user's business function and level of access. Different users can see completely different views on the same data, depending on what's important to them.

- **SDKs and APIs.** Our SDKs allow third-party software developers to build apps on top of our software. Our APIs allow users to access the machine data stored within the Splunk instance as well as access machine data engine functionality from third party software.
Solutions. We internally develop robust packaged solutions that target specific end markets and run on top of our machine data engine. We currently provide Splunk for Enterprise Security and Splunk for PCI Compliance and have made available, through a controlled preview, Splunk for VMware. Over time, we believe these packaged solutions will enable us to target new end markets with highly focused and compelling offerings that can disrupt existing point products, increase adoption of our machine data engine, expand our total addressable market and ultimately drive license revenues.

Apps. We provide the ability for users to write their own lightweight apps using standard Web technologies, such as HTML and CSS, as well as our query language, to provide incremental functionality targeting a particular use case. To date, we have over 300 apps available for download via our Splunkbase website, with nearly 100 developed by third parties.

Splunk Deployments

Our software can be deployed in a variety of environments ranging from a single laptop to a distributed enterprise IT environment handling massive amounts of data. Our customers use Splunk forwarders, indexers, and search heads to create a machine data fabric that allows for the efficient, secure and real-time collection and indexing of machine data regardless of network, data center or IT infrastructure topology. The diagram below shows a representative Splunk deployment topology in a distributed environment making use of our machine data fabric:

> Splunk forwarders perform, in real-time, secure, distributed lossless data collection from tens of thousands of heterogeneous sources and deliver the raw data to the indexer. Forwarders are not always required as customers can use syslogs, scripts or our APIs to send machine data to indexers.
Splunk indexers store the raw data collected and create a data index to enable fast searching.

Splunk search heads deliver the user interface and distributes the search request to the indexers. They coordinate search activities in parallel across multiple indexers, consolidating different components of the results and presenting them to the user.

This distributed machine data processing architecture illustrated above provides near-linear scalability, resulting in the ability to index and search across many petabytes of data. Our software can operate in a single data center or globally across multiple data centers both inside and outside an organization, and all from a single user interface. This architecture also allows for flexible deployment of hardware, as commodity hardware can be added as needed.

Customers

Our customer base has grown from approximately 450 customers at the end of fiscal 2008 to over 3,300 customers in more than 75 countries, including a majority of the Fortune 100, as of October 31, 2011. Our customers count consists of organizations that have purchased our software; we exclude users of our trial software from our customer count. We provide products and services to customers of varying sizes, including enterprises, educational institutions and government agencies. Our business is not dependent on any particular customer as no customer represented more than 10% of our revenues in fiscal 2009, 2010 or 2011 or in the nine months ended October 31, 2011. Our current customer base spans numerous industry verticals, including cloud and online services; education; financial services; government; healthcare/pharmaceuticals; industrials/manufacturing; media/entertainment; retail/eCommerce; technology and telecommunications.

Representative customers during the seven fiscal quarters ended October 31, 2011 are provided below by industry:

<table>
<thead>
<tr>
<th>Education</th>
<th>Financial Services</th>
<th>Media &amp; Entertainment</th>
<th>Online Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harvard University</td>
<td>Bank of America</td>
<td>Demand Media</td>
<td>Constant Contact</td>
</tr>
<tr>
<td>Strayer University</td>
<td>CME Group</td>
<td>Public Broadcasting Service</td>
<td>Nexon America</td>
</tr>
<tr>
<td>University of Connecticut</td>
<td>Jump Operations</td>
<td>Thomson Reuters</td>
<td>Salesforce.com</td>
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<tr>
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<td>Washington Post Media</td>
<td>Zynge</td>
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<tr>
<td>York College</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Retail</th>
<th>Technology</th>
<th>Telecom</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Etsy</td>
<td>Autodesk</td>
<td>Comcast</td>
<td></td>
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<tr>
<td>JCPenney</td>
<td>Electronic Arts</td>
<td>Hughes Network Systems</td>
<td></td>
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<tr>
<td>Lowe’s</td>
<td>Infoblox</td>
<td>Motorola Solutions</td>
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<tr>
<td>Macy’s.com</td>
<td>Qualcomm</td>
<td>Telstra</td>
<td></td>
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<tr>
<td>Staples</td>
<td>VMware</td>
<td>Time Warner Cable</td>
<td></td>
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</tbody>
</table>

Partner and Developer Ecosystem

We have OEM relationships with a select group of partners who integrate our software into their product offerings to provide additional reporting, monitoring and analytic capabilities within their own products. With respect to our OEM relationships, we provide our partners with a limited use license to expose certain data and analytics functionalities in their products, for which they pay us a royalty based on units shipped.

We have partnered with several leading technology companies to build Splunk apps that allow users to capture data and gain insights into the partner’s respective products. Several technology partners offer apps for free via Splunkbase. These apps typically consist of collections of reports, dashboards and data extractions which put our software in context for users of those specific technologies and allows them to

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easily and quickly understand the performance of their IT systems or correlate this data with other data sources.

We engage with Managed Service Providers, or MSPs, to enable specific service offerings, or offer our software as a hosted service. These services are typically offered on a subscription basis, for which we are paid a royalty based on monthly indexing volume.

We offer a developer license that allows third party developers to build software using Splunk’s existing developer framework and we have published information about our API to enable developers to build new user interfaces on top of our core engine. We are creating additional SDKs based on various programming languages to make our software more extensible and allow developers to build applications and services on our platform that extend its functionality.

**Splunk Community**

Our online communities provide us with a rapidly growing network of active users who promote the usage of our software and provide technical support to each other.

Our online communities include Splunkbase, our online apps repository, Splunk Answers, our community collaboration site, and Splunk Dev, where developers can download SDKs, access API documentation and see sample code for building software on our core engine. We also maintain active communities on leading social internet platforms, including Facebook and LinkedIn.

*Splunkbase.* Users and partners contribute and share custom lightweight apps and add-ons that run on our software. Generally, these lightweight apps provide pre-built functionality that addresses specific use cases. To date, we have over 300 apps available for download on Splunkbase, of which nearly 100 are developed by third parties. We do not receive any revenues from the sale of apps by third party application providers, as most apps posted to Splunkbase are free.

*Splunk Answers.* Users ask questions in an online community forum and share best practices about how to build searches, create data visualizations and configure and deploy our software. While our product, support, engineering and professional services teams participate in the Splunk Answers forum, as of October 31, 2011, approximately 70% of questions appearing on Splunk Answers were answered by non-Splunk personnel, largely the result of a growing, active user community.

*Splunk Dev.* In addition to documentation about the Splunk API and SDKs, our developer portal contains documentation about best practices for building machine data output into third party software.

We also promote and support offline meetings for our community, including regional user group meetings and an annual user conference.

**Sales and Marketing**

Our sales and marketing organizations work together closely to drive market awareness, build a strong sales pipeline, and cultivate customer relationships to drive revenue growth.

**Sales**

We sell our software through direct field sales, direct inside sales and indirect channel sales. We gather prospects through a broad range of marketing programs and events and through users who download our trial software from our website. Our inside sales team handles lead qualifications as well as smaller transactions, while larger or more complex transactions are handled by our globally distributed direct field sales teams. Our sales engineers help define customer use cases and on pre-sales qualification and evaluation.
We maintain a distributor and reseller partner network, or channel, that often co-sells with our field sales organization, especially in EMEA and APAC. Our channel provides us with additional sales leverage by sourcing new prospects, providing technical support to existing customers, upselling for additional use cases and daily indexing capacities, and maintenance renewals. This channel expands our geographic sales reach worldwide, particularly in key international markets such as Japan and China. As of October 31, 2011, we had over 200 channel partners worldwide. Historically, the majority of EMEA and APAC sales have been fulfilled through channel partners and we expect this trend to continue for the near term.

In addition to acquiring new customers, our sales teams are responsible for driving renewals of existing contracts as well as increased adoption of our software by existing customers. To accomplish this, our field sales teams work closely with our inside sales team to drive expanded licenses and additional use cases within existing customers. Our field sales teams are organized geographically across the Americas, EMEA, and APAC. We intend to invest in our international sales organization to drive greater market penetration in EMEA and APAC. We also have a dedicated sales team focused on government customers, which covers U.S. federal, state and local government entities.

**Marketing**

We focus our marketing efforts on increasing Splunk's brand and product awareness, driving viral adoption, communicating product advantages and business benefits, and generating leads for our sales force and channel partners. We market our software as a targeted solution for specific use cases and as an enterprise solution for machine data. We engage with existing customers to provide community-based education and awareness and to promote expanded use of our software within these customers. We host Splunk Live! events annually across our sales regions to engage with both existing customers and new prospects as well as drive product training. We host an annual worldwide user and partner conference (.CONF) as another way to support the Splunk community to foster collaboration and help our customers drive further business results from our software.

**Customer Support and Professional Services**

While users can easily download, install and deploy our software on their own, certain enterprise customers that have large, highly complex IT environments or deployment requirements, may choose to leverage our customer support and professional services organization. Many users leverage the community-based support of Splunkbase and Splunk Answers before engaging with our customer support or services organizations. Some of our certified partners also provide limited, first level support and professional services before a customer reaches out to our internal Splunk customer support and professional services teams.

**Maintenance and Customer Support**

Our customers typically purchase one year of software maintenance and support as part of their initial purchase of our products, with an option to renew their maintenance agreements. These maintenance agreements provide customers the right to receive unspecified software updates, maintenance releases and patches, and access to our technical support services during the term of the agreement.

We maintain a customer support organization that offers multiple service levels for our customers based on their needs. These customers receive guaranteed response times, direct telephonic support and access to online support portals. Our highest levels of support provide 24x7x365 support for critical issues, a dedicated resource to manage the account and quarterly reviews of the customer's deployments. Our customer support organization has global capabilities, delivering support in multiple languages with deep expertise in both our software as well as complex IT environments and associated third party infrastructure.
Professional Services

We provide consulting, training and implementation services to customers through our professional services team. They are typically utilized by large enterprises looking to deploy our software across their large, disparate and complex IT infrastructure. We generally provide these services at the time of initial installation to help the customer with configuration and implementation. Given our software's ease-of-use, our professional services engagements are typically short in duration and last from a few days to up to several weeks, significantly shorter than the professional services engagements associated with traditional enterprise software.

Research and Development

We invest substantial resources in research and development to enhance our software, develop new end market specific solutions and apps, conduct software and quality assurance testing and improve our core technology. Our technical staff monitors and tests our software on a regular basis, and we maintain a regular release process to refine, update, and enhance our existing products.

Research and development expense totaled $8.7 million, $8.5 million and $14.0 million for fiscal 2009, 2010 and 2011, respectively and $16.2 million for the nine months ended October 31, 2011.

Intellectual Property

We rely on patent, trademark, copyright and trade secrets laws, confidentiality procedures and contractual provisions to protect our technology. As of December 31, 2011, we had one issued U.S. patent covering our machine data web technology, two provisional patent applications and nine utility patent applications pending for examination in the United States. We also had five utility patent applications pending for examination in non-U.S. jurisdictions, all of which are counterparts of our U.S. utility patent applications. We also license software from third parties for integration into our products, including open source software and other software available on commercially reasonable terms.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information that we regard as proprietary. We generally enter into confidentiality agreements with our employees, consultants, vendors and customers, and generally limit access to and distribution of our proprietary information. However, we cannot assure you that the steps taken by us will prevent misappropriation of our technology. In addition, the laws of some foreign countries do not protect our proprietary rights to as great an extent as the laws of the United States, and many foreign countries do not enforce these laws as diligently as government agencies and private parties in the United States.

Our industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patent and other intellectual property rights. In particular, leading companies in the technology industry have extensive patent portfolios. From time-to-time, third parties, including certain of these leading companies, have asserted and may assert patent, copyright, trademark and other intellectual property rights against us, our channel partners or our customers. For example, we are currently involved in a dispute with respect to the Splunk trademark in the European Union. We and another party have filed competing trademark applications for the Splunk name in the European Union. Our failure to resolve this dispute in a manner favorable to us may result in our inability to use the Splunk trademark in the European Union, which could have an adverse impact on our brand.
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Competition

We compete against a variety of large software vendors and smaller specialized companies, open source initiatives 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 and systems management vendors, including BMC Software, CA, Compuware, HP, IBM, Intel, Microsoft and Quest Software;
- web analytics vendors, including Adobe Systems, Google, IBM and Webtrends;
- business intelligence vendors, including EMC, IBM, Oracle and SAP;
- companies targeting the big data market by commercializing open source software, such as Hadoop; and
- small specialized vendors, which provide complementary solutions in enterprise data analytics, data warehousing and big data technologies that may compete with our software.

The principal competitive factors in our markets are product features, performance and support, product scalability and flexibility, ease of deployment and use, total cost of ownership and time to value. We believe that we generally compete favorably on the basis of the foregoing factors because our software is easy to use, does not require long, costly deployment cycles and has the ability to replace traditional IT operations management, security and compliance, and business intelligence tools. While we believe that our software provides a broad variety of use cases at a low total cost of ownership, we price our software licenses based upon estimated daily indexing capacity. Our pricing method may ultimately result in a higher total cost to users as data volumes increase over time, making it more difficult for us to compete in our markets.

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. 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. Smaller companies could also launch new products and services that we do not offer and that could gain market acceptance quickly.

Employees

As of October 31, 2011, our total headcount was 433 employees. None of our U.S. employees is represented by a labor union with respect to his or her employment with us. Employees in certain European countries have the benefits of collective bargaining arrangements at the national level. We have not experienced any work stoppages.

Facilities

Our corporate headquarters occupy approximately 58,000 square feet in San Francisco, California under leases that expire in October 2013. As of October 31, 2011, we also leased approximately 11,000 square feet of office space in Cupertino, California to support our expanding business operations and hiring needs. As of October 31, 2011, we also lease smaller regional offices for sales, support and some product development in Seattle, Plano and Bethesda in the United States, and outside of the United States in Germany, Hong Kong, Singapore and the United Kingdom. While we believe our facilities are sufficient
and suitable for the operations of our business today, we are in the process of adding new facilities and expanding our existing facilities as we add employees and expand into additional markets.

Legal Proceedings

From time to time, we are a party to litigation and subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these matters will not have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.
MANAGEMENT

Executive Officers and Directors

The following table sets forth the names, ages and positions of our executive officers, key employees and directors as of December 31, 2011:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Officers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Godfrey R. Sullivan</td>
<td>58</td>
<td>President, Chief Executive Officer and Chairman</td>
</tr>
<tr>
<td>David F. Conte</td>
<td>45</td>
<td>Senior Vice President and Chief Financial Officer</td>
</tr>
<tr>
<td>Erik M. Swan</td>
<td>47</td>
<td>Chief Technology Officer and Director</td>
</tr>
<tr>
<td>Leonard R. Stein</td>
<td>55</td>
<td>Senior Vice President, General Counsel and Secretary</td>
</tr>
<tr>
<td>Thomas E. Schodorf</td>
<td>53</td>
<td>Senior Vice President, Field Operations</td>
</tr>
<tr>
<td><strong>Key Employees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sheren Bouchakian</td>
<td>42</td>
<td>Vice President, Human Resources</td>
</tr>
<tr>
<td>Robin K. Das</td>
<td>52</td>
<td>Chief Architect</td>
</tr>
<tr>
<td>William B. Gaylord</td>
<td>44</td>
<td>Senior Vice President, Business and Corporate Development</td>
</tr>
<tr>
<td>Douglas Harr</td>
<td>51</td>
<td>Chief Information Officer</td>
</tr>
<tr>
<td>Lionel Hartmann</td>
<td>42</td>
<td>Vice President, Customer Support and Technical Documentation</td>
</tr>
<tr>
<td>Christina F.R.L. Noren</td>
<td>37</td>
<td>Senior Vice President, Solutions</td>
</tr>
<tr>
<td>Steven R. Sommer</td>
<td>56</td>
<td>Chief Marketing Officer and Senior Vice President, Marketing</td>
</tr>
<tr>
<td><strong>Non-Employee Directors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>John G. Connors(1)(3)</td>
<td>52</td>
<td>Director</td>
</tr>
<tr>
<td>David M. Hornik(1)</td>
<td>43</td>
<td>Director</td>
</tr>
<tr>
<td>Thomas M. Neustaetter(2)</td>
<td>59</td>
<td>Director</td>
</tr>
<tr>
<td>Graham V. Smith(1)</td>
<td>51</td>
<td>Director</td>
</tr>
<tr>
<td>Nicholas G. Sturiale(2)(3)</td>
<td>47</td>
<td>Director</td>
</tr>
<tr>
<td>Scott Thompson(2)</td>
<td>54</td>
<td>Director</td>
</tr>
</tbody>
</table>

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Nominating and Corporate Governance Committee

Executive Officers

Godfrey R. Sullivan has served as our President, Chief Executive Officer and a member of our board of directors since September 2008, and as our Chairman since December 2011. Prior to joining us, Mr. Sullivan was with Hyperion Solutions Corporation, a performance management software company acquired by Oracle Corporation, from October 2001 to April 2007, where he served in various executive roles, most recently as President and Chief Executive Officer and as a member of the board of directors from July 2004 until April 2007. Mr. Sullivan has served as a member of the board of directors of Citrix Systems, Inc., an enterprise software company, since February 2005 and Informatica Corporation, a data integration software provider, since January 2008. Mr. Sullivan holds a B.B.A. from Baylor University.

Our board of directors believes that Mr. Sullivan possesses specific attributes that qualify him to serve as a director, including the perspective and experience he brings as our Chief Executive Officer and his experience as an executive and as a member of the board of directors of other companies in the enterprise software industry. Our board of directors also believes that he brings historical knowledge, operational expertise and continuity to the board of directors.

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David F. Conte has served as our Senior Vice President and Chief Financial Officer since July 2011. Prior to joining us, Mr. Conte served as Chief Financial Officer at IronKey, Inc., an internet security and privacy company, from June 2009 to July 2011. From October 2007 to May 2009, Mr. Conte was engaged in various personal investing activities. Previously, Mr. Conte served as Chief Financial Officer of Opsware, Inc., a software company, from July 2006 until September 2007 when Opsware was acquired by Hewlett-Packard Company. He also served as Opsware's Vice President of Finance from March 2003 to July 2006 and as Corporate Controller from October 1999 to March 2003. Mr. Conte began his career at Ernst & Young LLP. Mr. Conte holds a B.A. in business economics from the University of California, Santa Barbara.

Erik M. Swan co-founded our company and has served as our Chief Technology Officer since November 2003 and as a member of our board of directors since October 2003. Prior to joining us, Mr. Swan served as Chief Technology Officer at CommerceFlow, Inc., an information technology and services company, from January 2001 to October 2003. Previously, Mr. Swan served as Vice President of Engineering at Disney Internet Group, a division of The Walt Disney Company, from January 2000 to January 2001. Mr. Swan studied computer science at the California Polytechnic State University, San Luis Obispo.

Our board of directors believes that Mr. Swan possesses specific attributes that qualify him to serve as a director, including the perspective and experience he brings as our Chief Technology Officer. Our board of directors also believes that he brings historical knowledge, operational expertise and continuity to the board of directors, as well as deep expertise in our technology.

Leonard R. Stein has served as our Senior Vice President and General Counsel since April 2011. Prior to joining us, Mr. Stein served in various executive positions including President and Chief Legal Officer at Jackson Family Enterprises, Inc., a luxury wine maker, from May 2004 to August 2010. From August 2010 through April 2011, Mr. Stein served as a board advisor to two private companies and as an independent consultant. Mr. Stein served as Chief Legal Officer and Chief Compliance Officer at Overture Services, Inc., an internet commercial search services company, from April 2003 until it was acquired by Yahoo! Inc., in October 2003. Mr. Stein holds a B.A. in economics from Yale College, an M.A. in economics from Yale University Graduate School and a J.D. from Harvard Law School.

Thomas E. Schodorf has served as our Senior Vice President, Field Operations since October 2009. Prior to joining us, Mr. Schodorf was a consultant to computer software companies from November 2008 to October 2009. Mr. Schodorf was with BMC Software, Inc., a software company, from July 1991 to October 2008, where he served in various sales positions, most recently as Vice President, General Manager from December 2007 to October 2008. Mr. Schodorf holds a B.S.B.A. in Finance from Ohio State University and an M.B.A. in Finance from the University of Dayton.

Key Employees

Sheren Bouchakian has served as our Vice President, Human Resources since November 2008. Prior to joining us, Ms. Bouchakian served as the Vice President of Human Resources at Jump Associates, a design consulting company, from October 2007 to October 2008. From September 2005 to October 2007, Ms. Bouchakian served as the Vice President of Human Resources at WageWorks Inc., a benefits management company. Ms. Bouchakian holds a B.S. in Business from Seton Hall University.

Robin K. Das co-founded our company and has served as our Chief Architect since January 2005. He also served as our Vice President, Product Development from November 2003 to January 2005 and as a member of our board of directors from October 2003 to August 2004. Previously, Mr. Das has been a large-scale, distributed software architect and engineer for both early-stage ventures and large companies, including Avolent Inc., an application software provider, Lotus Development, a software company, and Sun Microsystems, Inc., a computer systems company. Mr. Das studied computer science at Indiana University.
William B. Gaylord has served as our Senior Vice President, Business and Corporate Development since December 2011, and was our Vice President, Business and Corporate Development from February 2010 to December 2011. Prior to joining us, Mr. Gaylord was engaged as an independent consultant advising software companies and worked on various venture capital fund raising efforts from June 2007 to January 2010. Previously, Mr. Gaylord served as Vice President of Corporate Development at Hyperion Solutions Corporation, a performance management software company, from March 2005 to May 2007 and as its Vice President of Marketing and Business Development from April 2002 to March 2005. Mr. Gaylord holds an A.B. in History from Dartmouth College and an M.B.A. from Columbia Business School.

Douglas Harr has served as our Chief Information Officer since December 2010. Prior to joining us, Mr. Harr was a consulting partner with The StrataFusion Group, Inc., a business consulting and technology services firm, from December 2009 to December 2010. From March 2006 to December 2009, Mr. Harr served as Chief Information Officer at Actian Corporation (formerly Ingres Corporation), an open source database company. Mr. Harr holds a B.S. in Business Administration from California Polytechnic State University, San Luis Obispo.

Lionel Hartmann has served as our Vice President, Customer Support and Technical Documentation since September 2007. Prior to joining us, Mr. Hartmann served as the Vice President of Technical Support at ArcSight, Inc., a security and compliance management company acquired by Hewlett-Packard Company, from October 2005 to September 2007. Mr. Hartmann holds an M.S. in Economics and International Studies from Paris I—La Sorbonne University and a Master in Organization and Internal Auditing from the ISGA program at the Business School Group of Marseilles, France.

Christina F.R.L. Noren has served as our Senior Vice President, Solutions since May 2010. She served as our Vice President, Product Management from April 2005 to May 2006. Prior to joining us, Ms. Noren served as Vice President, Product Management at SenSage, Inc. (formerly Addamark Technologies, Inc.), a security intelligence and event management provider, from May 2003 to March 2005 and as its Senior Director, Systems Consulting from January 2002 to May 2003. Ms. Noren holds a B.A. in International Business and a B.F.A. in Art from Dominican University of California.

Steven R. Sommer joined our company in June 2008 and serves as our Chief Marketing Officer and Senior Vice President, Marketing. Prior to joining us, Mr. Sommer served as Vice President, Marketing at WideOrbit Inc., a software company, from December 2007 to May 2008. From November 2006 to August 2007, Mr. Sommer served as Vice President Global Marketing at SuccessFactors, Inc., a business execution software company. Mr. Sommer holds B.S. degrees in Chemical Engineering and Management from the Massachusetts Institute of Technology and an M.B.A. from Harvard Business School.

Non-Employee Directors

John G. Connors has served as a member of our board of directors since August 2007. Since May 2005, Mr. Connors has been a partner at Ignition Partners, LLC, a venture capital firm. Prior to joining Ignition Partners, Mr. Connors served in various management positions at Microsoft Corporation from January 1989 to January 2005, including most recently as Senior Vice President and Chief Financial Officer from December 1999 to January 2005. Mr. Connors has served as a member of the board of directors of NIKE, Inc. since April 2005. Mr. Connors holds a B.A. in Accounting from the University of Montana.

Our board of directors believes that Mr. Connors possesses specific attributes that qualify him to serve as a director, including his substantial experience as an investment professional in the business software and services industry and his experience as an executive of another company in the software industry and as a member of the board of directors and audit and finance committee of a Fortune 500 company. Our board of directors also believes that Mr. Connors brings historical knowledge and continuity to the board of directors, as well as accounting experience and financial expertise.
**David M. Hornik** has served as a member of our board of directors since August 2004. Since June 2000, Mr. Hornik has been a partner at August Capital, a venture capital firm. Prior to joining August Capital, Mr. Hornik was an intellectual property and corporate attorney at the law firms of Venture Law Group and Perkins Coie LLP, and a litigator at the law firm of Cravath, Swaine & Moore LLP. Mr. Hornik holds A.B. degrees in Computer Music and Political Science from Stanford University, an M.Phil in Criminology from Cambridge University and a J.D. from Harvard Law School.

Our board of directors believes that Mr. Hornik possesses specific attributes that qualify him to serve as a director, including his substantial experience as an investment professional and as a director of private technology companies focusing on enterprise application and infrastructure software. Our board of directors also believes that Mr. Hornik brings historical knowledge and continuity to the board of directors.

**Thomas M. Neustaetter** has served as a member of our board of directors since October 2010. Since March 1999, Mr. Neustaetter has been a Managing Director at JK&B Capital, a venture capital firm. Prior to joining JK&B Capital, Mr. Neustaetter was a partner at The Chatterjee Group, an affiliate of Soros Fund Management, from January 1996 to February 1999. Mr. Neustaetter holds a B.A. in Philosophy from the University of California, Berkeley and an M.B.A. and M.S. in Information Science from the University of California, Los Angeles.

Our board of directors believes that Mr. Neustaetter possesses specific attributes that qualify him to serve as a director, including his substantial experience as an investment professional and as a director of private software companies.

**Graham V. Smith** has served as a member of our board of directors since October 2011. Since March 2008, Mr. Smith has served as Executive Vice President and Chief Financial Officer at salesforce.com, inc., a provider of enterprise cloud computing software. He also served as salesforce.com’s Executive Vice President and Chief Financial Officer Designate from December 2007 to March 2008. Prior to joining salesforce.com, Mr. Smith served as Chief Financial Officer at Advent Software Inc., a software company, from January 2003 to December 2007. Mr. Smith holds a B.Sc. in Economics and Politics from Bristol University in England.

Our board of directors believes that Mr. Smith possesses specific attributes that qualify him to serve as a director, including his financial expertise and professional experience as an executive of other software companies.

**Nicholas G. Sturiale** has served as a member of our board of directors since August 2004. Since March 2009, Mr. Sturiale has served as a general partner at Jafco Ventures, a venture capital firm. Prior to joining Jafco Ventures, Mr. Sturiale served as a managing director at The Carlyle Group, a global alternative asset management firm, from January 2008 to December 2008. From June 2000 to January 2008, Mr. Sturiale served as a General Partner at Sevin Rosen Funds, a venture capital firm. Mr. Sturiale remains a Partner with Sevin Rosen Funds and an officer and director of Sevin Rosen Bayless Management Company, an affiliate of Sevin Rosen Funds. Mr. Sturiale holds a B.S. in Economics from California State University, Chico and an M.B.A. from the University of California, Berkeley.

Our board of directors believes that Mr. Sturiale possesses specific attributes that qualify him to serve as a director, including his substantial experience as an investment professional and as a director of private technology companies. Our board of directors also believes that Mr. Sturiale brings historical knowledge and continuity to the board of directors.

**Scott Thompson** has served as a member of our board of directors since October 2011. Since January 2012, Mr. Thompson has served as the Chief Executive Officer, President and a director of Yahoo! Inc., a digital media company. Prior to Yahoo!, Mr. Thompson served as President of PayPal, Inc., a subsidiary of eBay Inc., from January 2008 to January 2012. He also served as PayPal's Senior Vice President and Chief Technology Officer from February 2005 to January 2008. Prior to joining PayPal, Mr. Thompson served as Executive Vice President of Technology Solutions at Inovant, LLC, a U.S. credit company and subsidiary of
Visa Inc., from September 2001 to February 2005. Mr. Thompson has served as a member of the board of directors of F5 Networks, Inc., a networking appliances company, since January 2008. Mr. Thompson holds a B.S. in Accounting from Stonehill College.

Our board of directors believes that Mr. Thompson possesses specific attributes that qualify him to serve as a director, including his professional experience as an executive and director of other technology companies.

**Board Composition**

Our business affairs are managed under the direction of our board of directors, which is currently composed of eight members. Six of our directors are independent within the meaning of the independent director guidelines of the . Immediately prior to this offering, our board of directors will be divided into three staggered classes of directors. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the same class whose terms are then expiring. The terms of the directors will expire upon the election and qualification of successor directors at the annual meeting of stockholders to be held during the year 2013 for the Class I directors, 2014 for the Class II directors and 2015 for the Class III directors.

- Our Class I directors will be Messrs. Hornik and Neustaetter.
- Our Class II directors will be Messrs. Connors, Sturiale and Swan.
- Our Class III directors will be Messrs. Smith, Sullivan and Thompson.

Our amended and restated certificate of incorporation and bylaws will provide that the number of our directors, which is currently eight members, shall be fixed from time to time by a resolution of our board of directors. Each of our executive officers serves at the discretion of our board of directors and holds office until his or her successor is duly appointed and qualified or until his or her earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change of control. See "Description of Capital Stock—Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws" for a discussion of other anti-takeover provisions found in our certificate of incorporation.

**Director Independence**

Upon the completion of this offering, our common stock will be listed on the . Under the rules of the , independent directors must comprise a majority of a listed company's board of directors within a specified period of the completion of an initial public offering. In addition, the rules of the require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees must be independent. Under the rules of , a director is independent only if our board of directors makes an affirmative determination that the director has no material relationship with us.

In December 2011, our board of directors undertook a review of its composition, the composition of its committees and the independence of each director. The determination of independence of members of our board of directors was based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships. In making this determination, our board of directors considered the relationships that each non-employee director has with us and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director. Our board of directors has determined that Messrs. Connors, Hornik, Neustaetter, Smith, Sturiale and
Thompson, representing six of our eight directors, are "independent" as that term is defined under the rules of the for purposes of serving on our board of directors.

We have entered into commercial dealings with eBay, including its subsidiary PayPal, and salesforce.com that we consider arms-length. eBay and salesforce.com are both our customers, and we are a customer of salesforce.com. We entered into these commercial dealings in the ordinary course of our business. In making the determinations as to which members of our board of directors are independent, our board of directors considered the fact that Mr. Thompson, one of our directors, was an executive officer of eBay and Mr. Smith, one of our directors, is an executive officer of salesforce.com. In reviewing these relationships, our board of directors determined that Messrs. Thompson and Smith do not and did not have a direct or indirect material interest in any such commercial dealings and that such relationships do not impede the ability of Messrs. Thompson and Smith to act independently on our behalf and on behalf of our stockholders.

Board Committees

Our board of directors has the authority to appoint committees to perform certain management and administrative functions. Our board of directors has an audit committee, a compensation committee and a nominating and corporate governance committee, each of which has the composition and the responsibilities described below.

Audit Committee

Our audit committee oversees our accounting and financial reporting process and the audit of our financial statements and assists our board of directors in monitoring our financial systems and our legal and regulatory compliance. Our audit committee is responsible for, among other things:

- appointing, compensating and overseeing the work of our independent auditors, including resolving disagreements between management and the independent registered public accounting firm regarding financial reporting;
- approving engagements of the independent registered public accounting firm to render any audit or permissible non-audit services;
- reviewing the qualifications and independence of the independent registered public accounting firm;
- reviewing our financial statements and related disclosures and reviewing our critical accounting policies and practices;
- reviewing the adequacy and effectiveness of our internal control over financial reporting;
- establishing procedures for the receipt, retention and treatment of accounting and auditing related complaints and concerns;
- preparing the audit committee report required by SEC rules to be included in our annual proxy statement;
- reviewing and discussing with management and the independent registered public accounting firm the results of our annual audit, our quarterly financial statements and our publicly filed reports; and
- reviewing and approving in advance any proposed related person transactions.

We believe that the functioning of our audit committee complies with the applicable requirements of the and SEC rules and regulations.

The members of our audit committee are Messrs. Connors, Hornik and Smith. Our board of directors has determined that both Messrs. Connors and Smith are financial experts as contemplated by the rules of
the SEC implementing Section 407 of the Sarbanes Oxley Act of 2002. Mr. Connors has also been appointed to serve as our audit committee chairman.

Our board of directors has considered the independence and other characteristics of each member of our audit committee and has concluded that the composition of our audit committee meets the requirements for independence under the current requirements of the and SEC rules and regulations. Audit committee members must satisfy additional independence criteria set forth under Rule 10A-3 of the Securities Exchange Act of 1934, as amended. In order to be considered independent for purposes of Rule 10A-3, an audit committee member may not, other than in his capacity as a member of the audit committee, accept consulting, advisory or other fees from us or be an affiliated person of us. Each of the members of our audit committee qualifies as an independent director pursuant to Rule 10A-3.

Compensation Committee

Our compensation committee oversees our compensation policies, plans and programs. The compensation committee is responsible for, among other things:

> reviewing and recommending policies, plans and programs relating to compensation and benefits of our directors, officers and employees;
> reviewing and recommending compensation and the corporate goals and objectives relevant to compensation of our Chief Executive Officer;
> reviewing and approving compensation and corporate goals and objectives relevant to compensation for executive officers other than our Chief Executive Officer;
> evaluating the performance of our Chief Executive Officer and other executive officers in light of established goals and objectives; and
> administering our equity compensations plans for our employees and directors.

The members of our compensation committee are Messrs. Neustaetter, Sturiale and Thompson. Mr. Sturiale is the chairman of our compensation committee. Our board of directors has determined that each member of our compensation committee is independent within the meaning of the independent director guidelines of the . We believe that the composition of our compensation committee meets the requirements for independence under, and the functioning of our compensation committee complies with, any applicable requirements of the and SEC rules and regulations, as well as Section 162(m) of the Code.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee oversees and assists our board of directors in reviewing and recommending corporate governance policies and nominees for election to our board of directors and its committees. The nominating and corporate governance committee is responsible for, among other things:

> evaluating and making recommendations regarding the organization and governance of our board of directors and its committees and changes to our certificate of incorporation and bylaws and stockholder communications;
> reviewing succession planning for our Chief Executive Officer and other executive officers and evaluating potential successors;
> assessing the performance of board members and making recommendations regarding committee and chair assignments and composition and the size of our board of directors and its committees;
recommending desired qualifications for board and committee membership and conducting searches for potential members of our board of directors;

> evaluating and making recommendations regarding the creation of additional committees or the change in mandate or dissolution of committees;

> reviewing and making recommendations with regard to our corporate governance guidelines and compliance with laws and regulations; and

> reviewing and approving conflicts of interest of our directors and corporate officers, other than related person transactions reviewed by the audit committee.

The members of our nominating and corporate governance committee are Messrs. Connors and Sturiale. Mr. Connors is the chairman of our nominating and corporate governance committee. Our board of directors has determined that each member of our nominating and corporate governance committee is independent within the meaning of the independent director guidelines of the [insert relevant code].

Our board of directors may from time to time establish other committees.

**Code of Business Conduct and Ethics**

We have adopted a code of business conduct and ethics that is applicable to all of our employees, officers and directors, including our chief executive and senior financial officers. The code of business conduct and ethics will be available on our website at www.splunk.com. We expect that any amendment to the code, or any waivers of its requirements, will be disclosed on our website. The inclusion of our website in this prospectus does not include or incorporate by reference the information on our website into this prospectus.

**Compensation Committee Interlocks and Insider Participation**

None of the members of our compensation committee is an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

**Non-Employee Director Compensation**

We reimburse our non-employee directors for expenses incurred in connection with attending board and committee meetings. We intend to adopt a compensation program for non-employee directors that will be effective immediately upon the closing of this offering. Pursuant to this program, each member of our board of directors who is not our employee will receive the following cash compensation for board services, as applicable:

$30,000 per year for service as a board member;

$40,000 per year for service as chair of the audit committee or the compensation committee;

$50,000 per year for service as chair of the nominating and corporate governance committee; and

$5,000 for each committee meeting attended in person ($3,000 for meetings attended by video or telephone conference).

In addition, after this offering, we will continue to reimburse our non-employee directors for expenses incurred in attending board and committee meetings. Members of our board of directors who are not our employees will receive non-statutory stock options under our 2012 Equity Incentive Plan, which will become effective upon the closing of this offering. Each non-employee director on our board of directors on the date that we enter into the underwriting agreement for this offering or upon initially joining our
board of directors after the completion of this offering will be granted a non-statutory stock option to purchase shares of our common stock, with an exercise price equal to the then fair market value of our common stock. On the date of each annual meeting of our stockholders beginning in fiscal 2013, each non-employee director will be granted a non-statutory stock option to purchase shares of our common stock. Initial stock option grants will vest in a series of successive equal monthly installments measured from the date of grant. Annual stock option grants will vest in a series of successive equal monthly installments measured from the date of grant. All director stock options granted under our 2012 Equity Incentive Plan will have a term of ten years.

The following table shows, for fiscal 2012, certain information with respect to the compensation of all of our non-employee directors.

### Fiscal 2012 Director Compensation Table

<table>
<thead>
<tr>
<th>Name</th>
<th>Fees Earned or Paid in Cash ($)</th>
<th>Stock Awards ($)</th>
<th>Option Awards ($)</th>
<th>Non-Equity Incentive Plan Compensation ($)</th>
<th>All Other Compensation ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>John G. Connors</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>David M. Hornik</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Thomas M. Neustaetter</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Graham V. Smith</td>
<td>0</td>
<td>0</td>
<td>212,553(2)</td>
<td>0</td>
<td>0</td>
<td>212,553</td>
</tr>
<tr>
<td>Nicholas G. Sturiale</td>
<td>0</td>
<td>0</td>
<td>173,135(3)</td>
<td>0</td>
<td>0</td>
<td>173,135</td>
</tr>
<tr>
<td>Scott Thompson</td>
<td>0</td>
<td>0</td>
<td>283,965(4)</td>
<td>0</td>
<td>0</td>
<td>283,965</td>
</tr>
</tbody>
</table>

(1) The amounts included in the "Options Awards" column represent the aggregate grant date fair value of the option awards calculated in accordance with authoritative accounting guidance on stock compensation. For a discussion of valuation assumptions, see the notes to our financial statements included elsewhere in this prospectus.

(2) Mr. Smith was granted a stock option pursuant to the 2003 Equity Incentive Plan to purchase 150,000 shares of common stock, all of which have been early exercised as of the end of fiscal 2012. This option vests in equal monthly installments over four years commencing on July 28, 2011. This stock option was granted to Mr. Smith in recognition of his service as a director of the company.

(3) Mr. Sturiale was granted a stock option pursuant to the 2003 Equity Incentive Plan to purchase 75,000 shares of common stock, all of which are outstanding as of the end of fiscal 2012. This option vests in equal monthly installments over four years commencing on December 15, 2011. This stock option was granted to Mr. Sturiale in recognition of his service as a director of the company. As of the end of fiscal 2012, Mr. Sturiale had outstanding options to purchase an aggregate of 150,000 shares of common stock.

(4) Mr. Thompson was granted a stock option pursuant to the 2003 Equity Incentive Plan to purchase 150,000 shares of common stock, all of which are outstanding as of the end of fiscal 2012. This option vests in equal monthly installments over four years commencing on October 26, 2011 and is fully early exercisable. This stock option was granted to Mr. Thompson in recognition of his service as a director of the company.
EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

The compensation provided to our "named executive officers" for fiscal 2012 is set forth in detail in the Summary Compensation Table and other tables and the accompanying footnotes and narrative that follow this section. This section provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program, and each component of compensation that we provide. In addition, we explain how and why our board of directors, the compensation committee of our board of directors, and/or our Chief Executive Officer arrived at the specific compensation policies and decisions involving our executive officers, including the named executive officers listed in the Summary Compensation Table set forth below, during fiscal 2012.

This section contains forward-looking statements that are based on our current plans, considerations, expectations, and determinations regarding future compensation plans and arrangements. The actual compensation plans and arrangements that we adopt may differ materially from currently anticipated plans and arrangements as summarized in this section.

Our named executive officers for fiscal 2012, which consist of those executive officers who appear in the Summary Compensation Table, were:

> Godfrey R. Sullivan, our Chairman, Chief Executive Officer and President;
> David F. Conte, our Senior Vice President and Chief Financial Officer(1);
> Erik M. Swan, our Chief Technology Officer;
> Leonard R. Stein, our Senior Vice President, General Counsel and Secretary(2);
> Thomas E. Schodorf, our Senior Vice President, Field Operations; and
> Raman Kapur, our Vice President, Finance(3).

General Compensation Practices

We operate in a highly competitive business environment, which is characterized by frequent technological advances, rapidly changing market requirements, and the emergence of new market entrants. To grow our business successfully in this dynamic environment, we must continually develop and enhance our products and services to stay ahead of customer needs and challenges. To achieve these objectives, we need a highly talented and seasoned team of technical, sales, marketing, operations, and other business professionals.

We compete with many other companies in seeking to attract and retain a skilled management team. To meet this challenge, we have implemented compensation practices that are designed to motivate them to pursue our corporate objectives while encouraging the creation of long-term value for our stockholders. We evaluate and reward our executive officers through compensation intended to motivate them to identify and capitalize on opportunities to grow our business. We strive to provide a compensation package to each executive that is competitive, rewards achievement of our business objectives, drives the

(1) Mr. Conte commenced employment with us in July 2011, and assumed responsibilities as our principal financial officer.

(2) Mr. Stein commenced employment with us in April 2011.

(3) Mr. Kapur was appointed Treasurer in July 2010, and served as our principal financial officer until July 2011, when Mr. Conte, our current Chief Financial Officer, was hired. Mr. Kapur's present position is "Vice President, Finance."
development of a successful and profitable business, and aligns the interests of executives with our stockholders through equity ownership in the company.

We strive to ensure that the total compensation paid to our executive officers is fair, reasonable and competitive, and aligns with our general compensation practices. Our executive compensation program combines short- and long-term components, and cash and equity in amounts and proportions that we believe are most appropriate to incentivize and reward our executive officers for achieving our objectives.

**Compensation Decision Process**

Our historic executive compensation program reflects our operations as a private company, as we have relied upon our board of directors, our compensation committee, the experience of our executive management, and market data in determining the appropriate compensation levels with respect to our executives.

Historically, compensation decisions for our named executive officers have been determined by our board of directors, except for Mr. Kapur's compensation, which has been determined by our CEO and, following the hiring of Mr. Conte, by Mr. Conte, Mr. Kapur's direct supervisor. For all other named executive officers other than our CEO, our CEO has made recommendations and provided substantial input for setting compensation. Our CEO has recommended compensation adjustments for our executive officers following his evaluation of each named executive officer's performance (other than himself) relative to expectations and to the performance of our other employees. Prior to fiscal 2011, our CEO's compensation was set by the board of directors, in its discretion and based on the collective experience of our directors.

At the end of fiscal 2010, we established our compensation committee, which generally evaluated, reviewed, and made recommendations to our board of directors on compensation for our executive officers (including our CEO) for fiscal 2011, except with respect to Mr. Kapur's compensation. Our CEO continued to make recommendations and provide input on compensation for the other named executive officers, other than himself. Our compensation committee reviewed our CEO's compensation for fiscal 2011 and made recommendations to our board of directors. Compensation decisions for all of our named executive officers ultimately have been made by our board of directors, except for Mr. Kapur's compensation.

At the beginning of each fiscal year, our board of directors, after consulting with management and the compensation committee, has been responsible for establishing our corporate performance objectives, making decisions with respect to any base salary adjustment, and approving the target annual cash bonus opportunities for our named executive officers and any applicable individual performance objectives for our CEO. Our CEO then used these objectives as guidelines for developing the individual performance objectives for the other members of the management team, including the named executive officers. Any recommendations for equity awards to our named executive officers have been submitted to our compensation committee for its evaluation, and the compensation committee then made recommendations to the board of directors for its consideration and ultimate approval.

For fiscal 2012, as we began to consider transitioning from a private company to a public company, we engaged Radford, an independent compensation consulting firm, to provide executive compensation data for comparable executives working for technology companies similarly situated to ours. Our board of directors considered the Radford analysis as references for establishing cash and equity compensation levels for our CEO and Messrs. Swan and Schodorf with an emphasis on technology companies with a similar size, stage of development, and growth potential. This data, along with the board's collective experience and the recommendations of our management and/or compensation committee, was considered in setting compensation for these named executive officers. The board of directors believed that this data served as a useful mechanism to stay competitive against industry norms and, at the same time, meet one of our principal compensation objectives of motivating our named executives to pursue our corporate
objectives. The board of directors did not use the data to benchmark the compensation for these named executive officers but to gain a general understanding of the market compensation practices and policies.

Mr. Kapur's fiscal 2012 compensation was set by our CEO, based on his experience and his assessment of compensation levels for comparable positions. We concluded that our CEO was in the best position to assess his performance because he was not an executive officer. Our CEO determined cash and equity compensation levels for fiscal 2012 that would incentivize Mr. Kapur to assist us in achieving our strategic and financial goals. Following the hiring of Mr. Conte, Mr. Conte reviewed Mr. Kapur's compensation, including achievement of his incentive compensation and recommendations for new equity award grants. We believed that as Mr. Kapur's direct supervisor, Mr. Conte was in the best position to assess Mr. Kapur's performance.

The compensation for Messrs. Conte and Stein during fiscal 2012 was determined through individual negotiations with our CEO in connection with their hiring during the year. In negotiating these arrangements, our CEO considered the market data and developed compensation packages that were competitive with industry norms for comparable executives and would incent Messrs. Conte and Stein to join the company. These compensation packages were submitted and approved by our board of directors. Going forward, the compensation for Messrs. Conte and Stein will be reviewed and established in a similar manner as Messrs. Swan and Schodorf.

Our board of directors has emphasized remaining competitive by differentiating total cash compensation levels through the use of annual cash bonus arrangements. Equity compensation generally has been delivered on a discretionary basis with the goal to retain top talent and align the interests of our executive officers with the long-term interests of our stockholders. We granted equity awards to Messrs. Conte and Stein in fiscal 2012 in connection with their commencement of employment. The sizes of the equity grants to Messrs. Conte and Stein were established to be competitive with industry norms for comparable executives and to incent them to join the company.

In June 2011, we conducted a review of internal pay equity and made an equity award grant to Mr. Kapur to reward him for his service as our principal financial officer and to continue to drive his performance to enhance stockholder value.

In December 2011, our compensation committee engaged Radford to assist us in making equity grants to our executive officers, including our named executive officers (except for our CEO), to align their equity holdings with comparable executives at similarly situated companies. This process involved Radford developing a peer group of companies, reviewing the equity holdings of our executives as compared to this peer group of companies and making recommendations for potential refresh grants to our compensation committee. Our compensation committee reviewed the data and made refresh grants that were informed by the peer data but that were designed to achieve our incentive and retention goals. Our board of directors then approved our compensation committee recommendations for new equity awards to all named executive officers (except for our CEO). Our compensation committee and board determined that our CEO was properly incentivized with his current equity holdings.

Role of compensation committee. Following this offering, we anticipate our compensation committee, in consultation with management, will be primarily responsible for establishing, approving and adjusting compensation arrangements for our named executive officers, except for our CEO's compensation, which we anticipate will continue to be determined without input from management.

Our compensation committee currently is comprised of Messrs. Neustaetter, Sturiale, and Thompson. Mr. Sturiale is the chairman of our compensation committee. Each member of our compensation committee qualifies as an "outside director" for purposes of Section 162(m) of the Code and a "non-employee director" for purposes of Rule 16b-3 under the Exchange Act as well as an "independent director" under the requirements of . Our compensation committee operates under a written charter that specifies its duties and responsibilities.
The fundamental responsibilities of our compensation committee are:

- to annually review and approve the corporate goals and objectives to be considered in determining the compensation of our CEO and other executive officers, and evaluate the performance of our CEO and other executive officers in light of these goals and objectives;
- to determine the salary, cash-based incentive compensation, equity-based compensation and other compensation for our CEO and other executive officers;
- to evaluate the competitiveness of the compensation payable to our CEO and other executive officers, and our overall compensation plans;
- to annually review and make recommendations to the board of directors with respect to the adoption and approval of, or amendments to, all cash-based and equity-based incentive compensation plans and arrangements, and the cash amounts and number of shares reserved for issuance thereunder;
- to administer and interpret our cash-based and equity-based compensation plans and arrangements, and make equity grants to our employees and consultants and those of our subsidiaries; and
- to evaluate and make recommendations to the board of directors on director compensation.

The compensation committee has the authority to engage its own advisors to assist it in carrying out its responsibilities. In late January 2011, the compensation committee engaged Radford to assist in reviewing our executive compensation for fiscal 2012. Radford was asked to provide executive compensation data to allow our compensation committee to understand the market practices for compensation paid to executives at similarly situated companies. After consideration of Radford's proposals, the compensation committee recommended increases to the base salaries and target incentive compensation opportunities of certain named executive officers to make these cash compensation opportunities competitive, and such increases subsequently were approved by our board of directors.

Role of management. In carrying out its responsibilities, our board of directors and the compensation committee work with members of our management, including our CEO and our human resources professionals. Typically, our management assists our board of directors and the compensation committee by providing information on corporate and individual performance, market data, and management's perspective and recommendations on compensation matters.

Historically, the initial compensation arrangements with our executive officers, including the named executive officers, have been determined in negotiations with each individual executive at the time that he or she joined the company. Except for his own compensation arrangement, our CEO has been responsible for negotiating these arrangements, with the oversight and final approval of our board of directors and/or the compensation committee. Our CEO's initial compensation arrangement was negotiated by our board of directors. In negotiating the initial compensation arrangements with our CEO and executive officers, our board of directors or CEO considered external market data, which supported the determination that the initial compensation opportunities for our CEO and executive officers were comparable to the compensation opportunities of executives holding analogous positions at similarly situated companies.

Typically, our CEO will make recommendations to our board of directors and/or compensation committee regarding compensation matters, including the compensation of our named executive officers (except with respect to his own compensation and Mr. Kapur's compensation). In setting compensation levels for Mr. Kapur, our CEO relies on market data, his experience, and his assessment of compensation levels for comparable positions. Our CEO also attends our board meetings, except with respect to discussions involving his own compensation and meetings of our non-employee directors.

While our board of directors solicits and reviews our CEO's recommendations and proposals with respect to compensation-related matters, our board of directors only uses these recommendations and
proposals as one factor in making compensation decisions, along with the market data and compensation committee recommendations.

Peer group data. In December 2011, our compensation committee considered compensation data provided by Radford from certain publicly traded companies in order to determine the appropriate size of the "refresh" equity grants to make to its executive officers (other than its CEO). These publicly traded companies had revenues generally between $50 million and $500 million, had experienced strong year-over-year growth, and had a market capitalization between $500 million and $3 billion. The following is a list of the public companies that we reviewed, which we generally refer to as our "peer group":

<table>
<thead>
<tr>
<th>Active Network</th>
<th>Cornerstone OnDemand</th>
<th>LogMeIn</th>
<th>SolarWinds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aspen Technology</td>
<td>Fortinet</td>
<td>NetSuite</td>
<td>Sourcefire</td>
</tr>
<tr>
<td>BroadSoft</td>
<td>HomeAway</td>
<td>Pandora</td>
<td>SuccessFactors</td>
</tr>
<tr>
<td>CommVault Systems</td>
<td>Jive Software</td>
<td>Qlik Technologies</td>
<td>Synchronoss Technologies</td>
</tr>
<tr>
<td>Concur Technologies</td>
<td>LinkedIn</td>
<td>Responsys Inc.</td>
<td>Taleo</td>
</tr>
<tr>
<td>Constant Contact</td>
<td>LivePerson</td>
<td>ServiceSource International</td>
<td>Zillow</td>
</tr>
</tbody>
</table>

Our compensation committee asked Radford to make recommendations for grants to our executives that would place them within the middle range for comparable executives at peer group companies. Our compensation committee believed that aligning the equity holdings with the middle range for our peer group would assist in retaining these executives and incentivizing them to enhance stockholder value. Our compensation committee reviewed the Radford recommendations and made slight adjustments to the equity award sizes recommended by Radford to achieve our incentive goals. Each "refresh" equity award grant recommended by the compensation committee to our board of directors placed the applicable executive officer within the middle range for comparable executives at peer group companies. Our board of directors approved the "refresh" equity awards in December 2011.

Principal Elements of Executive Compensation

Components of Named Executive Officer Compensation

The compensation program for our named executive officers consists of:

- base salary;
- incentive compensation;
- stock options; and
- severance and change in control-related benefits.

These elements comprise our compensation program for our named executive officers because we believe they provide a compensation package that attracts and retains qualified individuals, links individual performance to company performance, focuses the efforts of our named executive officers on the achievement of both our short-term and long-term objectives, and aligns the interests of our named executive officers with those of our stockholders.

As our needs evolve, we intend to continue to evaluate our philosophy and compensation programs as circumstances require, and at a minimum, we will review executive compensation annually.

Weighting of Elements of Compensation Program

Currently, we do not have any pre-determined formula or target for allocating compensation between short-and long-term, fixed and variable, or cash and non-cash compensation. As a privately held company, executive compensation has been heavily weighted towards equity, which has been awarded in the form of stock options. Our board of directors determined that this form of compensation has encouraged our executives to achieve our strategic and financial goals, including revenue growth and continuous
enhancement of our software. Our board of directors believes that making stock options a key component of executive compensation aligned the executive team with the long-term interests of our stockholders. To maintain a competitive compensation program, we have also offered cash compensation in the form of (i) base salaries to reward individual contributions and compensate our employees for their day-to-day responsibilities, and (ii) annual incentive compensation to drive excellence and leadership and incentivize achievement of our shorter-term objectives.

**Base Salaries**

We provide base salaries to our named executive officers and other employees to compensate them for services rendered on a day-to-day basis during the year. Base salaries typically will be used to recognize the experience, skills, knowledge and responsibilities required of each named executive officer, although competitive market conditions also may play a role in setting the level of base salary. Historically, we have not applied specific formulas to determine changes in base salary. Rather, the base salaries of our executive officers (other than the CEO and Mr. Kapur) were reviewed on an annual basis by the CEO and the board of directors and/or compensation committee based on their experience with respect to setting salary levels and supplemented by market data and assessments of the performance of the named executive officers. The market data historically has not driven compensation decisions but instead has been used as a reference for the CEO, the compensation committee and board of directors to understand the market compensation paid to executives holding comparable positions at similarly situated companies. Base salary increases have been made to reflect these considerations as well as our business condition and future expected performance and what our named executive officers could be expected to receive if employed at companies similarly situated to ours.

**Fiscal 2012 base salaries**

While we historically have reviewed market data when setting compensation levels for our executive officers, in fiscal 2012, as we began to consider transitioning from a private company to a public company, we engaged Radford to provide executive compensation data for comparable executives working for technology companies similarly situated to ours to understand the market practices for paying compensation. After consideration of Radford's analysis, the recommendations of the CEO and/or the compensation committee, their review of market data, and negotiated terms (in the case of Messrs. Conte and Stein), the board of directors, exercising its judgment and discretion, determined to increase base salaries for certain of our named executive officers as set forth in the chart below. These increases were intended to bring them to a level that our board of directors, in consultation with our compensation committee and CEO, believed was competitive with industry norms. In making these increases, we did not benchmark the base salary for our executives to any specific level or percentage. Instead, the board of directors considered the increased contributions expected by certain members of the executive team in enabling our further growth and in preparing us to transition from a privately-held entity and determined that the salary increases would be appropriate in order to drive the desired performance. The base salary for each of Messrs. Conte and Stein were set during negotiations between our CEO and the applicable named executive officer as part of his initial compensation arrangement, and approved by our board of directors. In conducting these negotiations, our CEO consulted external market data and discussed the proposed compensation packages with Radford. The base salaries of Messrs. Conte and Stein ultimately
were approved by our board of directors and generally were competitive with the base salaries of executives holding analogous positions at other technology
companies similarly situated to ours.

### Incentive Compensation

One of our compensation objectives is to have a significant portion of each named executive officer's compensation tied to performance. To accomplish this end, we provide for performance-based cash incentive opportunities for our named executive officers. Performance-based cash incentives are paid to our named executive officers based on the achievement of corporate performance objectives and, in most cases, individual performance objectives. Individual performance objectives generally are determined by our CEO, except for the CEO's compensation, which is determined by our compensation committee and approved by our board of directors. After we become a public company, these corporate and individual performance objectives will be established for the named executive officers by the compensation committee, in consultation with the CEO and management (except for the CEO's own incentive compensation opportunity), and performance against them will be determined or approved by the compensation committee. These objectives may change from year to year as the company and market conditions continue to evolve and different priorities are established.

Historically, cash incentive compensation generally is paid based on the sum of the percentage achievement against each of the corporate goals and the individual performance goals, if any, although we have the authority to deviate from this approach. We believe this approach to our incentive compensation allows us to create a strong link of pay for performance, remain competitive and drive performance toward our goals.

**Fiscal 2012 Incentive Compensation**

Each of our named executive officers (other than Mr. Kapur) entered into a written, individualized incentive compensation arrangement that provided for potential cash bonus payouts for fiscal 2012. These target cash bonus payouts generally were based on our actual achievement against pre-established corporate financial objectives as well as achievement against

**Table of Contents**

<table>
<thead>
<tr>
<th>Name and Principal Position</th>
<th>Fiscal 2012 Base Salary ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Godfrey R. Sullivan, Chairman, Chief Executive Officer and President</td>
<td>$350,000(1)</td>
</tr>
<tr>
<td>David F. Conte, Senior Vice President and Chief Financial Officer</td>
<td>$275,000</td>
</tr>
<tr>
<td>Erik M. Swan, Chief Technical Officer</td>
<td>$250,000</td>
</tr>
<tr>
<td>Leonard R. Stein, Senior Vice President, General Counsel and Secretary</td>
<td>$225,000</td>
</tr>
<tr>
<td>Thomas E. Schodorf, Senior Vice President, Field Operations</td>
<td>$240,000</td>
</tr>
<tr>
<td>Raman Kapur, Vice President, Finance</td>
<td>$175,000(2)</td>
</tr>
</tbody>
</table>

(1) After reviewing the market data provided by Radford, our board of directors determined that our CEO's base salary was below market and increased our CEO's base salary in June 2011 to $350,000 from $250,000, retroactive to January 1, 2011, in order to bring his base salary to a level that was competitive with industry norms and in recognition of the contributions expected of him in preparing us to transition from a privately-held entity.

(2) Mr. Kapur's base salary was increased to $200,000 from $175,000, effective September 2011, as part of our annual review of base salaries and in recognition of his performance.
individual performance goals during the year (except for our CEO whose incentive compensation opportunity was based solely on achievement against our corporate financial objectives). Prior to the beginning of fiscal 2012, our board of directors approved our fiscal 2012 operating plan, which included financial objectives that our board of directors, in consultation with our compensation committee, used to design our CEO's incentive compensation opportunity for fiscal 2012. At the time these objectives were established, we were completing our prior fiscal year during which we exceeded our target bookings objective by approximately 129%. In recognition of the extraordinary efforts of our CEO and the management team in exceeding this objective, and consistent with the terms of their compensation plans, our CEO and other executive officers received cash bonus payouts in excess of their target incentive compensation opportunity for the prior year. Our board of directors, in an effort to continue to motivate our CEO and management team to further expand the growth and development of our business, established financial objectives for fiscal 2012 that it considered aggressive and attainable only with focused effort and execution by our CEO and management team. These financial objectives were designed to drive increased revenues, which our board of directors and management felt would directly result in increased stockholder value creation.

Our CEO used the overall corporate objectives as guidelines for developing the individual performance goals for each named executive officer. These individual performance goals were intended to incentivize and drive performance towards attaining our company objectives.

Mr. Kapur did not enter into a written, individualized compensation arrangement but was eligible to receive quarterly cash bonus payouts based on our actual achievement of pre-established corporate financial objectives and his achievement of pre-determined individual performance goals, as mutually determined by our CEO and Mr. Kapur.

Target Incentive Compensation

As in prior years, the target annual cash incentive compensation opportunities for our named executive officers were expressed as a target cash amount. The table below shows the target cash incentive compensation for each named executive officer:

<table>
<thead>
<tr>
<th>Name</th>
<th>Target Fiscal 2012 Incentive Compensation ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Godfrey R. Sullivan</td>
<td>$315,000</td>
</tr>
<tr>
<td>Chairman, Chief Executive Officer and President</td>
<td></td>
</tr>
<tr>
<td>David F. Conte</td>
<td>$110,000</td>
</tr>
<tr>
<td>Senior Vice President and Chief Financial Officer</td>
<td></td>
</tr>
<tr>
<td>Erik M. Swan</td>
<td>$100,000</td>
</tr>
<tr>
<td>Chief Technology Officer</td>
<td></td>
</tr>
<tr>
<td>Leonard R. Stein</td>
<td>$90,000</td>
</tr>
<tr>
<td>Senior Vice President, General Counsel and Secretary</td>
<td></td>
</tr>
<tr>
<td>Thomas E. Schodorf</td>
<td>$242,000</td>
</tr>
<tr>
<td>Senior Vice President, Field Operations</td>
<td></td>
</tr>
<tr>
<td>Raman Kapur</td>
<td>$60,000</td>
</tr>
<tr>
<td>Vice President, Finance</td>
<td></td>
</tr>
</tbody>
</table>

Our board of directors, compensation committee and CEO, exercising their judgment and discretion, based the fiscal 2012 target incentive cash opportunities for our named executive officers on the following factors: our overall financial and operational results for the prior fiscal year, the performance of the
The target bonus opportunity for our CEO was based 100% on achievement of target revenues. The target bonus opportunities for Messrs. Conte, Swan and Stein were based 50% on achievement of target revenues and 50% on achievement of individual performance goals. For the portion of the target bonus attributable to target revenues, these named executive officers would be eligible to receive a bonus only to the extent, and in the amount, that we achieved 90% of our revenues target (with payment opportunities for our CEO measured annually and for Messrs. Conte, Swan, and Stein measured at 85% of the calculated level for the first three quarters and the remaining 15% for those quarters measured along with the final quarter after the completion of the fiscal year and, for Messrs. Conte and Stein, prorated to the number of days they were employed). For our CEO to be eligible to receive a bonus payout at 100% of his target level, we would have to achieve our revenues target for fiscal 2012. For Messrs. Conte, Swan, and Stein to be eligible to receive bonus payouts at 100% of their target level, we would have to achieve our revenues target (with the bonus for the first three fiscal quarters paid at 85% of the calculated level and the remaining 15% for those quarters paid after the completion of the fiscal year with the final quarter bonus and prorated for the number of days they were employed with us, in the case of Messrs. Conte and Stein).

In addition, to the extent that our revenues exceeded the target level for the year, our CEO and Messrs. Conte, Swan, and Stein would be eligible to receive a bonus payout based on a multiple of the payout at target level, payable following the fourth quarter of fiscal 2012. The target level for the revenues performance measure was set to be aggressive, yet achievable, with diligent effort. As a result, the accelerator multiples set forth in the plans were significant and would yield up to a 3X cash bonus payout if revenues were in excess of the target. In setting target bonus opportunities for fiscal 2012, our compensation committee recommended and our board of directors approved a maximum fiscal 2012 bonus opportunity for our CEO of 3X his target bonus, which was consistent with the market practices reflected in the survey data and Radford analysis in light of the company's goals for fiscal 2012. Our compensation committee, after reviewing the cash bonuses paid to executives at similarly situated companies included in the survey data and the Radford analysis and consulting with our CEO, approved the same maximum threshold of 3X each named executive officer's target bonus opportunity for the portion of the target bonus opportunity applicable to revenue achievement.

We believed this arrangement was appropriate given the aggressive nature of the revenues target and the diligent effort that would be required to exceed the target. The chart below illustrates the correlations.
between performance as compared to our revenues target and the impact of varying levels of performance on the percentage of bonus earned.

<table>
<thead>
<tr>
<th>Percentage Attainment of Revenue Target</th>
<th>Bonus Payment Multiple Relative to Target(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>130%</td>
<td>3.00x</td>
</tr>
<tr>
<td>125%</td>
<td>2.50x</td>
</tr>
<tr>
<td>120%</td>
<td>2.00x</td>
</tr>
<tr>
<td>115%</td>
<td>1.75x</td>
</tr>
<tr>
<td>110%</td>
<td>1.50x</td>
</tr>
<tr>
<td>105%</td>
<td>1.25x</td>
</tr>
<tr>
<td>100%</td>
<td>1.00x</td>
</tr>
<tr>
<td>95%</td>
<td>0.75x</td>
</tr>
<tr>
<td>90%</td>
<td>0.50x</td>
</tr>
</tbody>
</table>

(1) For the portion of the bonus opportunity applicable to corporate financial objectives, bonuses were calculated by first, assessing the level of attainment of the revenue target for a performance period (column 1); next, determining the corresponding payment multiple (column 2); and then multiplying each individual's target bonus opportunity by the payment multiple.

For the portion of their target bonuses attributable to individual performance, Messrs. Conte, Swan and Stein would be eligible to receive bonus payouts based on our CEO's evaluation of each named executive officer's performance against his performance goals and, for each of Messrs. Conte and Stein, prorated to the number of days he was employed with us during fiscal 2012. The target bonus attributable to individual performance was adjustable based on the achievement of the corporate financial objectives. Thus, to the extent that our revenues exceeded the target level for fiscal 2012, Messrs. Conte, Swan and Stein would be eligible to receive an increased bonus payout for the portion of the target bonus applicable to individual performance using the same accelerator multiple used for calculating the portion of the target bonus applicable to revenue achievement multiplied by up to a maximum of 110% of the portion of the target bonus opportunity for individual performance. Our CEO believed this arrangement was appropriate given the diligent and focused effort that would be required to achieve the revenues target.

The individual performance goals for Messrs. Conte, Swan and Stein were established by our CEO and were based on the overall strategic objectives described below. There was no specific weighting assigned to these individual performance goals:

- build and enhance a developer ecosystem to allow our business to grow as a software platform and implement the necessary framework and incentives for developers to grow our business;
- drive solution products toward its financial target and foster the expansion and development of these products to generate new revenue streams for us;
- prepare us for an initial public offering, including building the necessary team and processes to prepare us to operate our business as a public company;
- develop a new market initiative for web intelligence; and
- drive the achievement of the corporate performance objectives, including 66% year over year revenue growth from the prior fiscal year.

**Mr. Schodorf.** As our Senior Vice President, Field Operations, Mr. Schodorf's target incentive compensation opportunity primarily was structured as a commission-based program, which provided for quarterly and annual cash payments based on the ability of our sales organization to achieve specified pre-established sales quotas (based on bookings) throughout the year. Mr. Schodorf would be eligible to receive quarterly commission payments only to the extent, and in the amount, that we achieved at least 70% of our sales quota (with payment opportunities apportioned 85% to the first three quarters and 145%...
to the final quarter). For Mr. Schodorf to be eligible to receive commission payouts at 100% of the target level, we would have to achieve our quota (with payment opportunities apportioned 85% to the first three quarters and 145% to the final quarter). In addition, to the extent that we exceeded our quota for the year, Mr. Schodorf would be eligible to receive additional commission payments based on a multiple of the payout at target level, payable following the fourth quarter. The target level for this performance measure was set to be aggressive, yet achievable, with diligent effort during the year. As a result, the accelerator multiples set forth in Mr. Schodorf's plan were significant and would yield large commission payments if we exceeded our quota.

As our senior sales executive, Mr. Schodorf's target commission opportunity was higher than the target incentive compensation opportunity of our named executive officers (other than our CEO) due to the strong link between his job responsibilities and our sales quota achievement. This was consistent with the incentive compensation opportunities for the top sales executives at similarly situated companies included in the survey data and the Radford analysis that our compensation committee and CEO reviewed before setting his fiscal 2012 incentive compensation opportunity. Therefore, the accelerator multiples used for calculating commissions based on sales quota achievement above target were lower than the multiples for the other named executive officers.

We believed this arrangement was appropriate given the aggressive nature of the sales quota and the diligent and focused effort that would be required to exceed the target. The chart below illustrates the correlations between performance as compared to our quota and the impact of varying levels of performance on the percentage of commissions earned.

<table>
<thead>
<tr>
<th>Percentage Attainment of Target</th>
<th>Commission Payment Multiple Relative to Target(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>125%</td>
<td>2.50x</td>
</tr>
<tr>
<td>120%</td>
<td>2.00x</td>
</tr>
<tr>
<td>115%</td>
<td>1.75x</td>
</tr>
<tr>
<td>110%</td>
<td>1.50x</td>
</tr>
<tr>
<td>105%</td>
<td>1.25x</td>
</tr>
<tr>
<td>100%</td>
<td>1.00x</td>
</tr>
<tr>
<td>95%</td>
<td>0.90x</td>
</tr>
<tr>
<td>90%</td>
<td>0.95x</td>
</tr>
<tr>
<td>85%</td>
<td>0.90x</td>
</tr>
<tr>
<td>80%</td>
<td>0.85x</td>
</tr>
<tr>
<td>75%</td>
<td>0.74x</td>
</tr>
<tr>
<td>70%</td>
<td>0.64x</td>
</tr>
</tbody>
</table>

(1) Commissions are calculated by first, assessing the level of attainment of the quota for a performance period (column 1); next, determining the corresponding payment multiple (column 2); and then multiplying Mr. Schodorf's target commission opportunity by the payment multiple.

Under his incentive plan, Mr. Schodorf also was eligible to receive five $10,000 cash bonuses (a maximum of $50,000 in fiscal 2012) for achieving each of the following during fiscal 2012: (1) obtain customer reference stories in our core markets describing return on investment using Splunk, (2) drive a field plan to win accounts in web intelligence space, (3) design a sales management plan showing how accounts will be assigned, to whom, and how remote territory cooperation and splits will be achieved, (4) drive quarterly reporting for our reference accounts, and (5) recruit an executive for the education market. In addition, Mr. Schodorf was entitled to receive a commission payment of $6,517.
Mr. Kapur. The target bonus opportunity for Mr. Kapur was payable on a quarterly basis and was based (1) 50% on achievement of corporate objectives and (2) 50% on achievement of individual performance objectives. Our CEO, in consultation with Mr. Kapur, determined these performance goals in advance of the performance period. Our CEO believed these goals would drive performance towards achievement of our business objectives. Mr. Kapur's performance goals included: building and enhancing a developer ecosystem, driving solution products toward its financial target, preparing us for an initial public offering, developing a new market initiative for web intelligence, and driving the achievement of the corporate performance objectives. There was no specific weighting assigned to these individual performance goals.

Fiscal 2012 bonus decisions

The information set forth below is based on incentive compensation award decisions for fiscal 2011. Our compensation committee and board of directors are in the process of determining incentive compensation awards for fiscal 2012, and the information set forth below will be updated to disclose these amounts once such determinations are made.

Long-Term Equity-Based Incentive Compensation

We believe that strong, long-term corporate performance is achieved with a corporate culture that encourages a long-term focus by our named executive officers through the use of stock-based awards, the value of which depends on our stock performance. Our equity-based incentives historically have been granted in the form of stock options. We grant stock options to provide our named executive officers with incentives to help align their interests with the interests of our stockholders and to enable them to participate in the long-term appreciation of our stockholder value. Additionally, stock options provide an important retention tool for us to retain our named executive officers, as they are subject to vesting over an extended period of time subject to continued service with us. Going forward, we may introduce other forms of stock-based compensation awards as we deem appropriate into our executive compensation program to offer executive officers additional types of long-term equity incentives that further this objective.

Historically, the size and material terms of the initial stock option grants made to our executive officers, including our named executive officers, were determined after consideration of external market data and our assessment of initial equity grants made to comparable executives at similarly situated companies. Following the initial stock option grants, we have not followed an established set of criteria for granting equity awards. Instead, our board of directors has exercised its judgment and discretion, in consultation with our CEO and compensation committee, and considered, among other things, the role and responsibility of the named executive officer, competitive factors, external market data, the amount of stock-based equity compensation already held by the named executive officer, and the cash-based compensation received by the named executive officer, to determine its recommendations for stock options. We do not have any program, plan or practice to time stock option grants in coordination with releasing material non-public information.

Stock ownership guidelines. At this time, the board of directors has not adopted stock ownership guidelines with respect to the named executive officers or otherwise, although it may consider doing so in the future. In connection with the offering, we have established an insider trading policy that prohibits, among other things, short sales, hedging of stock ownership positions, and transactions involving derivative securities relating to our common stock.

Fiscal 2012 equity grants. In fiscal 2012, our compensation committee recommended and our board of directors approved the equity grants listed in the table below to Messrs. Conte and Stein in connection with their commencement of employment. The size of the equity grants was negotiated with our CEO as part of the employment offer letter that each of these named executive officer's entered into with us. In negotiating the size of the equity grants, our CEO considered the market data and recommended option
grants that were competitive with industry norms and would offer retention and incentive value to the applicable named executive officer.

In June 2011, our compensation committee recommended and our board of directors approved the grant of a "refresh" stock option to Mr. Kapur to purchase up to 37,500 shares of common stock after its review of internal equity among its employees. This stock option grant was made to continue to drive his performance to enhance our value and better align his interests with the interests of our stockholders. In determining the number of shares subject to the stock option, the board of directors considered his current equity holdings, his responsibilities as our principal financial officer at the time, as well as what they believed Mr. Kapur could obtain from other companies if he were to leave for new employment.

In December 2011, our compensation committee, recommended and our board of directors approved "refresh" grants for our named executive officers after consulting the Radford equity compensation data for our peer group (except for Mr. Kapur's grant). The size of the equity awards granted to our named executives was determined by our compensation committee, after consideration of Radford's recommendations for executive officers (other than Mr. Kapur), and approved by our board of directors, and was intended to align these named executive officers' equity holdings with the middle range for comparable executives of our peer group. Mr. Conte exercised his discretion and judgment in recommending to the board of directors an additional equity award for Mr. Kapur that would properly incentivize him. This award was approved by our board of directors. We believed this was important to retain our named executive officers, including Mr. Kapur. The chart below summarizes the "refresh" equity awards made in December 2011:

<table>
<thead>
<tr>
<th>Named Executive Officer</th>
<th>Granted Option Grants (Number of Shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leonard R. Stein</td>
<td>April 2011 550,000</td>
</tr>
<tr>
<td>David F. Conte</td>
<td>July 2011 1,000,000</td>
</tr>
</tbody>
</table>

We did not make any equity grants to our CEO. The board of directors determined that, given his then-current equity holdings, he was, at that time, sufficiently incentivized and had a stake in the success of the company that appropriately aligned his interests with those of our stockholders. Our compensation committee and board of directors review the equity compensation, including the retention and incentive value of the awards, in order to determine whether and when additional equity compensation is appropriate.

**Perquisites**

Our named executive officers are eligible to participate in the same group insurance and employee benefit plans generally available to our other salaried employees in the United States. We provide employee benefits to all eligible employees in the United States, including our named executive officers, which the compensation committee believes are reasonable and consistent with its overall compensation objective to better enable us to attract and retain employees. These benefits include medical, dental, vision, and disability benefits and other plans and programs made available to eligible employees. In September
2011, we implemented special long-term disability coverage for our executive officers, including our named executive officers, who are eligible for disability coverage until approximately age 66 if they cannot return to their own occupation. At this time, we do not provide any other special plans or programs for our named executive officers. Accordingly, employee benefits and perquisites are reviewed from time to time only to ensure that benefit levels remain competitive for the company as a whole but are not included in the compensation committee's annual determination of a named executive officer's compensation package.

Post-Employment Compensation

The offer letters entered into with our named executive officers provide certain protections in the event of their termination of employment under specified circumstances, including following a change in control of our company. Mr. Swan did not previously have a written employment arrangement and his letter states the current terms of his employment. We believe that these protections serve our executive retention objectives by helping our named executive officers maintain continued focus and dedication to their responsibilities to maximize stockholder value, including in the event of a transaction that could result in a change in control of our company. The terms of these letters were determined after review by the compensation committee of our retention goals for each executive and thereafter considered and approved by our board of directors. For a summary of the material terms and conditions of these severance and change in control arrangements, see “—Potential Payments Upon Termination and Upon Termination Following Change in Control.”

Tax and Accounting Treatment of Compensation

**Deductibility of Executive Compensation**

Generally, Section 162(m) of the Code disallows a tax deduction to any publicly-held corporation for any remuneration in excess of $1 million paid in any taxable year to its chief executive officer and to certain other highly compensated officers. Remuneration in excess of $1 million may be deducted if, among other things, it qualifies as “performance-based compensation” within the meaning of the Code.

As a privately-held corporation, we have not previously taken the deductibility limit imposed by Section 162(m) into consideration in setting compensation for our executive officers. Further, under a certain Section 162(m) exception, certain compensation paid pursuant to a compensation plan in existence before the effective date of this public offering will not be subject to the $1 million limitation until the earliest of: (i) the expiration of the compensation plan, (ii) a material modification of the compensation plan (as determined under Section 162(m)), (iii) the issuance of all the employer stock and other compensation allocated under the compensation plan, or (iv) the first meeting of stockholders at which directors are elected after the close of the third calendar year following the year in which the offering occurs. We expect that, where reasonably practicable, we will seek to qualify the variable compensation paid to our executive officers for the "performance-based compensation" exemption from the deductibility limit. As such, in approving the amount and form of compensation for our executive officers in the future, we will consider all elements of the cost to us of providing such compensation, including the potential impact of Section 162(m). Our compensation committee may, in its judgment, authorize compensation payments that do not comply with an exemption from the deductibility limit when it believes that such payments are appropriate to attract and retain executive talent.

**Taxation of "Parachute" Payments and Deferred Compensation**

We did not provide any executive officer, including any named executive officer, with a "gross-up" or other reimbursement payment for any tax liability that he or she might owe as a result of the application of Sections 280G, 4999, or 409A of the Code during fiscal 2012, and we have not agreed and are not otherwise obligated to provide any named executive officer with such a "gross-up" or other reimbursement. Sections 280G and 4999 of the Code provide that executive officers and directors who
hold significant equity interests and certain other service providers may be subject to an excise tax if they receive payments or benefits in connection with a change in control that exceeds certain prescribed limits, and that the company, or a successor, may forfeit a deduction on the amounts subject to this additional tax. Section 409A also imposes additional significant taxes on the individual in the event that an executive officer, director or other service provider receives "deferred compensation" that does not meet the requirements of Section 409A of the Code.

**Accounting for Stock-Based Compensation**

We follow Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC Topic 718"), formerly known as SFAS 123(R), for our stock-based awards. ASC Topic 718 requires companies to measure the compensation expense for all share-based payment awards made to employees and directors, including stock options and restricted stock awards, based on the grant date "fair value" of these awards. This calculation is performed for accounting purposes and reported in the compensation tables below, even though our executive officers may never realize any value from their awards. ASC Topic 718 also requires companies to recognize the compensation cost of their stock-based compensation awards in their income statements over the period that an executive officer is required to render service in exchange for the option or other award.

We account for equity compensation paid to our employees under the rules of ASC Topic 718, which requires us to estimate and record an expense for each award of equity compensation over the service period of the award. Accounting rules also require us to record cash compensation as an expense at the time the obligation is incurred.

**Risk Assessment and Compensation Practices**

Our management assesses and discusses with our compensation committee our compensation policies and practices for our employees as they relate to our risk management, and based upon this assessment, we believe that any risks arising from such policies and practices are not reasonably likely to have a material adverse effect on us in the future.
The following table provides information regarding the compensation of our named executive officers during fiscal 2012 and 2011.

<table>
<thead>
<tr>
<th>Name and Principal Position</th>
<th>Year</th>
<th>Salary ($)</th>
<th>Bonus ($)</th>
<th>Option Awards ($)</th>
<th>Non-Equity Incentive Plan Compensation ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Godfrey R. Sullivan, Chairman,</td>
<td>2012</td>
<td>350,000</td>
<td>—</td>
<td>—</td>
<td>500,000</td>
<td>350,000</td>
</tr>
<tr>
<td>Chief Executive Officer and</td>
<td>2011</td>
<td>250,000</td>
<td>—</td>
<td>—</td>
<td></td>
<td>750,000</td>
</tr>
<tr>
<td>President</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>David F. Conte, Senior Vice</td>
<td>2012</td>
<td>150,016</td>
<td>—</td>
<td>1,647,464</td>
<td></td>
<td>1,797,480</td>
</tr>
<tr>
<td>President and Chief Financial</td>
<td>2011</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Erik M. Swan, Chief Technology</td>
<td>2012</td>
<td>245,833</td>
<td>—</td>
<td>231,365</td>
<td></td>
<td>477,198</td>
</tr>
<tr>
<td>Officer</td>
<td>2011</td>
<td>225,000</td>
<td>6,250</td>
<td>52,884</td>
<td>533,345</td>
<td>817,479</td>
</tr>
<tr>
<td>Leonard R. Stein, Senior Vice</td>
<td>2012</td>
<td>186,648</td>
<td>—</td>
<td>695,144</td>
<td></td>
<td>881,792</td>
</tr>
<tr>
<td>President, General Counsel and</td>
<td>2011</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secretary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thomas E. Schodorf, Senior Vice</td>
<td>2012</td>
<td>240,000</td>
<td>—</td>
<td>231,365</td>
<td></td>
<td>471,365</td>
</tr>
<tr>
<td>President, Field Operations</td>
<td>2011</td>
<td>240,000</td>
<td>13,333</td>
<td>—</td>
<td>740,000</td>
<td>993,333</td>
</tr>
<tr>
<td>Raman Kapur, Principal Financial</td>
<td>2012</td>
<td>185,420</td>
<td>—</td>
<td>99,851</td>
<td></td>
<td>285,271</td>
</tr>
<tr>
<td>Officer</td>
<td>2011</td>
<td>169,167</td>
<td>14,167</td>
<td>21,044</td>
<td>99,264</td>
<td>303,642</td>
</tr>
</tbody>
</table>

(1) The amounts shown are a onetime discretionary bonus payment for purposes of providing the individual with a bonus for the month of January 2011, which was a transition month, due to our changing our fiscal year end from December 31 to January 31. As a transition month, none of our bonus plans covered the month of January 2011. For Mr. Kapur, this also includes a $10,000 discretionary bonus paid in July 2010.

(2) The dollar amounts in this column represent the compensation cost for fiscal 2011 and 2012 of stock option awards granted in fiscal 2011 and 2012, respectively. These amounts have been calculated in accordance with FASB Statement No. 123 (revised) ASC Topic 718, “Share-Based Payment,” or SFAS 123R, using the Black-Scholes option-pricing model. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For a discussion of valuation assumptions, see the notes to our financial statements included elsewhere in this prospectus.

(3) Unless otherwise noted in the footnotes, these options vest over four years as follows: 25% of the shares vest one year following the vesting commencement date, with the remaining 75% vesting in equal monthly installments over the next three years.


(5) Our compensation committee and board of directors are in the process of determining incentive compensation awards for fiscal 2012, and the information included in this table will be updated to disclose these amounts once such determinations are made.
Grants of Plan-Based Awards For Fiscal 2012

The following table presents information concerning grants of plan-based awards to each of our named executive officers during fiscal 2012.

<table>
<thead>
<tr>
<th>Name</th>
<th>Grant Date</th>
<th>Threshold ($)</th>
<th>Target ($)</th>
<th>Maximum ($)</th>
<th>Number of Securities Underlying Options(1)</th>
<th>Exercise or Base Price of Option Awards ($)</th>
<th>Grant Date Fair Value of Option Awards ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Godfrey R. Sullivan</td>
<td>—</td>
<td>—</td>
<td>315,000</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>David F. Conte</td>
<td>7/15/2011</td>
<td>—</td>
<td>110,000</td>
<td>—</td>
<td>829,935</td>
<td>2.94</td>
<td>1,175,270</td>
</tr>
<tr>
<td></td>
<td>7/15/2011</td>
<td>—</td>
<td>—</td>
<td>170,065</td>
<td>100,000</td>
<td>4.82</td>
<td>231,365</td>
</tr>
<tr>
<td></td>
<td>12/15/2011</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Erik M. Swan</td>
<td>12/15/2011</td>
<td>—</td>
<td>100,000</td>
<td>—</td>
<td>100,000</td>
<td>4.82</td>
<td>231,365</td>
</tr>
<tr>
<td>Leonard R. Stein</td>
<td>4/21/2011</td>
<td>—</td>
<td>90,000</td>
<td>—</td>
<td>266,360</td>
<td>2.14</td>
<td>280,625</td>
</tr>
<tr>
<td></td>
<td>4/22/2011</td>
<td>—</td>
<td>—</td>
<td>50,000</td>
<td>2.14</td>
<td>52,683</td>
<td></td>
</tr>
<tr>
<td></td>
<td>12/15/2011</td>
<td>—</td>
<td>—</td>
<td>50,000</td>
<td>4.82</td>
<td>115,684</td>
<td></td>
</tr>
<tr>
<td>Thomas E. Schodorf</td>
<td>12/15/2011</td>
<td>—</td>
<td>242,000</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raman Kapur</td>
<td>6/14/2011</td>
<td>—</td>
<td>60,000</td>
<td>—</td>
<td>37,500</td>
<td>2.94</td>
<td>53,388</td>
</tr>
<tr>
<td></td>
<td>12/27/2011</td>
<td>—</td>
<td>—</td>
<td>20,000</td>
<td>4.82</td>
<td>46,463</td>
<td></td>
</tr>
</tbody>
</table>

(1) Unless otherwise noted in the footnotes, these options vest over four years as follows: 25% of the shares vest one year following the vesting commencement date, with the remaining 75% vesting in equal monthly installments over the next three years.

(2) Amounts in the “Estimated Future Payouts Under Non-Equity Incentive Plan Awards” column relate to target incentive compensation opportunities under each named executive officer’s individual compensation arrangement and assumes the achievement at target level for both the corporate achievement and individual achievement components. Payments under these plans are not subject to a minimum or maximum payment limitation. The actual amounts paid to our named executive officers are set forth in the “Summary Compensation Table” above and the calculation of the actual amounts paid is discussed more fully in "Executive Compensation—Compensation Discussion and Analysis—Non-Equity Incentive Plan Compensation" above.
### Outstanding Equity Awards at Fiscal Year-End

The following table presents information concerning equity awards held by our named executive officers at the end of fiscal 2012.

<table>
<thead>
<tr>
<th>Name</th>
<th>Vesting Commencement Date</th>
<th>Number of Securities Underlying Unexercised Options (#)</th>
<th>Option Exercise Price ($)</th>
<th>Option Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Godfrey R. Sullivan</td>
<td>9/1/2008</td>
<td>4,162,323(1)(3)</td>
<td>0.565</td>
<td>9/16/2018</td>
</tr>
<tr>
<td>David F. Conte</td>
<td>7/15/2011</td>
<td>727,893(1)(3)</td>
<td>2.94</td>
<td>7/14/2021</td>
</tr>
<tr>
<td></td>
<td>12/15/2011</td>
<td>—</td>
<td>4.82</td>
<td>12/14/2021</td>
</tr>
<tr>
<td>Erik M. Swan(6)</td>
<td>5/18/2006</td>
<td>4,000(6)</td>
<td>—</td>
<td>5/17/2016</td>
</tr>
<tr>
<td></td>
<td>1/1/2008</td>
<td>1,285,000(4)</td>
<td>0.565</td>
<td>4/9/2018</td>
</tr>
<tr>
<td></td>
<td>4/23/2009</td>
<td>68,750(1)</td>
<td>0.62</td>
<td>7/22/2019</td>
</tr>
<tr>
<td></td>
<td>1/21/2010</td>
<td>50,000(1)</td>
<td>0.99</td>
<td>4/21/2021</td>
</tr>
<tr>
<td></td>
<td>12/15/2011</td>
<td>—</td>
<td>4.82</td>
<td>12/14/2021</td>
</tr>
<tr>
<td></td>
<td>4/4/2011</td>
<td>40,000(1)(5)</td>
<td>2.14</td>
<td>4/21/2021</td>
</tr>
<tr>
<td></td>
<td>12/15/2011</td>
<td>—</td>
<td>4.82</td>
<td>12/14/2021</td>
</tr>
<tr>
<td>Thomas E. Schodor</td>
<td>10/5/2009</td>
<td>58,385(1)</td>
<td>0.62</td>
<td>10/21/2019</td>
</tr>
<tr>
<td></td>
<td>12/15/2011</td>
<td>—</td>
<td>4.82</td>
<td>12/14/2011</td>
</tr>
<tr>
<td>Raman Kapur</td>
<td>8/31/2009</td>
<td>10,937(1)</td>
<td>0.62</td>
<td>10/21/2019</td>
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<tr>
<td></td>
<td>9/1/2010</td>
<td>1,2500(1)</td>
<td>1.10</td>
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<td>6/13/2021</td>
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<td></td>
<td>12/27/2011</td>
<td>—</td>
<td>4.82</td>
<td>12/26/2021</td>
</tr>
</tbody>
</table>

(1) These options vest over four years as follows: 25% of the shares vest one year following the vesting commencement date, with the remaining 75% vesting in equal monthly installments over the next three years.

(2) The stock option is subject to an early exercise provision pursuant to which 34,013 shares become exercisable on each of January 1, 2013, January 1, 2014, and January 1, 2015.

(3) The stock option is subject to an early exercise provision pursuant to which 46,728 shares become exercisable on each of January 1, 2013, January 1, 2014, and January 1, 2015.

(4) The stock option vests in equal monthly installments over four years.

(5) The stock option is fully early exercisable.

(6) The stock option is fully vested and immediately exercisable.
Option Exercises and Stock Vested at Fiscal Year-End

The following table presents information concerning the exercise of options by our named executive officers during fiscal 2012. None of our named executive officers held any other stock awards during fiscal 2012.

<table>
<thead>
<tr>
<th>Name of Executive Officer</th>
<th>Number of Shares Acquired on Exercise (#)</th>
<th>Value Realized on Exercise ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Godfrey R. Sullivan</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>David F. Conte</td>
<td>170,068</td>
<td>—</td>
</tr>
<tr>
<td>Erik M. Swan</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Leonard R. Stein</td>
<td>110,000</td>
<td>—</td>
</tr>
<tr>
<td>Thomas E. Schodorf</td>
<td>175,158</td>
<td>418,044</td>
</tr>
<tr>
<td>Raman Kapur</td>
<td>34,375</td>
<td>59,750</td>
</tr>
</tbody>
</table>

(1) Represents the value of our common stock on the date of exercise, as determined by our board of directors, less the option exercise price multiplied by the number of shares for which the option was exercised.

Pension Benefits and Nonqualified Deferred Compensation

We do not provide a pension plan for our employees and none of our named executive officers participated in a nonqualified deferred compensation plan during fiscal 2012.

Executive Employment Arrangements

The initial terms and conditions of employment for each of our named executive officers are set forth in written executive employment offer letters. With the exception of his offer letter, each of these letters was negotiated on our behalf by our CEO, with the oversight and approval of our board of directors. In January 2012, we entered into employment offer letters with Messrs. Sullivan, Conte, Swan, Stein and Schodorf setting forth the terms and conditions of such executive's employment with us. Each of these employment offer letters also provides for severance and change in control benefits, as described below under the "Executive Compensation—Potential Payments Upon Termination or Upon Termination Following a Change in Control" section.

Godfrey R. Sullivan

We entered into an employment offer letter, dated August 19, 2008, with Godfrey R. Sullivan, our Chairman, Chief Executive Officer and President, which set forth the initial terms and conditions of his employment with us. These terms and conditions were negotiated between Mr. Sullivan and our board of directors. We subsequently entered into a revised employment offer letter, dated January 11, 2012, with Mr. Sullivan. This letter supersedes the terms of his original employment offer letter and sets forth Mr. Sullivan's current annual base salary of $350,000 and his current annual target cash bonus of 90% of his base salary.

Raman Kapur

We entered into an employment offer letter, dated August 28, 2009, with Raman Kapur, our Vice President, Finance. This letter sets forth Mr. Kapur's initial annual base salary of $165,000 and eligibility for first year variable compensation of $16,500 based on achievement of individual goals and a company sales bookings goal. In connection with his appointment, Mr. Kapur was granted an option to purchase 75,000 shares of common stock at $0.62, which vests over four years.
We entered into an employment offer letter, dated June 30, 2011, with David F. Conte, our Senior Vice President and Chief Financial Officer. We subsequently entered into a revised employment offer letter, dated January 11, 2012, with Mr. Conte. This letter supersedes the terms of his original employment offer letter and sets forth Mr. Conte's current annual base salary of $275,000 and his current annual target incentive compensation of 50% of his base salary.

Erik M. Swan

We entered into an employment offer letter, dated January 11, 2012, with Erik M. Swan, our Chief Technology Officer. This agreement sets forth Mr. Swan's current annual base salary of $275,000 and his current annual target cash bonus of 50% of his base salary. Prior to January 2012, the terms of Mr. Swan's employment were not memorialized in any written employment offer letter or agreement.

Leonard R. Stein

We entered into an employment offer letter, dated March 28, 2011, with Leonard R. Stein, our Senior Vice President, General Counsel and Secretary, which sets forth the initial terms and conditions of his employment with us. We subsequently entered into a revised employment offer letter, dated January 11, 2012, with Mr. Stein. This letter supersedes the terms of his original employment offer letter and sets forth Mr. Stein's current annual base salary of $250,000 and his current annual target incentive compensation of 50% of his base salary.

Thomas E. Schodorf

We entered into an employment offer letter, dated September 21, 2009, with Thomas E. Schodorf, our Senior Vice President, Field Operations, which sets forth the initial terms and conditions of his employment with us. We subsequently entered into a revised employment offer letter, dated January 9, 2012, with Mr. Schodorf. This letter supersedes the terms of his original employment offer letter and sets forth Mr. Schodorf's current annual base salary of $275,000 and his current annual target incentive compensation of 100% of his base salary.

Potential Payments Upon Termination or Upon Termination Following a Change in Control

We have entered into agreements with Messrs. Sullivan, Conte, Swan, Stein and Schodorf that may provide for benefits under the circumstances described below if the named executive officer's employment is terminated under certain conditions and enhanced benefits if the termination occurs in connection with a change in control. The material terms of these benefits are set forth below.

If, prior to the three-month period before a change in control or following the 12-month period after a change in control, a named executive officer's employment is terminated without cause, he will be eligible to receive the following benefits if he timely signs a release of claims:

- lump sum payment equal to six months of his then-current base salary (12 months, in the case of our CEO), plus a pro-rated portion of his annual target bonus for the year of termination;
- payment by us for up to six months of COBRA premiums to continue health insurance coverage for him and his eligible dependents (12 months, in the case of our CEO), or a lump sum payment of $12,000 if paying for COBRA premiums would result in an excise tax to us;
- six months accelerated vesting of his outstanding equity awards (12 months, in the case of our CEO); and
- six-month extension of the post-termination exercise period for his outstanding options.
If, within the period commencing three months before a change in control and ending 12 months after a change in control, his employment is terminated without cause or he resigns for good reason, he will be entitled to the following benefits if he timely signs a release of claims:

- lump sum payment equal to 12 months of his then-current base salary (18 months, in the case of our CEO), plus a pro-rated portion of his annual target bonus for the year of termination (18 months of annual target bonus for the year of termination, in the case of our CEO);
- payment by us for up to 12 months of COBRA premiums to continue health insurance coverage for him and his eligible dependents (18 months, in the case of our CEO), or a lump sum payment of $24,000 if paying for COBRA premiums would result in an excise tax to us;
- 100% accelerated vesting of his outstanding equity awards; and
- six-month extension of the post-termination exercise period for his outstanding options.

The following table provides information concerning the estimated payments and benefits that would be provided in the circumstances described above for each of the named executive officers. For purposes of this table, a qualifying termination of employment is considered “in connection with a change in control” if such termination occurs within the period commencing three months before and ending 12 months after a “change in control.” Payments and benefits are estimated assuming that the triggering event took place on January 31, 2012. For purposes of valuing accelerated vesting, the values indicated in the table are calculated as the aggregate difference between the fair market value of a share of our common stock underlying the option on January 31, 2012 and the exercise price of the applicable option, multiplied by the number of unvested shares accelerated. There can be no assurance that a triggering event would produce the same or similar results as those estimated below if such event occurs on any other date or at any other price, or if any other assumption used to estimate potential payments and benefits is not correct. Due to
the number of factors that affect the nature and amount of any potential payments or benefits, any actual payments and benefits may be different.

### Table of Contents

1. Employee Benefit and Stock Plans
   - 2012 Equity Incentive Plan

### Employee Benefit and Stock Plans

#### 2012 Equity Incentive Plan

Our board approved a form of 2012 Equity Incentive Plan, or the 2012 Plan, in January 2012. We expect our board will adopt and our stockholders will approve the 2012 Plan in its final form prior to the completion of this offering. Subject to stockholder approval, the 2012 Plan is effective upon the later to occur of its adoption by our board or immediately prior to the effective date of the registration statement that registers our shares of common stock pursuant to the Securities Exchange Act of 1934, but is not expected to be utilized until after the completion of this offering. Our 2012 Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the Code, to our employees and any parent.

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<table>
<thead>
<tr>
<th>Named Executive Officer</th>
<th>Termination Without Cause</th>
<th>Termination Without Cause or Resignation for Good Reason in Connection with a Change in Control</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Godfrey R. Sullivan</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severance payment(1)</td>
<td>$ 665,000</td>
<td>$ 997,500</td>
</tr>
<tr>
<td>Continued health coverage</td>
<td>$ 21,086</td>
<td>$ 31,629</td>
</tr>
<tr>
<td>Accelerated vesting</td>
<td>$ 5,253,121</td>
<td>$ 5,253,121</td>
</tr>
<tr>
<td>Total</td>
<td>$ 5,939,207</td>
<td>$ 6,282,250</td>
</tr>
<tr>
<td><strong>David F. Conte</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severance payment(1)</td>
<td>$ 247,500</td>
<td>$ 385,000</td>
</tr>
<tr>
<td>Continued health coverage</td>
<td>$ 10,543</td>
<td>$ 21,086</td>
</tr>
<tr>
<td>Accelerated vesting</td>
<td>$ 469,998</td>
<td>$ 1,880,000</td>
</tr>
<tr>
<td>Total</td>
<td>$ 728,041</td>
<td>$ 2,286,086</td>
</tr>
<tr>
<td><strong>Erik M. Swan</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severance payment(1)</td>
<td>$ 225,000</td>
<td>$ 350,000</td>
</tr>
<tr>
<td>Continued health coverage</td>
<td>$ 10,543</td>
<td>$ 21,086</td>
</tr>
<tr>
<td>Accelerated vesting</td>
<td>$ 100,375</td>
<td>$ 322,750</td>
</tr>
<tr>
<td>Total</td>
<td>$ 335,918</td>
<td>$ 693,836</td>
</tr>
<tr>
<td><strong>Leonard R. Stein</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severance payment(1)</td>
<td>$ 202,500</td>
<td>$ 315,000</td>
</tr>
<tr>
<td>Continued health coverage</td>
<td>$ 10,543</td>
<td>$ 21,086</td>
</tr>
<tr>
<td>Accelerated vesting</td>
<td>$ 460,622</td>
<td>$ 1,474,000</td>
</tr>
<tr>
<td>Total</td>
<td>$ 673,665</td>
<td>$ 1,810,086</td>
</tr>
<tr>
<td><strong>Thomas E. Schodorf</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severance payment(1)</td>
<td>$ 362,000</td>
<td>$ 482,000</td>
</tr>
<tr>
<td>Continued health coverage</td>
<td>$ 11,824</td>
<td>$ 23,648</td>
</tr>
<tr>
<td>Accelerated vesting</td>
<td>$ 490,442</td>
<td>$ 1,716,548</td>
</tr>
<tr>
<td>Total</td>
<td>$ 864,266</td>
<td>$ 2,222,196</td>
</tr>
</tbody>
</table>

(1) This represents the sum of each named executive officer's base salary plus pro-rated target bonus amount, in each case, as were in effect as of January 31, 2012.
Authorized shares. A total of __________ shares of our common stock are reserved for issuance pursuant to the 2012 Plan, of which no awards are issued and outstanding. In addition, the shares reserved for issuance under our 2012 Plan will also include (a) those shares reserved but unissued under the 2003 Equity Incentive Plan, or the 2003 Plan, as of the effective date described above and (b) shares returned to the 2003 Plan as the result of expiration or termination of awards (provided that the maximum number of shares that may be added to the 2012 Plan pursuant to (a) and (b) is __________ shares). The number of shares available for issuance under the 2012 Plan will also include an annual increase on the first day of each fiscal year beginning in 2013, equal to the least of:

> shares;  

> % of the outstanding shares of common stock as of the last day of our immediately preceding fiscal year; or

> such other amount as our board may determine.

Plan administration. Our board or a committee appointed by our board has the authority to administer our 2012 Plan. Our compensation committee will administer our 2012 Plan. In the case of awards intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the compensation committee will consist of two or more "outside directors" within the meaning of Section 162(m). Subject to the provisions of our 2012 Plan, the administrator has the power to determine the terms of the awards, including the exercise price, the number of shares subject to each such award, the exercisability of the awards and the form of consideration, if any, payable upon exercise. The administrator also has the authority to amend existing awards to reduce their exercise price, to allow participants the opportunity to transfer outstanding awards to a financial institution or other person or entity selected by the administrator and to institute an exchange program by which outstanding awards may be surrendered in exchange for awards with a higher or lower exercise price.

Stock options. The exercise price of options granted under our 2012 Plan must at least be equal to the fair market value of our common stock on the date of grant. The term of an incentive stock option may not exceed 10 years, except that with respect to any participant who owns more than 10% of the voting power of all classes of our outstanding stock, the term must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date. Subject to the provisions of our 2012 Plan, the administrator determines the term of all other options. After the termination of service of an employee, director or consultant, he or she may exercise his or her option for the period of time stated in his or her option agreement. Generally, if termination is due to death or disability, the option will remain exercisable for 12 months. In all other cases, the option will generally remain exercisable for three months following the termination of service. However, in no event may an option be exercised later than the expiration of its term.

Stock appreciation rights. Stock appreciation rights may be granted under our 2012 Plan. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of our common stock between the exercise date and the date of grant. Subject to the provisions of our 2012 Plan, the administrator determines the terms of stock appreciation rights, including when such rights become exercisable and whether to pay any increased appreciation in cash or with shares of our common stock, or a combination thereof, except that the per share exercise price for the shares to be issued pursuant to the exercise of a stock appreciation right will be no less than 100% of the fair market value per share on the date of grant.
Restricted stock. Restricted stock may be granted under our 2012 Plan. Restricted stock awards are grants of shares of our common stock that vest in accordance with terms and conditions established by the administrator. The administrator will determine the number of shares of restricted stock granted to any employee, director or consultant. The administrator may impose whatever conditions to vesting it determines to be appropriate (for example, the administrator may set restrictions based on the achievement of specific performance goals or continued service to us); provided, however, that the administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. Shares of restricted stock that do not vest are subject to our right of repurchase or forfeiture.

Restricted stock units. Restricted stock units may be granted under our 2012 Plan. Restricted stock units are bookkeeping entries representing an amount equal to the fair market value of one share of our common stock. The administrator determines the terms and conditions of restricted stock units including the vesting criteria (which may include accomplishing specified performance criteria or continued service to us) and the form and timing of payment. Notwithstanding the foregoing, the administrator, in its sole discretion may accelerate the time at which any restrictions will lapse or be removed.

Performance units and performance shares. Performance units and performance shares may be granted under our 2012 Plan. Performance units and performance shares are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. The administrator will establish organizational or individual performance goals in its discretion, which, depending on the extent to which they are met, will determine the number and/or the value of performance units and performance shares to be paid out to participants. After the grant of a performance unit or performance share, the administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such performance units or performance shares. The administrator will notify participants as soon as practicable and all awards will terminate immediately prior to the consummation of such proposed transaction.

Outside directors. Our 2012 Plan provides that all non-employee directors will be eligible to receive all types of awards (except for incentive stock options) under the 2012 Plan. Please see the description of our Outside Director Equity Compensation Policy above under "Management—Non-Employee Director Compensation."

Non-transferability of awards. Unless the administrator provides otherwise, our 2012 Plan generally does not allow for the transfer of awards and only the recipient of an award may exercise an award during his or her lifetime.

Certain adjustments. In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under the 2012 Plan, the administrator will adjust the number and class of shares that may be delivered under the plan and/or the number, class, and price of shares covered by each outstanding award, and the numerical share limits set forth in the 2012 Plan. In the event of our proposed liquidation or dissolution, the administrator will notify participants as soon as practicable and all awards will terminate immediately prior to the consummation of such proposed transaction.

Merger or change in control. Our 2012 Plan provides that in the event of a merger or change in control, as defined under the 2012 Plan, each outstanding award will be treated as the administrator determines, except that if a successor corporation or its parent or subsidiary does not assume or substitute an equivalent award for any outstanding award, then such award will fully vest, all restrictions on such award will lapse, all performance goals or other vesting criteria applicable to such award will be deemed achieved at 100% of target levels and such award will become fully exercisable, if applicable, for a specified period prior to the transaction. The award will then terminate upon the expiration of the specified period.
of time. If the service of an outside director is terminated on or following a change in control, other than pursuant to a voluntary resignation, his or her options,
restricted stock units and stock appreciation rights, if any, will vest fully and become immediately exercisable, all restrictions on his or her restricted stock will lapse,
and all performance goals or other vesting requirements for his or her performance shares and units will be deemed achieved at 100% of target levels, and all other
terms and conditions met.

Amendment, termination.  Our board has the authority to amend, suspend or terminate the 2012 Plan provided such action does not impair the existing rights of
any participant. Our 2012 Plan will automatically terminate in 2022, unless we terminate it sooner.

2012 Employee Stock Purchase Plan

Our board approved a form of 2012 Employee Stock Purchase Plan (the "ESPP") in January 2012. We expect our board will adopt and our stockholders will
approve the ESPP in its final form prior to the completion of this offering. Subject to its adoption by our board and approval by our stockholders, the ESPP will
become effective soon after the completion of this offering.

Authorized shares. A total of shares of our common stock will be made available for sale. In addition, our ESPP provides for annual increases in
the number of shares available for issuance under the ESPP on the first day of each fiscal year beginning in fiscal 2014, equal to the lesser of:

> % of the outstanding shares of our common stock on the first day of such fiscal year;
> shares; or
> such other amount as may be determined by our board of directors.

Plan administration. Our compensation committee will administer the ESPP. Our compensation committee has full and exclusive authority to interpret the
terms of the ESPP and determine eligibility to participate subject to the conditions of our ESPP as described below.

Eligibility. Generally, all of our employees are eligible to participate if they are employed by us, or any participating subsidiary, for at least 20 hours per week
and more than five months in any calendar year. However, an employee may not be granted rights to purchase stock under the ESPP if such employee:

> immediately after the grant would own stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock; or
> hold rights to purchase stock under all of our employee stock purchase plans that accrue at a rate that exceeds $25,000 worth of stock for each calendar year.

Offering periods. Our ESPP is intended to qualify under Section 423 of the Code, and provides for consecutive -month offering periods. The offering
periods generally start on the first trading day on or after and of each year. The administrator may, in its discretion, modify the terms of future offering
periods.

Payroll deductions. Our ESPP permits participants to purchase common stock through payroll deductions of up to % of their eligible compensation,
which includes a participant's base straight time gross earnings, commissions, overtime and shift premium, but exclusive of payments for incentive compensation,
bonuses and other compensation. A participant may purchase a maximum of shares during a purchase period.

Exercise of purchase right. Amounts deducted and accumulated by the participant are used to purchase shares of our common stock at the end of each
purchase period. The purchase price of the shares will be 85% of the lower of the fair market value of our common stock on the first trading day of each
offering period or on the exercise date. If the fair market value of our common stock
on the exercise date is less than the fair market value on the first trading day of the offering period, participants will be withdrawn from the current offering period following their purchase of shares on the purchase date and will be automatically re-enrolled in a new offering period. Participants may end their participation at any time during an offering period, and will be paid their accrued payroll deductions that have not yet been used to purchase shares of common stock. Participation ends automatically upon termination of employment with us.

**Non-transferability.** A participant may not transfer rights granted under the ESPP other than by will, the laws of descent and distribution, or as otherwise provided under the ESPP.

**Merger or change in control.** In the event of our merger or change in control, as defined under the ESPP, a successor corporation may assume or substitute each outstanding purchase right. If the successor corporation refuses to assume or substitute for the outstanding purchase right, the offering period then in progress will be shortened, and a new exercise date will be set. The administrator will notify each participant that the exercise date has been changed and that the participant’s option will be exercised automatically on the new exercise date unless prior to such date the participant has withdrawn from the offering period.

**Amendment, termination.** Our ESPP will automatically terminate in 2022, unless we terminate it sooner. Our board of directors has the authority to amend, suspend or terminate our ESPP, except that, subject to certain exceptions described in the ESPP, no such action may adversely affect any outstanding rights to purchase stock under our ESPP.

### 2003 Equity Incentive Plan, as amended

Our board adopted and our stockholders approved the 2003 Plan in November 2003. The 2003 Plan was most recently amended by our board of directors in December 2011.

**Authorized shares.** Our 2003 Plan will be terminated in connection with this offering, and accordingly, no shares will be available for issuance under this plan. The 2003 Plan will continue to govern outstanding awards granted thereunder. The 2003 Plan provided for the grant of incentive stock options, nonstatutory stock options and restricted stock. As of January 31, 2012, options to purchase shares of our common stock remained outstanding under the 2003 Plan.

**Plan administration.** Our board or a committee thereof appointed by our board has the authority to administer the 2003 Plan. Currently, the compensation committee administers the 2003 Plan. Subject to the provisions of our 2003 Plan, the administrator has the power to determine the terms of awards, including the recipients, the number of shares subject to each award, the exercise price (if any), the fair market value of a share of our common stock, the vesting schedule applicable to the awards, together with any vesting acceleration, and the terms of the award agreement for use under the 2003 Plan. The administrator also has the authority, subject to the terms of the 2003 Plan, to institute an exchange program under which (i) outstanding options may be surrendered in exchange for options of the same type (which may have lower or higher exercise prices and different terms), options of a different type and/or cash and/or (ii) the exercise price of an outstanding option is reduced, to prescribe rules and regulations pertaining to the 2003 Plan, including the establishment of sub-plans for the purposes of satisfying applicable foreign laws, and to construe and interpret the 2003 Plan and awards granted thereunder.

**Options.** The administrator may grant options. The exercise price per share of all options must equal at least 100% of the fair market value per share of our common stock on the date of grant. The term of an option may not exceed 10 years. An incentive stock option held by a participant who owns more than 10% of the total combined voting power of all classes of our stock, or any parent or subsidiary corporations, may not have a term in excess of five years and must have an exercise price of at least 110% of the fair market value per share of our common stock on the date of grant. The administrator will determine the methods
of payment of the exercise price of an option, which may include cash, shares or certain other property or other consideration acceptable to the administrator. After the termination of service of an employee, director or consultant, the participant may exercise his or her option, to the extent vested as of such date of termination, within three months of termination or such shorter or longer period of time as stated in his or her option agreement, no less than 30 days or to exceed five years. If termination is due to death or disability, the option will remain exercisable, to the extent vested as of such date of termination, for six months or such longer period of time as stated in his or her option agreement not exceeding five years. However, in no event may an option be exercised later than the expiration of its term.

Transferability of awards. Unless the administrator provides otherwise, our 2003 Plan generally does not allow for the transfer of awards, and only the recipient of an option may exercise such an award during his or her lifetime.

Certain adjustments. In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under the 2003 Plan, the administrator will adjust the number and class of shares that may be delivered under the 2003 Plan and/or the number, class and price of shares covered by each outstanding award. In the event of our proposed liquidation or dissolution, the administrator will notify participants as soon as practicable, and all awards will terminate immediately prior to the consummation of such proposed transaction.

Merger or change in control. Our 2003 Plan provides that in the event of a merger or change in control, as defined under the 2003 Plan, each outstanding award will be assumed or substituted for an equivalent award. In the event that awards are not assumed or substituted for, then the awards will expire on such transaction at such time and on such conditions as the board will determine.

Amendment, termination. Our board may amend the 2003 Plan at any time. As noted above, in connection with this offering, the 2003 Plan will be terminated and no further awards will be granted thereunder. All outstanding awards will continue to be governed by their existing terms.

401(k) Plan

We maintain a tax-qualified retirement plan that provides eligible employees with an opportunity to save for retirement on a tax advantaged basis. Eligible employees are able to participate in the 401(k) plan as of the first day of the month following the date they meet the plan's eligibility requirements, and participants are able to defer up to 90% of their eligible compensation subject to applicable annual Code limits. All participants' interests in their deferrals are 100% vested when contributed. The 401(k) plan permits us to make matching contributions and profit sharing contributions to eligible participants, although we have not made any such contributions to date. Pre-tax contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participants' directions. The 401(k) plan is intended to qualify under Sections 401(a) and 501(a) of the Code. As a tax-qualified retirement plan, contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan and all contributions are deductible by us when made.

Limitation on Liability and Indemnification Matters

Our amended and restated certificate of incorporation and bylaws that will become effective upon the completion of this offering contain provisions that limit the personal liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

any breach of the director's duty of loyalty to us or our stockholders;
any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

> unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or

> any transaction from which the director derived an improper personal benefit.

Our amended and restated certificate of incorporation that will become effective upon the completion of this offering provides that we indemnify our directors to the fullest extent permitted by Delaware law. In addition, our amended and restated bylaws that will become effective upon the completion of this offering provide that we indemnify our directors and officers to the fullest extent permitted by Delaware law. Our amended and restated bylaws that will become effective upon the completion of this offering also provide that we shall advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity, regardless of whether we would otherwise be permitted to indemnify him or her under the provisions of Delaware law. We have entered and expect to continue to enter into agreements to indemnify our directors, executive officers and other employees as determined by our board of directors. With certain exceptions, these agreements provide for indemnification for related expenses including, among others, attorneys’ fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors’ and officers’ liability insurance.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and bylaws that will become effective upon the completion of this offering may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty of care. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and our stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers. At present, there is no pending litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Below we describe transactions and series of similar transactions, during our last three fiscal years, to which we were a party or will be a party, in which:

> the amounts involved exceeded or will exceed $120,000; and
> any of our directors, executive officers or beneficial holders of more than 5% of any class of our capital stock, or any immediate family member of such related person, had or will have a direct or indirect material interest.

Other than as described below, there has not been, nor is there any currently proposed transactions or series of similar transactions to which we have been or will be a party other than compensation arrangements, which are described where required under "Executive Compensation."

Investors' Rights Agreement

We are party to an investors' rights agreement which provides, among other things, that holders of our preferred stock, including stockholders affiliated with some of our directors, have the right to demand that we file a registration statement or request that their shares be covered by a registration statement that we are otherwise filing. For a more detailed description of these registration rights, see "Description of Capital Stock—Registration Rights."

Employment Arrangements and Indemnification Agreements

We have entered into employment and consulting arrangements with certain of our current and former executive officers. See "Executive Compensation—Executive Employment Arrangements."

We have also entered into indemnification agreements with each of our directors and officers. The indemnification agreements and our certificate of incorporation and bylaws in effect upon the completion of this offering require us to indemnify our directors and officers to the fullest extent permitted by Delaware law. See "Executive Compensation—Limitation on Liability and Indemnification Matters."

Severance and Separation Agreements

Many of our executive officers are entitled to certain severance benefits. See "Executive Compensation—Potential Payments Upon Termination or Upon Termination Following a Change in Control."

Stock Option Grants to Executive Officers and Directors

We have granted stock options to our executive officers and one of our non-employee directors. See "Executive Compensation" and "Management—Non-Employee Director Compensation."

Policies and Procedures for Related Party Transactions

Prior to this offering, we historically did not enter into transactions with related parties, including those described above unless a majority of the non-interested directors approved the transaction. In determining whether to approve a related party transaction, the board of directors would consider the material facts as to the related party's relationship or interest in the transaction.

We intend to adopt a formal written policy that will be effective upon the closing of this offering providing that our executive officers, directors, nominees for election as directors, beneficial owners of more than 5% of any class of our common stock, any member of the immediate family of any of the foregoing persons, and any firm, corporation or other entity in which any of the foregoing persons is employed or is a general partner or principal or in a similar position or in which such person has a 5% or
greater beneficial ownership interest, are not permitted to enter into a related party transaction with us without the prior consent of our audit committee, subject to the exceptions described below. In approving or rejecting any such proposal, our audit committee will consider the relevant facts and circumstances available and deemed relevant to our audit committee, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party's interest in the transaction. Our audit committee has determined that certain transactions will not require audit committee approval, including certain employment arrangements of executive officers, director compensation, transactions with another company at which a related party's only relationship is as an employee or beneficial owner of less than 5% of that company's shares, transactions where a related party's interest arises solely from the ownership of our common stock and all holders of our common stock received the same benefit on a pro rata basis, and transactions available to all employees generally.
PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our common stock as of October 31, 2011 and as adjusted to reflect the shares of common stock to be issued and sold in the offering assuming no exercise of the underwriters' over-allotment option, by:

- each person or group of affiliated persons known by us to be the beneficial owner of more than 5% of our common stock;
- each of our named executive officers;
- each of our directors;
- all executive officers and directors as a group; and
- all selling stockholders, which consist of the entities and individuals shown as having shares listed in the column “Shares Being Offered.”

We have determined beneficial ownership in accordance with SEC rules. The information does not necessarily indicate beneficial ownership for any other purpose. Under these rules, the number of shares of common stock deemed outstanding includes shares issuable upon exercise of options and warrants held by the respective person or group that may be exercised or converted within 60 days after October 31, 2011. For purposes of calculating each person’s or group's percentage ownership, stock options and warrants exercisable within 60 days after October 31, 2011 are included for that person or group but not the stock options or warrants of any other person or group.

Applicable percentage ownership is based on 79,350,595 shares of common stock outstanding at October 31, 2011, which includes 200,000 shares of common stock that we issued upon the exercise of certain outstanding warrants, and assumes the automatic conversion of all outstanding shares of our preferred stock on a one-for-one basis into 56,930,194 shares of common stock. For purposes of the table below, we have assumed that shares of common stock will be outstanding upon completion of this offering, based upon an assumed initial public offering price of $ per share.

Unless otherwise indicated and subject to applicable community property laws, to our knowledge, each stockholder named in the following table possesses sole voting and investment power over the shares.
listed. Unless otherwise noted below, the address of each person listed on the table is c/o Splunk Inc., 250 Brannan Street, San Francisco, California 94107.

<table>
<thead>
<tr>
<th>Name of Beneficial Owner</th>
<th>Shares Beneficially Owned Prior to the Offering</th>
<th>Shares Being Offered</th>
<th>Shares Beneficially Owned After the Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares</td>
<td>Percentage</td>
<td>Shares</td>
</tr>
<tr>
<td><strong>5% Stockholders:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entities affiliated with August Capital(1)</td>
<td>16,428,500</td>
<td>20.7</td>
<td></td>
</tr>
<tr>
<td>Entities affiliated with Sevin Rosen(2)</td>
<td>16,428,496</td>
<td>20.7</td>
<td></td>
</tr>
<tr>
<td>Entities affiliated with JK&amp;B Capital(3)</td>
<td>14,128,032</td>
<td>17.8</td>
<td></td>
</tr>
<tr>
<td>Entities affiliated with Ignition Partners(4)</td>
<td>9,742,730</td>
<td>12.3</td>
<td></td>
</tr>
<tr>
<td>Godfrey R. Sullivan(5)</td>
<td>6,781,525</td>
<td>8.1</td>
<td></td>
</tr>
<tr>
<td>Erik M. Swan(7)</td>
<td>4,876,811</td>
<td>6.0</td>
<td></td>
</tr>
<tr>
<td>Michael J. Baum(8)</td>
<td>4,517,899</td>
<td>5.7</td>
<td></td>
</tr>
<tr>
<td><strong>Named Executive Officers and Directors:</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Godfrey R. Sullivan(5)</td>
<td>6,781,525</td>
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<td></td>
</tr>
<tr>
<td>David F. Conte(6)</td>
<td>863,948</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Erik M. Swan(7)</td>
<td>4,876,811</td>
<td>6.0</td>
<td></td>
</tr>
<tr>
<td>Leonard R. Stein(9)</td>
<td>363,088</td>
<td>*</td>
<td></td>
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<tr>
<td>Raman Kapur(10)</td>
<td>53,905</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Thomas E. Schodorof(11)</td>
<td>506,009</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>John G. Connors(12)</td>
<td>9,742,730</td>
<td>12.3</td>
<td></td>
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<tr>
<td>David M. Hornik(13)</td>
<td>21,910</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Thomas M. Neustaetter</td>
<td>—</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Graham V. Smith(14)</td>
<td>150,000</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Nicholas G. Sturiale(15)</td>
<td>96,074</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Scott Thompson(16)</td>
<td>150,000</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>All executive officers and directors as a group (11 persons)(17)</td>
<td>23,552,095</td>
<td>27.4</td>
<td></td>
</tr>
</tbody>
</table>

(*) Represents beneficial ownership of less than 1%.

(1) Consists of (i) 16,406,590 shares held of record by August Capital III, L.P., as nominee for August Capital III, L.P., August Capital Strategic Partners III, L.P., August Capital III Founders Fund, L.P. and related individuals (collectively, the “August Capital III Funds”); and (ii) 21,910 shares held of record by August Capital V, L.P., as nominee for August Capital V, L.P., August Capital Strategic Partners V, L.P. and related individuals (collectively, the “August Capital V Funds”). John R. Johnston, David F. Marquardt and Andrew S. Rappaport, as members of August Capital Management III, L.L.C., the general partner of the August Capital III Funds, share voting and investment power with respect to the shares held by the August Capital III Funds. Howard Hartenbaum, David M. Hornik, John R. Johnston, David F. Marquardt, Vivek Mehra and Andrew S. Rappaport, as members of August Capital Management V, L.L.C., the general partner of the August Capital V Funds, share voting and investment power with respect to the shares held by the August Capital V Funds. The address for each of these entities is c/o August Capital Management, L.L.C., 2480 Sand Hill Road, Suite 101, Menlo Park, California 94025.


(3) Consists of (i) 12,997,790 shares held of record by JK&B Capital IV, L.P. ("JK&B’’); and (ii) 1,130,242 shares held of record by JK&B Capital IV QIP, L.P. ("JK&B QIP’’). JK&B Management IV, L.P., ("JK&B Management’’), the general partner of JK&B and JK&B QIP, may be deemed to have sole voting and dispositive power with respect to the shares held of record by JK&B and JK&B QIP. JK&B Capital IV, L.L.C. ("JK&B Capital’’) is the general partner of JK&B Management. David Kronfeld, as the managing member of JK&B Capital, may be deemed to have sole voting and dispositive power with respect to the shares held by these entities. Thomas M. Neustaetter, one of our directors, is a managing director of JK&B Capital, L.L.C. and has no voting or dispositive power over the shares held by these entities. The address for these entities is c/o JK&B Capital, Two Prudential Plaza, 180 N. Stetson Avenue, Suite 4500, Chicago, Illinois 60601.

(4) Consists of 9,466,037 shares held of record by Ignition Venture Partners III, L.P.; and 276,693 shares held of record by Ignition Managing Directors Fund III, LLC (collectively “Ignition Partners”). Ignition GP III, LLC possesses all voting and dispositive power with respect to shares held by Ignition Venture Partners III, L.P. A board of seven managing directors controls all voting and dispositive power with respect to Ignition GP III, LLC and Ignition Managing Directors Fund III, LLC, including with respect to shares held by Ignition Venture Partners III, L.P. and Ignition Managing Directors Fund III, LLC. The board is comprised of John Connors, Robert Headley, Steve Hooper, John Ludwig, Cameron Myhrvold, Jonathan Roberts and Brad Silverberg. The business address for Ignition Venture Partners III, L.P., Ignition Managing Directors Fund, III, LLC and Ignition GP III, LLC is 11400 SE 6th Street, Suite 100, Bellevue, Washington 98004.

(5) Consists of (i) 353,982 shares held of record by Mr. Sullivan; (ii) 2,391,150 shares held of record by the Godfrey and Suzanne Sullivan Revocable Trust dated December 5, 2000 for which Mr. Sullivan serves as a trustee; (iii) 20,000 shares held of record by Mr. Sullivan as custodian for his elder daughter; (iv) 20,000 shares held of record by Mr. Sullivan as custodian for his younger daughter; and (v) 3,996,393 shares exercisable within 60 days of October 31, 2011, of which 2,773,424 shares are fully vested.

(6) Consists of (i) 170,068 shares held of record by Mr. Conte, all of which may be repurchased by us at the original exercise price within 60 days of October 31, 2011; and (ii) 693,880 shares exercisable within 60 days of October 31, 2011, none of which are fully vested.

(7) Consists of (i) 3,500,000 shares held of record by Mr. Swan; and (ii) 1,376,811 shares exercisable within 60 days of October 31, 2011, all of which are fully vested.

(8) Consists of (i) 4,113,248 shares held of record by Mr. Baum; and (ii) 404,651 shares issuable upon the exercise of outstanding warrants. Mr. Baum’s address is 2440 Sand Hill Road, Suite 100, Menlo Park, California 94025.

(9) Consists of (i) 110,000 shares held of record by Mr. Stein, all of which may be repurchased by us at the original exercise price within 60 days of October 31, 2011; and (ii) 253,088 shares exercisable within 60 days of October 31, 2011, none of which are fully vested.
(10) Consists of (i) 34,375 shares held of record by Mr. Kapur; and (ii) 19,530 shares exercisable within 60 days of October 31, 2011, all of which are fully vested.

(11) Consists of (i) 467,086 shares held of record by Mr. Schodorf; and (ii) 38,923 shares exercisable within 60 days of October 31, 2011, all of which are fully vested.

(12) Consists of the shares listed in footnote (4) above which are held by entities affiliated with Ignition Partners. Mr. Connors is a member of a board that controls all voting and dispositive power with respect to Ignition GP III, LLC and Ignition Managing Directors Fund III, LLC, including with respect to the shares held by the Ignition Partners. Mr. Connors may be deemed to have shared voting and dispositive power over the shares held by Ignition Partners.

(13) Consists of the shares held by the August Capital V Funds as disclosed in footnote (1) above. Mr. Hornik is a member of August Capital Management V, L.L.C. and has shared voting and investment power over the shares held by the August Capital V Funds as disclosed in footnote (1) above.

(14) Consists of 150,000 shares subject to options exercisable within 60 days of October 31, 2011, of which 15,625 shares are fully vested.

(15) Consists of (i) 33,574 shares held of record by Sevin Rosen Bayless Management Company listed in footnote (2) above; and (ii) 62,500 shares subject to options exercisable within 60 days of October 31, 2011, all of which are fully vested.

(16) Consists of 150,000 shares subject to options exercisable within 60 days of October 31, 2011, of which 6,250 shares are fully vested.

(17) Consists of (i) 16,830,500 shares beneficially owned by our current directors and officers, of which 280,068 may be repurchased by us at the original exercise price within 60 days of October 31, 2011; and (ii) 6,721,575 shares subject to options exercisable within 60 days of October 31, 2011, of which 4,273,533 shares are fully vested.
DESCRIPTION OF CAPITAL STOCK

General

The following is a summary of the rights of our common stock and preferred stock and certain provisions of our certificate of incorporation and bylaws as they will be in effect upon the completion of this offering. This summary does not purport to be complete and is qualified in its entirety by the provisions of our certificate of incorporation and bylaws, copies of which have been filed as exhibits to the registration statement of which this prospectus is a part.

Immediately following the completion of this offering, our authorized capital stock will consist of 1,020,000,000 shares, with a par value of $0.001 per share, of which:

- 1,000,000,000 shares are designated as common stock; and
- 20,000,000 shares are designated as preferred stock.

As of October 31, 2011, we had outstanding 79,350,595 shares of common stock, held by approximately 157 stockholders of record, assuming the automatic conversion of all outstanding shares of our preferred stock as of October 31, 2011 into 56,830,194 shares of common stock which includes the exercise of a warrant to purchase 200,000 shares of our Series A preferred stock which occurred subsequent to October 31, 2011. Pursuant to the terms of our certificate of incorporation, our preferred stock will automatically convert into common stock effective upon the closing of this offering. In addition, as of October 31, 2011, we had outstanding options to acquire 19,430,429 shares of our common stock and outstanding warrants that will become exercisable into 469,557 shares of common stock.

Common Stock

The holders of common stock are entitled to one vote per share on all matters submitted to a vote of our stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Subject to preferences that may be applicable to any preferred stock outstanding at the time, the holders of outstanding shares of common stock are entitled to receive ratably any dividends declared by our board of directors out of assets legally available. See the section entitled “Dividend Policy.” Upon our voluntary or involuntary liquidation, dissolution or winding up, holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any then outstanding shares of preferred stock. Holders of common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock.

Preferred Stock

After the completion of this offering, no shares of preferred stock will be outstanding. Pursuant to our certificate of incorporation, our board of directors will have the authority, without further action by the stockholders, to issue from time to time up to 20,000,000 shares of preferred stock in one or more series. Our board of directors may designate the rights, preferences, privileges and restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, redemption rights, liquidation preference, sinking fund terms and the number of shares constituting any series or the designation of any series. The issuance of preferred stock could have the effect of restricting dividends on the common stock, diluting the voting power of the common stock, impairing the liquidation rights of the common stock or delaying, deterring or preventing a change in control. Such issuance could have the effect of decreasing the market price of the common stock. The issuance of preferred stock or even the ability to issue preferred stock could also have the effect of delaying, deterring or preventing a change in control. We currently have no plans to issue any shares of preferred stock.
Warrants

As of October 31, 2011, a warrant to purchase 200,000 shares of our Series A preferred stock at an exercise price of $0.25 per share was outstanding, which was subsequently exercised.

As of October 31, 2011, a warrant to purchase 404,651 shares of our Series C preferred stock at an exercise price of $1.56 per share was outstanding. Upon the closing of this offering, this warrant will become exercisable for the same number of shares of common stock.

As of October 31, 2011, a warrant to purchase 26,444 shares of our Series C preferred stock and up to an additional 44,069 shares of our Series C preferred stock, based upon the amount advanced under the terms of our hardware facility and software facility lease with TriplePoint Capital LLC, and a warrant to purchase 38,462 shares of our Series C preferred stock and up to an additional 115,385 shares of our Series C preferred stock, based upon the amount advanced under the terms of our growth capital loan with TriplePoint Capital LLC, were outstanding at an exercise price of $1.56 per share. Upon the closing of this offering, these warrants will become exercisable for the same number of shares of common stock.

All of these warrants have a net exercise provision under which its holder may, in lieu of payment of the exercise price in cash, surrender the warrant and receive a net amount of shares based on the fair market value of our preferred stock at the time of exercise of the warrant after deduction of the aggregate exercise price. Each warrant contains provisions for the adjustment of the exercise price and the number of shares issuable upon the exercise of the warrant in the event of certain stock dividends, stock splits, reorganizations, reclassifications and consolidations. Certain of the holders of the shares issuable upon exercise of our warrants are entitled to registration rights with respect to such shares as described in greater detail under the heading "Registration Rights."

Registration Rights

Following this offering's completion, the holders of an aggregate of 66,986,549 shares of our common stock, or their permitted transferees, are entitled to rights with respect to the registration of these shares under the Securities Act. These rights are provided under the terms of an investors' rights agreement between us and the holders of these shares, which was entered into in connection with our preferred stock financings, and include demand registration rights, short-form registration rights and piggyback registration rights. These registration rights are assignable, subject to certain conditions, including that the assignee be bound by the terms and conditions of the investors' rights agreement.

Demand Registration Rights

The holders of an aggregate of 66,986,549 shares of our common stock, or their permitted transferees, are entitled to demand registration rights. Under the terms of the investors' rights agreement, at any time after the earlier of (i) one hundred eighty (180) days after the effective date of this offering and (ii) August 31, 2010, we will be required, upon the written request by the holders of at least thirty percent (30%) of the shares that are entitled to rights under the investors' rights agreement, to use our best efforts to register all or a portion of these shares for public resale. We are not required to effect a registration pursuant to this provision of the investors' rights agreement if (i) the shares requested to be registered do not represent twenty percent (20%) or more of the total number of registrable securities then outstanding and the aggregate public offering price would be less than $5.0 million or (ii) during any ninety (90) days prior to our good faith estimate of the date of filing of, and ending on a date one hundred eighty (180) days following the effective date of, any company-initiated registration under the Securities Act (other than a registration relating solely to any employee benefit plan or a corporate reorganization). If such a registration is to be an underwritten offering, then the holders' registration rights are conditioned on such holders' participation in such underwriting. We may defer the filing of a registration statement once during any twelve (12) month period for a period of not more than ninety (90) days, if we provide a certificate.
stating that in good faith our board of directors believes it would be seriously detrimental to us and our stockholders for the registration statement to be effected at that time.

**Form S-3 Registration Rights**

The holders of an aggregate of 66,986,549 shares of our common stock, or their permitted transferees, are also entitled to S-3 registration rights. If we are eligible to file a registration statement on Form S-3 and have not done so within the preceding 12 month period, these holders have the right, upon written request to us, to have such shares registered by us if the proposed aggregate offering price of the shares to be registered by the holders requesting registration is at least $1.0 million, subject to certain exceptions. However, we may defer the filing of the Form S-3 registration statement once during any 12 month period for a period of not more than 90 days, if we provide a certificate stating that in good faith our board of directors believes it would be seriously detrimental to us and our stockholders for the Form S-3 registration statement to be effected at that time.

**Piggyback Registration Rights**

The holders of an aggregate of 66,986,549 shares of our common stock, or their permitted transferees, are entitled to piggyback registration rights. If we register any of our securities for our own account (other than to any employee benefit plan or a corporate reorganization), the holders of these shares are entitled to include their shares in the registration. If such a registration is to be an underwritten offering, then the holders' registration rights are conditioned on such holders' participation in such underwriting.

**Other Obligations**

The registration rights are subject to certain conditions and limitations, including the right of the underwriters of an offering to limit the number of shares of common stock to be included in the registration. We are generally required to bear the expenses of all registrations, except underwriting discounts and commissions. The investors' rights agreement also contains the mutual commitment of us and the holders to indemnify each other for losses attributable to untrue statements or omission of a material fact or violations of the Securities Act or state securities laws incurred by us with registrations under the agreement. The investors' rights agreement also contains an agreement by the holders not to sell or otherwise transfer or dispose of securities for a period of up to 180 days (or such other period as may be requested by the company or the underwriters) following the completion of this offering.

**Termination**

With respect to all holders of registrable securities who hold less than two percent of our outstanding capital stock immediately following the closing of this offering, the registration rights and our obligations terminate five years after the closing of this offering. With respect to all holders of registrable securities who hold equal to or greater than two percent of our outstanding capital stock immediately following the closing of this offering and at all times thereafter hold a number of registrable securities equal to or greater than one percent of our outstanding capital stock, the registration rights and our obligations terminate seven years after the closing of this offering. The registration rights and our obligations terminate with respect to all registrable securities that may be sold pursuant to Rule 144 promulgated under the Securities Act, unless the holder of such securities holds a number of registrable securities equal to more than one percent of our outstanding capital stock.

**Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws**

Our certificate of incorporation and bylaws contain certain provisions that could have the effect of delaying, deferring or discouraging another party from acquiring control of us. These provisions and certain provisions of Delaware law, which are summarized below, could discourage takeovers, coercive or
otherwise. These provisions are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us.

Undesignated Preferred Stock

As discussed above, our board of directors has the ability to designate and issue preferred stock with voting or other rights or preferences that could deter hostile takeovers or delay changes in our control or management.

Limits on Ability of Stockholders to Act by Written Consent or Call a Special Meeting

Our certificate of incorporation provides that our stockholders may not act by written consent. This limit on the ability of stockholders to act by written consent may lengthen the amount of time required to take stockholder actions. As a result, the holders of a majority of our capital stock would not be able to amend bylaws or remove directors without holding a meeting of stockholders called in accordance with the bylaws.

In addition, our bylaws provide that special meetings of the stockholders may be called only by the chairperson of the board, the chief executive officer, the president (in the absence of a chief executive officer) or our board of directors. A stockholder may not call a special meeting, which may delay the ability of our stockholders to force consideration of a proposal or for holders controlling a majority of our capital stock to take any action, including the removal of directors.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of our board of directors or a committee of the board of directors. These may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed, and may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempt to obtain control of our company.

Board Classification

Our board of directors is divided into three classes. The directors in each class will serve for a three-year term, one class being elected each year by our stockholders. In addition, directors may only be removed for cause. This system of electing and removing directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us because it generally makes it more difficult and takes more time for stockholders to replace a majority of the directors.

Delaware Anti-Takeover Statute

We are subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. In general, Section 203 prohibits a publicly held Delaware corporation from engaging, under certain circumstances, in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder unless:

- prior to the date of the transaction, our board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the
voting stock outstanding, but not the outstanding voting stock owned by the interested stockholder, (1) shares owned by persons who are directors and also officers and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

at or subsequent to the date of the transaction, the business combination is approved by our board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66\(\frac{2}{3}\)% of the outstanding voting stock that is not owned by the interested stockholder.

Generally, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of a corporation's outstanding voting stock. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our board of directors does not approve in advance. We also anticipate that Section 203 may discourage attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

The provisions of Delaware law and the provisions of our certificate of incorporation and bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they might also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions might also have the effect of preventing changes in our management. It is also possible that these provisions could make it more difficult to accomplish transactions that stockholders might otherwise deem to be in their best interests.

**Transfer Agent and Registrar**

Upon the completion of this offering, the transfer agent and registrar for our common stock will be . The transfer agent's address is .

**Market Listing**

We intend to apply to list our common stock on the under the symbol "SPLK."
SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for shares of our common stock. Future sales of substantial amounts of shares of common stock, including shares issued upon the exercise of outstanding options, in the public market after this offering, or the possibility of these sales occurring, could adversely affect the prevailing market price for our common stock or impair our ability to raise equity capital.

Upon the completion of this offering based on shares outstanding as of October 31, 2011, a total of shares of common stock will be outstanding, assuming the automatic conversion of all outstanding shares of preferred stock as of October 31, 2011 into shares of common stock upon the completion of this offering and the exercise of a warrant to purchase Series A preferred stock. Of these shares, all shares of common stock sold in this offering by us or the selling stockholders, plus any shares sold upon exercise of the underwriters' over-allotment option, will be freely tradable in the public market without restriction or further registration under the Securities Act. The remaining shares of common stock will be "restricted securities," as that term is defined in Rule 144 under the Securities Act. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rules 144 or 701 under the Securities Act. As a result of the lock-up agreements described below and the provisions of Rules 144 and 701 under the Securities Act, the restricted securities will be available for sale in the public market as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of Shares Eligible for Sale / Percent of Outstanding Stock</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the date of this prospectus</td>
<td>Shares sold in this offering or eligible for sale under Rule 144</td>
<td></td>
</tr>
<tr>
<td>Between 90 and 180 days (subject to extension) after the date of this prospectus</td>
<td>Shares eligible for sale under Rule 144 or Rule 701</td>
<td></td>
</tr>
<tr>
<td>After 180 days (subject to extension) after the date of this prospectus and various times thereafter</td>
<td>Shares eligible for sale under Rule 144 or Rule 701 upon expiration of lock-up agreements</td>
<td></td>
</tr>
</tbody>
</table>

In addition, of the 19,430,429 shares of our common stock that were subject to stock options outstanding as of October 31, 2011, options to purchase 7,095,813 shares of common stock were vested as of October 31, 2011 and will be eligible for sale 180 days following the effective date of this offering, subject to extension as described in the section entitled "Underwriters."

Rule 144

In general, under Rule 144 as currently in effect, once we have been subject to public company reporting requirements for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell such shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then such person is entitled to sell such shares without complying with any of the requirements of Rule 144.
In general, under Rule 144, as currently in effect, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell upon expiration of the lock-up agreements described above, within any three-month period beginning 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately 136 shares immediately after this offering; or
- the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our common stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation, or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required to wait until 90 days after the date of this prospectus before selling such shares pursuant to Rule 701.

Lock-Up Agreements

We, the selling stockholders, all of our directors and officers and the holders of substantially all of our stock and other equity securities outstanding immediately prior to this offering have agreed that, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for shares of our common stock; or
- enter into any hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our common stock;

whether any transaction described above is to be settled by delivery of shares of our common stock or such other securities, in cash or otherwise. These agreements are subject to certain exceptions. For example, certain of our officers may exercise options to purchase shares of our common stock during the restricted period described above; no sales of the shares received upon exercise may occur until after the expiration of the applicable lock-up agreements entered into by such officer in connection with this offering. These agreements are also subject to extension for up to an additional 34 days, as set forth in the section entitled “Underwriters.”

Rule 10b5-1 Trading Plans

Following the closing of this offering, certain of our officers and directors may adopt written plans, known as Rule 10b5-1 trading plans, in which they will contract with a broker to buy or sell shares of our common stock on a periodic basis to diversify their assets and investments. Under these 10b5-1 trading plans, a broker may execute trades pursuant to parameters established by the officer or director when
entering into the plan, without further direction from such officer or director. Such sales would not commence until the expiration of the applicable lock-up agreements entered into by such officer or director in connection with this offering.

Registration Rights

Upon completion of this offering, the holders of 66,986,549 shares of common stock or their transferees will be entitled to various rights with respect to the registration of these shares under the Securities Act. Registration of these shares under the Securities Act would result in these shares becoming fully tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. See "Description of Capital Stock —Registration Rights" for additional information.

Registration Statements on Form S-8

We intend to file a registration statement on Form S-8 under the Securities Act to register the shares of common stock issued or reserved for issuance under our stock option plans. We expect to file this registration statement after this offering. Shares covered by this registration statement will be eligible for sale in the public market upon the expiration or release from the terms of the lock-up agreements and subject to vesting of such shares.
MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following discussion is a summary of the material U.S. federal income tax consequences applicable to non-U.S. holders (as defined below) of the acquisition, ownership and disposition of our common stock sold pursuant to this offering. This discussion is not a complete analysis of all the potential U.S. federal income tax consequences relating thereto, nor does it address any tax consequences arising under any state, local or non-U.S. tax laws, the U.S. federal estate tax or gift tax rules or any other U.S. federal tax laws. This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions and published rulings and administrative pronouncements of the Internal Revenue Service, or IRS, all as in effect as of the date of this prospectus. These authorities may change, possibly retroactively, resulting in U.S. federal income tax consequences different from those discussed below.

This discussion is limited to non-U.S. holders who purchase our common stock pursuant to this offering and who hold our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax considerations that may be relevant to a particular holder in light of that holder’s particular circumstances. This discussion also does not consider any specific facts or circumstances that may be relevant to holders subject to special rules under the U.S. federal income tax laws, including, without limitation, persons that own, or are deemed to own, more than 5% of our capital stock (except to the extent specifically set forth below), certain former citizens or long-term residents of the United States, an integral part or controlled entity of a foreign sovereign, partnerships and other pass-through entities, real estate investment trusts, regulated investment companies, "controlled foreign corporations,” “passive foreign investment companies,” corporations that accumulate earnings to avoid U.S. federal income tax, banks, financial institutions, insurance companies, brokers, dealers or traders in securities, commodities or currencies, tax-exempt organizations, tax-qualified retirement plans, persons subject to the alternative minimum tax, persons holding our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment or persons deemed to sell our common stock under the constructive sale provisions of the Code.

If a partnership (or other entity taxed as a partnership for U.S. federal income tax purposes) holds our common stock, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold our common stock and partners in such partnerships are urged to consult their tax advisors regarding the specific U.S. federal income tax consequences to them of acquiring, owning or disposing of our common stock.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF OUR COMMON STOCK WITH RESPECT TO THEIR PARTICULAR SITUATIONS, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR NON-U.S. TAX LAWS, THE U.S. FEDERAL ESTATE OR GIFT TAX RULES, ANY OTHER U.S. FEDERAL TAX LAWS AND ANY APPLICABLE TAX TREATY.

Definition of Non-U.S. Holder

For purposes of this discussion, a non-U.S. holder is any beneficial owner of our common stock that is not a "U.S. person" or a partnership for U.S. federal income tax purposes. A U.S. person is any of the following:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

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Distributions on Our Common Stock

As described in the section titled “Dividend Policy,” we do not anticipate paying cash dividends on our common stock. If, however, we make distributions of cash or property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and will first be applied against and reduce a non-U.S. holder's adjusted tax basis in its common stock, but not below zero. Any excess will be treated as gain from the sale of stock and will be treated as described under the section titled “Gain on Sale or Disposition of Our Common Stock” below.

Dividends paid to a non-U.S. holder of our common stock that are not effectively connected with a U.S. trade or business conducted by such holder generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends, or such lower rate specified by an applicable tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must timely furnish to us or our paying agent a valid IRS Form W-8BEN (or applicable successor form) certifying such holder's qualification for the reduced rate. This certification must be provided to us or our paying agent prior to the payment of dividends and must be updated periodically. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the non-U.S. holder's behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, who then will be required to provide certification to us or our paying agent, either directly or through other intermediaries. Non-U.S. holders that do not timely provide us or our paying agent with the required certification, but that qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. holders should consult their tax advisors regarding possible entitlement to benefits under a tax treaty.

If a non-U.S. holder holds our common stock in connection with the conduct of a trade or business in the United States, and dividends paid on the common stock are effectively connected with such holder's U.S. trade or business (and, if required by an applicable tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the United States), dividends paid to the non-U.S. holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the non-U.S. holder must furnish to us or our paying agent a valid IRS Form W-8ECI (or applicable successor form), certifying that the dividends are effectively connected with the non-U.S. holder's conduct of a trade or business within the United States.

Any dividends paid on our common stock that are effectively connected with a non-U.S. holder's U.S. trade or business (and, if required by an applicable tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the United States) generally will be subject to graduated U.S. federal income tax rates, net of deductions and credits, in the same manner as if such holder were a U.S. person. Dividends that are effectively connected with the conduct of a U.S. trade or business and paid to a non-U.S. holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable tax treaty). Non-U.S. holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.
Gain on Sale or Disposition of Our Common Stock

Subject to the discussions below regarding backup withholding and legislation relating to foreign accounts, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or disposition of our common stock unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States and, if required by an applicable tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the United States;
- the non-U.S. holder is a nonresident alien individual present in the United States for a period or periods of 183 days or more in the aggregate during the taxable year of the sale or disposition and certain other requirements are met; or
- our common stock constitutes a U.S. real property interest by reason of our status as a U.S. real property holding corporation, or USRPHC, for U.S. federal income tax purposes during the relevant statutory period.

The gain described in the first bullet point above generally will be subject to U.S. federal income tax at graduated tax rates on a net income basis in the same manner as if such holder were a U.S. person. A non-U.S. holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable tax treaty). Non-U.S. holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Gain described in the second bullet point above generally will be subject to U.S. federal income tax at a flat 30% rate (or such a lower rate specified by an applicable income tax treaty), but may be offset by U.S. source capital losses of the non-U.S. holder (even though the individual is not considered a resident of the United States), provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe that we currently are not, and we do not anticipate becoming, a USRPHC for U.S. federal income tax purposes. Because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property interests relative to the fair market value of our non-U.S. real property interests and other trade or business assets, however, there can be no assurance that we will not become a USRPHC in the future. In the event we do become a USRPHC, as long as our common stock is “regularly traded,” as defined by applicable Treasury Regulations, on an established securities market, our common stock will be treated as a U.S. real property interest only with respect to a non-U.S. holder that actually or constructively holds more than 5% of our common stock at any time during the shorter of the five-year period preceding the date of disposition or the holder's holding period. We expect our common stock to be “regularly traded” on an established securities market, although we cannot guarantee that it will be so traded. If gain on the sale or other taxable disposition of our stock were subject to taxation under the third bullet point above, the non-U.S. holder would be subject to regular U.S. federal income tax with respect to such gain in generally the same manner as a U.S. person.

Information Reporting and Backup Withholding

Generally, we must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to such holder, the name and address of the non-U.S. holder, and the amount of any tax withheld with respect to those dividends. This information also may be made available under a specific treaty or agreement with the tax authorities of the country in which the non-U.S. holder resides or is established. Under certain circumstances, the Code imposes an information reporting and a backup withholding obligation (currently at a rate of 28% but scheduled to increase to 31% for payments made after December 31, 2012) on certain reportable payments such as dividends paid on or the gross proceeds from disposition of our common stock. Backup withholding generally will not, however, apply to payments of

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dividends to a non-U.S. holder of our common stock provided the non-U.S. holder furnishes to us or our paying agent the required certification as to its non-U.S. status, such as by providing a valid IRS Form W-8BEN or W-8ECI, or otherwise establishes an exemption. Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Legislation Relating to Foreign Accounts

Legislation enacted in 2010 may impose withholding taxes on certain types of payments made to “foreign financial institutions” (as specially defined under these rules) and certain other non-U.S. entities. Under this legislation, the failure to comply with additional certification, information reporting and other specified requirements could result in withholding tax being imposed on payments of dividends and sales proceeds to foreign intermediaries and certain non-U.S. holders. The legislation imposes a 30% withholding tax on dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a foreign financial institution or to a foreign non-financial entity, unless (i) the foreign financial institution undertakes certain diligence and reporting obligations or (ii) the foreign non-financial entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. If the payee is a foreign financial institution, it must enter into an agreement with the U.S. Treasury requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements. Under certain transition rules, any obligation to withhold under the legislation with respect to dividends on our common stock will not begin until January 1, 2014 and with respect to the gross proceeds of a sale or other disposition of our common stock will not begin until January 1, 2015. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. Prospective investors should consult their tax advisors regarding the possible implications of this legislation on their investment in our common stock.
UNDERWRITERS

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC, Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as representatives, have severally agreed to purchase, and we and the selling stockholders have agreed to sell to them, severally, the number of shares indicated below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morgan Stanley &amp; Co. LLC</td>
<td></td>
</tr>
<tr>
<td>Credit Suisse Securities (USA) LLC</td>
<td></td>
</tr>
<tr>
<td>J.P. Morgan Securities LLC</td>
<td></td>
</tr>
<tr>
<td>Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated</td>
<td></td>
</tr>
<tr>
<td>UBS Securities LLC</td>
<td></td>
</tr>
<tr>
<td>Pacific Crest Securities LLC</td>
<td></td>
</tr>
<tr>
<td>Cowen and Company, LLC</td>
<td></td>
</tr>
</tbody>
</table>

Total: ____________

The underwriters and the representatives are collectively referred to as the "underwriters" and the "representatives," respectively. The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and the selling stockholders and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the initial public offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $____ a share under the public offering price. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives.

We and the selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of additional shares of common stock (which includes shares offered by the selling stockholders and shares offered by us) at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us and the selling stockholders. These amounts are shown

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assuming both no exercise and full exercise of the underwriters’ option to purchase up to an additional shares of common stock from us and the selling stockholders.

<table>
<thead>
<tr>
<th>Public offering price</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per Share</td>
</tr>
<tr>
<td>Underwriting discounts and commissions to be paid by:</td>
<td></td>
</tr>
<tr>
<td>Us</td>
<td>$</td>
</tr>
<tr>
<td>Selling stockholders</td>
<td>$</td>
</tr>
<tr>
<td>Proceeds, before expenses, to us</td>
<td>$</td>
</tr>
<tr>
<td>Proceeds, before expenses, to selling stockholders</td>
<td>$</td>
</tr>
</tbody>
</table>

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately $, which includes legal, accounting and printing costs and various other fees associated with the registration and listing of our common stock.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares of common stock offered by them.

Application has been made to have our common stock approved for listing on the under the trading symbol “SPLK.”

We, the selling stockholders, all of our directors and officers and the holders of substantially all of our outstanding stock and other equity securities outstanding immediately prior to this offering have agreed that, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus (the "restricted period”):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock;
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock; or
- file any registration statement with the Securities and Exchange Commission relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock;

whether any such transaction described in the first two bullet points above is to be settled by delivery of common stock or such other securities, in cash or otherwise. In addition, we and each such person agree that, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the underwriters, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock.

The restrictions described in the immediately preceding paragraph do not apply to:

- the sale of shares to the underwriters; or
- transactions by a security holder relating to shares of common stock or other securities acquired in open market transactions after completion of this offering; provided that no filing under Section 16(a) of the Exchange Act is required or voluntarily made in connection with subsequent sales of common stock or other securities acquired in such open market transactions; or

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the transfer by a security holder of shares of common stock or any securities convertible into or exercisable or exchangeable for common stock (i) to an immediate family member of a security holder or to a trust formed for the benefit of such an immediate family member, (ii) by bona fide gift, will or intestacy, (iii) if the security holder is a corporation, partnership or other business entity (A) to another corporation, partnership or other business entity that is an affiliate of such security holder or (B) as part of a distribution to an equity holder of such stockholder or to the estate of any such equity holder or (iv) if the security holder is a trust, transfers of shares of common stock or any securities convertible into or exercisable or exchangeable for common stock to a trustor or beneficiary of the trust or to the estate of such beneficiary, provided that in each case, the transferee, donee or distributee signs and delivers a lock-up agreement prior to or upon such transfer and no filing under Section 16(a) of the Exchange Act reporting a reduction in beneficial ownership of shares of common stock is required or voluntarily made during the restricted period; or

the receipt of shares of common stock from the company upon the exercise of options or the transfer of shares of common stock or any securities convertible into common stock to the company upon a vesting event or upon the exercise of options to purchase shares of common stock on a "cashless" or "net exercise" basis or to cover tax withholding obligations in connection with such vesting or exercise; provided that no filing under Section 16(a) of the Exchange Act is required or voluntarily made during the restricted period; or

the receipt by certain of our officers of up to an aggregate of 833,359 shares of common stock upon the exercise of options for cash; provided that no public reports including but not limited to filings under Section 16 of the Exchange Act are required or voluntarily made within 90 days after the date of this prospectus and such shares of common stock will remain subject to the lock-up restrictions described above; or

pursuant to agreements under which we have the option to repurchase such shares or a right of first refusal with respect to transfers of such shares, provided that no filing under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership of shares of common stock, is required or voluntarily made during the restricted period; or

the conversion of outstanding preferred stock into shares of common stock, provided that such shares of common stock remain subject to the lock-up restrictions described above; or

the transfer of shares of common stock or any security convertible into or exercisable or exchangeable for common stock that occurs by operation of law or by order of a court of competent jurisdiction, provided that the transferee signs and delivers a lock-up agreement; or

our sale or issuance of shares of common stock or other securities convertible into or exercisable for shares of common stock in connection with mergers, acquisitions, joint ventures, strategic alliances, equipment leasing arrangements or debt financings, in an aggregate number of shares not to exceed 5% of the total number of shares of common stock outstanding immediately following the completion of this offering, provided that each recipient of these shares of common stock or other securities shall be subject to the lock-up restrictions described above; or

the establishment by a security holder of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of common stock, provided that such plan does not provide for the transfer of common stock during the restricted period and no public announcement or filing under the Exchange Act regarding the establishment of such plan shall be required or shall be voluntarily made.

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The restricted period will be extended if:

- during the last 17 days of the restricted period we issue an earnings release or material news or a material event relating to our company occurs, or
- prior to the expiration of the restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the restricted period or we provide notification to Morgan Stanley & Co. LLC of any earnings release or material news or material event that may give rise to an extension of the initial restricted period,

in which case the restrictions described in the preceding paragraphs will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Morgan Stanley & Co. LLC, in its sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time. When determining whether or not to release common stock and other securities from lock up agreements, Morgan Stanley & Co. LLC will consider, among other factors, the holder's reasons for requesting the release, the number of shares of common stock and other securities for which the release is being requested and market conditions at the time.

In order to facilitate this offering of common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We, the selling stockholders and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. Morgan Stanley & Co. LLC may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by Morgan Stanley & Co. LLC to underwriters that may make internet distributions on the same basis as other allocations.

**Pricing of the Offering**

Prior to this offering, there has been no public market for our common stock. The initial public offering price was determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price were our future prospects and those of our industry in general, our sales, earnings and certain other financial and operating information in recent
periods, and the price earnings ratios, price sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours.

**Other Relationships**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates may in the future perform various financial advisory and investment banking services for us, for which they will receive customary fees and expenses. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments.

**Selling Restrictions**

**European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), an offer to the public of any shares of our common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of our common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our common stock to be offered so as to enable an investor to decide to purchase any shares of our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

**United Kingdom**

Each underwriter has represented and agreed that:

a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the
"FSMA") received by it in connection with the issue or sale of the shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and

b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our common stock in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Switzerland

The shares may not be and will not be publicly offered, sold or advertised, directly or indirectly in or from Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This prospectus and any other offering or marketing material relating to the shares or the offering has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this prospectus nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this prospectus nor any other offering or marketing material relating to the offering, the Company or the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this prospectus will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.
LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California. The underwriters are being represented by Davis Polk & Wardwell LLP, Menlo Park, California, in connection with this offering.

EXPERTS

The consolidated financial statements as of January 31, 2011 and 2010 and for each of the three years in the period ended January 31, 2011 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

CHANGE IN INDEPENDENT PUBLIC ACCOUNTING FIRM

Armanino McKenna LLP audited our financial statements for the year ended December 31, 2005 through the year ended December 31, 2009. Armanino McKenna's reports for each of these periods did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

On July 22, 2010, our audit committee determined not to renew Armanino McKenna's engagement as our independent accountant when it approved the appointment of PricewaterhouseCoopers LLP as our independent accountant commencing with work to be performed in relation to our audit for fiscal 2011. In addition, our audit committee engaged PricewaterhouseCoopers to audit our fiscal 2009 and fiscal 2010 financial statements.

During the period in which Armanino McKenna served as our independent accountant, there were no disagreements between Armanino McKenna and us on any matter of accounting principles or practices, financial statements disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Armanino McKenna, would have caused Armanino McKenna to make reference to such disagreements in the firm’s reports on our financial statements for such periods. In addition, no reportable events, as defined in Item 304 (a)(1)(v) of Regulation S-K, occurred during our two most recent fiscal years.

We have provided Armanino McKenna with a copy of the foregoing disclosure and have requested that Armanino McKenna furnish us with a letter addressed to the SEC stating whether or not Armanino McKenna agrees with the above statements and, if not, stating the respects in which it does not agree. A copy of the letter from Armanino McKenna, in which Armanino McKenna agrees with the above statements, is filed as an exhibit to the registration statement of which this prospectus is a part.
WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some of which is contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document is not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified by the filed exhibit. You may obtain copies of this information at the Public Reference Room of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Securities Exchange Act of 1934 and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's Public Reference Room and the website of the SEC referred to above. We also maintain a website at www.splunk.com. Upon completion of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on our website is not a part of this prospectus.

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## SPLUNK INC.
### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

**Report of Independent Registered Public Accounting Firm**

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<th>Page(s)</th>
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<td>Consolidated Statements of Operations</td>
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<tr>
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<td>F-5</td>
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<td>Consolidated Statements of Cash Flows</td>
<td>F-6</td>
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<tr>
<td>Notes to Consolidated Financial Statements</td>
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</table>

F-1
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Splunk Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, convertible preferred stock, stockholders' deficit and comprehensive loss and cash flows present fairly, in all material respects, the financial position of Splunk Inc. and its subsidiaries at January 31, 2010 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2011 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

San Jose, California
January 12, 2012
Splunk Inc.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

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

<table>
<thead>
<tr>
<th></th>
<th>January 31, 2010</th>
<th>October 31, 2011</th>
<th>Pro Forma at October 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$11,805</td>
<td>$19,737</td>
<td>$22,997</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>6,590</td>
<td>14,148</td>
<td>21,527</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>920</td>
<td>1,307</td>
<td>3,678</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>19,315</td>
<td>35,192</td>
<td>48,202</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>803</td>
<td>642</td>
<td>642</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>1,762</td>
<td>2,418</td>
<td>7,209</td>
</tr>
<tr>
<td>Other assets</td>
<td>35</td>
<td>539</td>
<td>398</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$21,915</td>
<td>$38,791</td>
<td>$56,451</td>
</tr>
<tr>
<td><strong>Liabilities, convertible preferred stock and stockholders’ equity (deficit)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$837</td>
<td>$1,442</td>
<td>$1,174</td>
</tr>
<tr>
<td>Accrued payroll and compensation</td>
<td>2,319</td>
<td>7,445</td>
<td>10,194</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>1,408</td>
<td>2,563</td>
<td>5,201</td>
</tr>
<tr>
<td>Capital lease obligation, current portion</td>
<td>173</td>
<td>173</td>
<td>31</td>
</tr>
<tr>
<td>Deferred revenue, current portion</td>
<td>10,640</td>
<td>19,500</td>
<td>31,204</td>
</tr>
<tr>
<td>Term debt, current portion</td>
<td></td>
<td></td>
<td>968</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>15,377</td>
<td>31,123</td>
<td>48,772</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred revenue, non-current</td>
<td>677</td>
<td>2,807</td>
<td>5,366</td>
</tr>
<tr>
<td>Capital lease obligation, non-current</td>
<td>175</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred stock warrant liability</td>
<td>647</td>
<td>1,013</td>
<td>2,528</td>
</tr>
<tr>
<td>Other liabilities, non-current</td>
<td>336</td>
<td>402</td>
<td>539</td>
</tr>
<tr>
<td>Term debt, non-current</td>
<td></td>
<td></td>
<td>1,557</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>1,835</td>
<td>4,222</td>
<td>9,990</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>17,212</td>
<td>35,345</td>
<td>58,762</td>
</tr>
<tr>
<td>Commitments and contingencies (Note 9)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convertible preferred stock</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convertible preferred stock, $0.001 par value; 57,904,560 shares authorized; 56,730,194 issued and outstanding at January 31, 2010 and 2011 and October 31, 2011 (unaudited); (liquidation preference: $40,099,985) pro forma: zero shares issued and outstanding at October 31, 2011 (unaudited)</td>
<td>39,949</td>
<td>39,949</td>
<td>39,949</td>
</tr>
<tr>
<td><strong>Stockholders’ equity (deficit)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock, $0.001 par value; 106,511,960 shares authorized; 16,846,526, 19,079,759 and 22,420,401 shares issued and outstanding at January 31, 2010 and 2011 and October 31, 2011 (unaudited); pro forma: 79,350,595 issued and outstanding at October 31, 2011 (unaudited)</td>
<td>17</td>
<td>19</td>
<td>22</td>
</tr>
<tr>
<td>Cumulated other comprehensive income (loss)</td>
<td>—</td>
<td>2</td>
<td>(24)</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>3,957</td>
<td>6,502</td>
<td>10,484</td>
</tr>
<tr>
<td><strong>Accumulated deficit</strong></td>
<td>(39,220)</td>
<td>(43,026)</td>
<td>(52,742)</td>
</tr>
<tr>
<td><strong>Total stockholders’ equity (deficit)</strong></td>
<td>(35,246)</td>
<td>(36,503)</td>
<td>(42,260)</td>
</tr>
<tr>
<td><strong>Total liabilities, convertible preferred stock and stockholders’ equity (deficit)</strong></td>
<td>$21,915</td>
<td>$38,791</td>
<td>$56,451</td>
</tr>
</tbody>
</table>

F-3
### Splunk Inc.  
#### CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except per share amounts)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>License</td>
<td>$ 86</td>
<td>102</td>
<td>228</td>
<td>123</td>
<td>$ 712</td>
<td>151</td>
<td></td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>2,711</td>
<td>3,188</td>
<td>6,428</td>
<td>4,214</td>
<td>7,458</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total cost of revenues</strong></td>
<td>2,797</td>
<td>3,290</td>
<td>6,656</td>
<td>4,337</td>
<td>8,170</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td></td>
<td>15,359</td>
<td>31,710</td>
<td>59,589</td>
<td>39,127</td>
<td>69,591</td>
<td></td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>8,684</td>
<td>8,479</td>
<td>14,025</td>
<td>9,181</td>
<td>16,227</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>17,281</td>
<td>24,072</td>
<td>39,909</td>
<td>25,663</td>
<td>48,337</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>4,462</td>
<td>6,462</td>
<td>8,949</td>
<td>6,261</td>
<td>13,108</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>30,427</td>
<td>39,013</td>
<td>62,883</td>
<td>41,105</td>
<td>77,672</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>(15,068)</td>
<td>(7,303)</td>
<td>(3,294)</td>
<td>(1,978)</td>
<td>(8,081)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other income (expense), net</strong></td>
<td>332</td>
<td>(69)</td>
<td>(387)</td>
<td>32</td>
<td>(1,585)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Loss before income taxes</strong></td>
<td>(14,736)</td>
<td>(7,372)</td>
<td>(3,681)</td>
<td>(1,946)</td>
<td>(9,666)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Provision for income taxes</strong></td>
<td>36</td>
<td>79</td>
<td>125</td>
<td>80</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$(14,772)</td>
<td>$(7,451)</td>
<td>$(3,806)</td>
<td>$(2,026)</td>
<td>$(9,716)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net loss per share:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>$(1.14)</td>
<td>$(0.52)</td>
<td>$(0.21)</td>
<td>$(0.12)</td>
<td>$(0.48)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Weighted-average shares outstanding:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>12,911</td>
<td>14,392</td>
<td>17,738</td>
<td>17,492</td>
<td>20,069</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pro forma net loss per share (unaudited):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>$(0.05)</td>
<td></td>
<td></td>
<td></td>
<td>$(0.12)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pro forma weighted-average shares outstanding used in calculating net loss per share (unaudited):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>74,668</td>
<td></td>
<td></td>
<td></td>
<td>76,999</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

F-4
# Splunk Inc.

## CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK, STOCKHOLDERS' DEFICIT AND COMPREHENSIVE LOSS


<table>
<thead>
<tr>
<th>Convertible Preferred Stock</th>
<th>Common Stock</th>
<th>Accumulated Other Comprehensive Income (Loss)</th>
<th>Accumulated Deficit</th>
<th>Comprehensive Loss</th>
<th>Stockholders' Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares</td>
<td>Amount</td>
<td>Shares</td>
<td>Amount</td>
<td>Additional Paid in Capital</td>
</tr>
<tr>
<td><strong>Balances at January 31, 2008</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of options</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common stock upon early exercise of options</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized loss on investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balances at January 31, 2009</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of options</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common stock upon early exercise of options</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vesting of early exercised options</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized loss on investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balances at January 31, 2010</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of options</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common stock upon early exercise of options</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vesting of early exercised options</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gain on investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balances at January 31, 2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation (unaudited)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of options (unaudited)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common stock upon early exercise of options (unaudited)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vesting of early exercised options (unaudited)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized loss on investments (unaudited)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss (unaudited)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balances at October 31, 2011 (unaudited)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

F-5
## Consolidated Statements of Cash Flows

(In thousands)

<table>
<thead>
<tr>
<th>Year Ended January 31</th>
<th>Nine Months Ended October 31</th>
<th>(Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td><strong>Cash flows from investing activities</strong></td>
<td><strong>Cash flows from financing activities</strong></td>
</tr>
<tr>
<td>Net loss</td>
<td><strong>Net cash (used in) provided by operating activities</strong></td>
<td><strong>Net cash provided by financing activities</strong></td>
</tr>
<tr>
<td>$ (14,772)</td>
<td>$ (11,230)</td>
<td>$ (10)</td>
</tr>
<tr>
<td>$ (7,451)</td>
<td>897</td>
<td>—</td>
</tr>
<tr>
<td>$ (3,806)</td>
<td>8,379</td>
<td>501</td>
</tr>
<tr>
<td>$ (2,026)</td>
<td>1,888</td>
<td>100</td>
</tr>
<tr>
<td>$ (9,716)</td>
<td>4,615</td>
<td>104</td>
</tr>
</tbody>
</table>

### Adjustments to reconcile net loss to net cash (used in) provided by operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and amortization</td>
<td>758</td>
<td>938</td>
<td>958</td>
<td>685</td>
<td>1,429</td>
</tr>
<tr>
<td>Provision for doubtful accounts</td>
<td>179</td>
<td>379</td>
<td>444</td>
<td>278</td>
<td>228</td>
</tr>
<tr>
<td>Change in fair value of preferred stock warrants</td>
<td>21</td>
<td>22</td>
<td>366</td>
<td>(62)</td>
<td>1,515</td>
</tr>
<tr>
<td>Issuance of preferred stock warrants</td>
<td>522</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock-based compensation expense</td>
<td>767</td>
<td>1,300</td>
<td>1,585</td>
<td>1,155</td>
<td>2,267</td>
</tr>
</tbody>
</table>

### Changes in operating assets and liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>(2,941)</td>
<td>(2,160)</td>
<td>(8,002)</td>
<td>(5,943)</td>
<td>(7,607)</td>
</tr>
<tr>
<td>Prepaid expenses, other current and non-current assets</td>
<td>(532)</td>
<td>(201)</td>
<td>(891)</td>
<td>(699)</td>
<td>(2,230)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(48)</td>
<td>462</td>
<td>535</td>
<td>16</td>
<td>(289)</td>
</tr>
<tr>
<td>Accrued compensation</td>
<td>761</td>
<td>527</td>
<td>5,126</td>
<td>3,354</td>
<td>2,749</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>636</td>
<td>1,032</td>
<td>1,074</td>
<td>333</td>
<td>2,006</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>3,419</td>
<td>6,049</td>
<td>10,990</td>
<td>4,797</td>
<td>14,263</td>
</tr>
</tbody>
</table>

### (Unaudited)

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in restricted cash</td>
<td>(1,004)</td>
<td>201</td>
<td>161</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>(2,159)</td>
<td>(359)</td>
<td>(1,471)</td>
<td>(754)</td>
<td>(6,096)</td>
</tr>
<tr>
<td>Proceeds from the sale and maturity of marketable securities</td>
<td>5,440</td>
<td>4,877</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

**Net cash (used in) provided by investing activities**

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments of financing obligation</td>
<td>(10)</td>
<td>(143)</td>
<td>(175)</td>
<td>(130)</td>
<td>(142)</td>
</tr>
<tr>
<td>Proceeds from financing obligation under sale leaseback</td>
<td>501</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from early exercise of employee stock options</td>
<td>100</td>
<td>104</td>
<td>108</td>
<td>—</td>
<td>735</td>
</tr>
<tr>
<td>Proceeds from issuance of common stock</td>
<td>8</td>
<td>1,492</td>
<td>930</td>
<td>653</td>
<td>1,623</td>
</tr>
<tr>
<td>Proceeds from term debt</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>3,000</td>
</tr>
<tr>
<td>Repayments of term debt</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(475)</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>599</td>
<td>1,453</td>
<td>863</td>
<td>523</td>
<td>4,741</td>
</tr>
</tbody>
</table>

**Net increase (decrease) in cash and cash equivalents**

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of period</td>
<td>13,090</td>
<td>4,736</td>
<td>11,805</td>
<td>11,805</td>
<td>19,737</td>
</tr>
<tr>
<td>End of period</td>
<td>$ 4,736</td>
<td>$ 11,805</td>
<td>$ 19,737</td>
<td>$ 13,462</td>
<td>$ 22,997</td>
</tr>
</tbody>
</table>

### Supplemental disclosures

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid for interest</td>
<td>$ —</td>
<td>$ 30</td>
<td>$ 16</td>
<td>$ 14</td>
<td>$ 75</td>
</tr>
</tbody>
</table>

### Non-cash investing and financing activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued purchases of property and equipment</td>
<td>—</td>
<td>3</td>
<td>143</td>
<td>27</td>
<td>124</td>
</tr>
</tbody>
</table>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JANUARY 31, 2009, 2010 AND 2011 AND
NINE MONTHS ENDED OCTOBER 31, 2010 AND 2011 (UNAUDITED)

(1) Description of the Business

Splunk Inc. ("Splunk" or the "Company") provides an innovative software platform that enables organizations to gain real-time operational intelligence by harnessing the value of their data. The Company's software collects and indexes data regardless of format or source, and enables users to search, correlate, analyze, monitor and report on this data. Splunk's software addresses large and diverse data sets, commonly referred to as big data, and is 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. The Company's software is designed to help users in various roles, including IT and business professionals, analyze machine data and realize real-time visibility into and intelligence about their organization's operations. This operational intelligence enables organizations to improve service levels, reduce costs, mitigate security risks, demonstrate and maintain compliance and gain new insights that enable them to drive better business decisions.

(2) Principles of Consolidation

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

(3) Summary of Significant Accounting Policies

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, stock-based compensation, income taxes and contingencies. Actual results could differ from those estimates.

Unaudited Interim Financial Information

The accompanying Consolidated Balance Sheet at October 31, 2010 and 2011, the Consolidated Statements of Operations and the Consolidated Statement of Cash Flows for the nine months ended October 31, 2010 and 2011 and the Consolidated Statements of Convertible Preferred Stock, Stockholders' Deficit and Comprehensive Loss for the nine months ended October 31, 2011 are unaudited. The unaudited interim consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly our financial position and results of operations and cash flows for the nine months ended October 31, 2010 and 2011. The consolidated financial data and the other information disclosed in these notes to the consolidated financial statements related to these nine-month periods are unaudited. The results of the nine months ended October 31, 2011 are not necessarily indicative of the results to be expected for fiscal 2012 or for any other interim period or other future year.
Unaudited Pro Forma Balance Sheet

Immediately prior to the closing of a qualifying public offering ("IPO"), all of the outstanding shares of convertible preferred stock will automatically convert into shares of common stock. In addition, the outstanding preferred stock warrants will either automatically be converted into warrants to purchase common stock upon effectiveness of an IPO or will expire if unexercised prior to the completion of an IPO. The October 31, 2011 unaudited pro forma balance sheet has been prepared assuming the automatic conversion of all outstanding shares of our preferred stock into 56,730,194 shares of our common stock, the automatic conversion of the outstanding Series C preferred stock warrants into common stock warrants and the exercise and conversion of the Series A preferred stock warrant to common stock. The exercise of the Series A preferred stock warrant occurred on December 24, 2011.

Foreign Currency Transactions

For the three years ended January 31, 2011, international sales were primarily sourced in their respective countries and were denominated in U.S. dollars. We determined that for transactions during this period, the functional currency was the U.S. dollar. Accordingly, monetary balance sheet accounts were remeasured using the current exchange rate in effect at the balance sheet date and non-monetary items were remeasured at the historical exchange rate. Expenses were remeasured at the average exchange rates for the period. Foreign currency remeasurement and transaction gains and losses are included in Other Income (Expense), Net and were not material for the three years ended January 31, 2011. During the nine months ended October 31, 2011, in connection with the creation of foreign subsidiaries in Germany, Singapore, the United Kingdom and Hong Kong, we determined the functional currency of each of these foreign subsidiaries is the respective local currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each period-end. Income statement amounts are translated at the average rate of exchange prevailing during the period. Translation adjustments arising from the use of differing exchange rates from period to period are included in Accumulated Other Comprehensive Loss within Stockholders' Equity (Deficit).

Revenue Recognition

We generate revenues primarily in the form of software license fees and related maintenance and services fees. License fees include perpetual license fees, term license fees and royalties. Maintenance and services primarily consist of fees for maintenance services (including support and unspecified upgrades and enhancements when and if they are available), training and professional services that are not essential to functionality.

We recognize revenues when all of the following conditions are met:

- there is persuasive evidence of an arrangement;
- the software or services have been delivered to the customer;
- the amount of fees to be paid by the customer is fixed or determinable; and
- the collection of the related fees is probable.
(3) Summary of Significant Accounting Policies (Continued)

Signed agreements are used as evidence of an arrangement. If a contract signed by the customer does not exist, we have used a purchase order as evidence of an arrangement. In cases where both a signed contract and a purchase order exist, we consider the signed contract to be the final persuasive evidence of an arrangement. Electronic delivery occurs when we provide the customer with access to the software via a license key. We assess whether a fee is fixed or determinable at the outset of the arrangement, primarily based on the payment terms associated with the transaction. We do not generally offer extended payment terms with typical terms of payment due between 30 and 60 days from delivery of software. We assess collectibility of the fee based on a number of factors such as collection history and creditworthiness of the customer. If we determine that collectibility is not probable, revenue is deferred until collectibility becomes probable, generally upon receipt of cash.

When contracts contain multiple elements wherein vendor specific objective evidence ("VSOE") exists for all undelivered elements and the services, if any, are not essential to the functionality of the delivered elements, we account for the delivered elements in accordance with the "Residual Method." Perpetual license arrangements are typically accompanied by maintenance agreements. Maintenance revenues consist of fees for providing software updates on a when and if available basis and technical support for software products ("post-contract support" or "PCS") for an initial term. Maintenance revenues are recognized ratably over the term of the agreement. We have established fair value for maintenance on perpetual licenses due to consistently priced standalone sales of maintenance. Revenues related to term license fees are recognized ratably over the contract term beginning on the date the customer has access to the software license key and continuing through the end of the contract term. In these cases we do not have VSOE of fair value for maintenance as fees for support and maintenance are bundled with the license over the entire term of the contract.

License arrangements may also include professional services and training services, which are typically delivered early in the contract term. In determining whether professional services revenues should be accounted for separately from license revenues, we evaluate whether the professional services are considered essential to the functionality of the software using factors such as the nature of our software products; whether they are ready for use by the customer upon receipt; the nature of our implementation services, which typically do not involve significant customization to or development of the underlying software code; the availability of services from other vendors; whether the timing of payments for license revenues is coincident with performance of services; and whether milestones or acceptance criteria exist that affect the realizability of the software license fee. Substantially all of our professional services arrangements are billed on a time and materials basis and, accordingly, are recognized as the services are performed. Training revenues are recognized as training services are delivered. VSOE of fair value of professional and training services is based on stand-alone sales of those services. Payments received in advance of services performed are deferred and recognized when the related services are performed.

We are unable to establish VSOE of fair value for all undelivered elements in certain arrangements that include time-based licenses, maintenance and services. If VSOE does not exist for any undelivered element of the arrangement, all revenue is deferred until all elements have been delivered, or VSOE is established. If VSOE does not exist for any undelivered services elements of the arrangement, all revenue is recognized ratably over the period that the services are expected to be performed, provided the undelivered services are expected to be delivered over a similar period.
(3) Summary of Significant Accounting Policies (Continued)

We do not offer credits or refunds and therefore have not recorded any sales return allowance for any of the periods presented. Upon a periodic review of outstanding accounts receivable, amounts that are deemed to be uncollectible are written off against the allowance for doubtful accounts. Our policy is to record revenues net of any applicable sales, use or excise taxes.

We recognize revenues from the indirect sales channel upon sell-through by the partner or distributor. A sell-through is determined when we receive an order form from a reseller for a specific end-user sale. We do not offer right of return, product rotation or price protection to any of our channel partners. We also have licensing arrangements with OEM and MSP customers for which royalty fees are generally recognized as revenue upon receipt of reports of units shipped or usage levels, respectively.

In our consolidated statements of operations, revenues are categorized as license or maintenance and services revenues. We allocate revenues from arrangements containing multiple elements to each of these categories based on the VSOE of fair value for elements in each revenue arrangement and the application of the residual method for arrangements in which we have established VSOE of fair value for all undelivered elements. In arrangements where we are not able to establish VSOE of fair value for all undelivered elements, we first allocate revenues to any undelivered elements for which VSOE of fair value has been established, then allocate revenues to any undelivered elements for which VSOE of fair value has not been established based upon management's best estimate of fair value of those undelivered elements and apply a residual method to determine the license fee. Management's best estimate of fair value of undelivered elements for which VSOE of fair value has not been established is based upon the VSOE of similar offerings and other objective criteria.

Cash and Cash Equivalents and Restricted Cash

We consider all highly liquid instruments with original or remaining maturities of 90 days or less at the date of purchase to be cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair value. We do not hold or issue financial instruments for trading purposes. As of January 31, 2010 and 2011 and October 31, 2011, $9.6 million, $13.1 million and $16.1 million, respectively, of cash and cash equivalents were invested in money market funds.

Pursuant to the office lease agreement entered into in March 2008, we were originally required to maintain a minimum of $1.3 million in a letter of credit to the landlord for the security of the lease agreement. This amount is scheduled to be reduced over the term of the lease in accordance with the terms of the office lease agreement. At January 31, 2010 and 2011, we had $1.0 million and $0.8 million, respectively, and at October 31, 2011 we had $0.6 million of restricted cash satisfying the required amounts, which is held in a money market account. At January 31, 2010 and 2011, the current portion was $0.2 million and $0.2 million and the noncurrent portion was $0.8 million and $0.6 million, which amounts were included on the balance sheet in prepaid expenses and other current assets and other assets, respectively. At October 31, 2011, the non-current portion was $0.6 million.

Concentration of Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. We maintain the majority of our cash
(3) Summary of Significant Accounting Policies (Continued)

balance at one financial institution that management believes is a high-credit, quality financial institution and invest our cash equivalents in highly rated money market funds.

At January 31, 2010, there were no customers that individually represented greater than 10% of total accounts receivable. At January 31, 2011, there was one customer that represented approximately 11% of total accounts receivable. At October 31, 2011, there were no customers that represented more than 10% of total accounts receivable.

Our accounts receivable is subject to collection risks. Our gross accounts receivable is reduced for this risk by an allowance for doubtful accounts. This allowance is for estimated losses resulting from the inability of our customers to make required payments. It is an estimate and is regularly evaluated for adequacy by taking into consideration a combination of factors. We look at factors such as past collection experience, credit quality of the customer, age of the receivable balance, and current economic conditions. These factors are reviewed to determine whether an allowance for bad debts should be recorded to reduce the receivable balance to the amount believed to be collectible.

**Fair Value of Financial Instruments**

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. We maintain a financing obligation in relation to a sales leaseback transaction. Based on borrowing rates currently available to us for financing obligations with similar terms and considering our credit risks, the carrying value of the financing obligation approximates fair value.

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 which 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 considers factors specific to the asset or liability. Our convertible preferred stock warrant liability is classified within Level 3 of the fair value hierarchy.
(3) Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

We evaluate the recoverability of our long-lived assets including amortizable intangible and tangible assets in accordance with authoritative guidance on accounting for the impairment or disposal of long-lived assets. Acquired intangible assets are amortized over their useful lives. We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. We recognize such impairment in the event the net book value of such assets exceeds their fair value. If the fair value of the long-lived assets exceeds the carrying value of the net assets assigned, then the assets are not impaired and no further testing is performed. If the carrying value of the net assets assigned exceeds the fair value of the assets, then we must perform the second step of the impairment test in order to determine the implied fair value. No impairment of long-lived assets has occurred in the fiscal and interim periods presented.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from generally three to five years. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining lease term. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in the Consolidated Statements of Operations. Maintenance and repairs that do not improve or extend the lives of the respective assets are charged to expense in the period incurred.

The following table presents the estimated useful lives of our property and equipment:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment and software</td>
<td>3 years</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>5 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>Shorter of the useful life of the asset or the lease term</td>
</tr>
</tbody>
</table>

Capitalized Software Development Costs

Capitalization of software development costs for software to be sold, leased, or otherwise marketed begins upon the establishment of technological feasibility, which is generally the completion of a working prototype that has been certified as having no critical bugs and is a release candidate. Amortization begins once the software is ready for its intended use, generally based on the pattern in which the economic benefits will be consumed. At January 31, 2009, all previously capitalized costs were fully amortized. We did not capitalize any internal software development costs for fiscal 2010 and 2011 and for the nine months ended October 31, 2011 because the cost incurred and the time between technological feasibility and product release was insignificant. We capitalized purchased technology of $0.5 million in December 2010, which is included in Other Assets on the Consolidated Balance Sheets and is being amortized to Cost of License Revenue in the Consolidated Statements of Operations over an 18 month period. For fiscal 2011 and the nine months ended October 31, 2011, total amortization expense was $48,000 and $250,000, respectively.

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(3) Summary of Significant Accounting Policies (Continued)

Costs related to software acquired, developed or modified solely to meet our internal requirements, with no substantive plans to market such software at the time of development, are capitalized. Costs incurred during the preliminary planning and evaluation stage of the project and during post implementation operational stage are expensed as incurred. Costs incurred during the application development stage of the project are capitalized. We define the design, configuration, and coding process as the application development stage. For the nine months ended October 31, 2011, we capitalized $1.0 million of costs related to computer software developed for internal use, which is included in Property and Equipment on the Consolidated Balance Sheets. At January 31, 2011 and October 31, 2011, depreciation of the capitalized software has not commenced as it has not been made available for its intended use.

Commissions

Commissions are recorded as a component of sales and marketing expenses and consist of the variable compensation paid to our sales force. Sales commissions are earned and recorded at the time that a customer has entered into a binding purchase agreement. Commissions paid to sales personnel are recoverable only in the case that we cannot collect the invoiced amounts associated with a sales order. Commission expense was $2.4 million, $5.5 million and $9.9 million for fiscal 2009, 2010 and 2011, respectively, and $6.2 million and $11.5 million for the nine months ended October 31, 2010 and 2011, respectively.

Leases

We lease our facilities under operating leases. For leases that contain rent escalation or rent concession provisions, we record the total rent expense during the lease term on a straight-line basis over the term of the lease. We record the difference between the rent paid and the straight-line rent expense as a deferred rent liability in Other Liabilities, Non-Current in the accompanying Consolidated Balance Sheets. Rent expense was $0.8 million, $1.6 million and $1.6 million during fiscal 2009, 2010 and 2011, respectively, and $1.2 million and $1.8 million for the nine months ended October 31, 2010 and 2011, respectively.

Advertising Expense

We expense advertising costs as incurred. We incurred $1.0 million, $1.3 million and $2.0 million in advertising expenses for fiscal 2009, 2010 and 2011, respectively, and $1.5 million and $2.5 million in advertising expenses in the nine months ended October 31, 2010 and 2011, respectively. Advertising costs are recorded in Sales and Marketing Expenses within the accompanying Consolidated Statements of Operations.

Stock-Based Compensation

The fair value of stock options granted is recognized as compensation expense in the Consolidated Statements of Operations over the related vesting periods. The expense recorded is based on awards ultimately expected to vest and therefore is reduced by estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those
(3) Summary of Significant Accounting Policies (Continued)

estimates. We calculate the fair value of options using the Black-Scholes method and expense using the straight-line attribution approach.

We account for equity awards issued to non-employees, such as consultants, in accordance with the guidance relating to equity instruments that are issued to other than employees for acquiring, or in conjunction with selling, goods or services, using the Black-Scholes method to determine the fair value of such instruments. Awards granted to non-employees are remeasured over the vesting period, and the resulting value is recorded as an expense over the period the services are received.

Segments

We operate our business as one operating segment: the development and marketing of a software platform that enables 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. Substantially all of our long-lived assets are located in the United States.

Income Taxes

Income taxes are accounted for under the asset and liability method in accordance with authoritative guidance for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

We adopted the provisions of ASC 740-10, Accounting for Uncertainty in Income Taxes, on February 1, 2009. There was no impact upon adoption of ASC 740-10 as our liability recognized under previous accounting guidance was consistent with that required under the new guidance. We have adopted the accounting policy that interest expense and penalties relating to income tax position are classified within the provision for income taxes.

Recent Accounting Pronouncements

In May 2011, the FASB amended its guidance related to fair value measurements in order to achieve common fair value measurements between U.S. GAAP and International Financial Reporting Standards. The amendments in the updated guidance explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. The amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the updated guidance should not result in a change in the application of previous fair value measurement guidance. The updated guidance is effective during...
(3) Summary of Significant Accounting Policies (Continued)

interim and annual periods beginning after December 15, 2011. We do not expect the adoption of this guidance on February 1, 2012 to have a significant impact on our consolidated financial statements.

In June 2011, the FASB updated its guidance related to the presentation of comprehensive income. Under the updated guidance, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The updated guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The updated guidance does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The updated guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011, with early adoption permitted. The updated guidance must be applied retrospectively. We do not expect the adoption of this guidance on February 1, 2012 to have a significant impact on our consolidated financial statements.

(4) Allowance for Doubtful Accounts

Allowance for doubtful accounts activity and balances are presented below:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year Ended January 31</th>
<th>Nine Months Ended October 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>$ 36</td>
<td>$ 120</td>
<td>$ 321</td>
</tr>
<tr>
<td>Add: bad debt expense</td>
<td>179</td>
<td>379</td>
<td>444</td>
</tr>
<tr>
<td>Less: write-offs, net of recoveries</td>
<td>(95)</td>
<td>(178)</td>
<td>(365)</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>$ 120</td>
<td>$ 321</td>
<td>$ 400</td>
</tr>
</tbody>
</table>
(5) 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:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment and software</td>
<td>$2,719</td>
<td>$4,144</td>
<td>$8,716</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>976</td>
<td>1,102</td>
<td>1,628</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>670</td>
<td>731</td>
<td>1,054</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,365</strong></td>
<td><strong>5,977</strong></td>
<td><strong>12,198</strong></td>
</tr>
<tr>
<td><strong>Less: accumulated depreciation and amortization</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2,603)</td>
<td>(3,559)</td>
<td>(4,989)</td>
<td></td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td><strong>$1,762</strong></td>
<td><strong>$2,418</strong></td>
<td><strong>$7,209</strong></td>
</tr>
</tbody>
</table>

Depreciation and amortization expense was $0.8 million, $0.9 million and $1.0 million for fiscal 2009, 2010 and 2011, respectively. For the nine months ended October 31, 2010 and 2011, depreciation and amortization expense was $0.7 million and $1.4 million, respectively.

(6) Common Stock

Our certificate of incorporation, as amended and restated, authorizes us to issue 106,511,960 shares of $0.001 par value common stock. At January 31, 2011 and October 31, 2011, 19,079,759 and 22,420,401 shares of common stock were issued and outstanding. Common stock reserved for future issuance was as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Series A, B and C convertible preferred stock</td>
<td>56,730,194</td>
<td>56,730,194</td>
</tr>
<tr>
<td>Options to purchase common stock</td>
<td>16,771,360</td>
<td>19,430,429</td>
</tr>
<tr>
<td>Options available for future issuance</td>
<td>3,962,567</td>
<td>2,462,856</td>
</tr>
<tr>
<td>Warrants to purchase preferred stock</td>
<td>669,557</td>
<td>669,557</td>
</tr>
<tr>
<td>Total common stock reserved for future issuance</td>
<td>78,133,678</td>
<td>79,293,036</td>
</tr>
</tbody>
</table>

Early Exercise of Employee Options

Stock options granted under our stock option plan provide certain employee option holders the right to exercise unvested options in exchange for shares of restricted common stock. Unvested shares, in the amounts of 176,991, 58,997, 191,741, and 305,880 at January 31, 2009, 2010 and 2011 and October 31, 2011, respectively, were subject to a repurchase right held by us at the original issuance price in the event the optinees’ employment is terminated either voluntarily or involuntarily. For exercises of employee options, this repurchase right generally lapses as to 1/4th of the shares subject to the option on the first anniversary of the vesting start date and as to 1/48th of the shares monthly thereafter.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED JANUARY 31, 2009, 2010 AND 2011 AND
NINE MONTHS ENDED OCTOBER 31, 2010 AND 2011 (UNAUDITED)

(6) Common Stock (Continued)

These repurchase terms are considered to be a forfeiture provision and do not result in variable accounting. The restricted shares issued upon early exercise of stock options are legally issued and outstanding. However, these restricted shares are only deemed outstanding for basic earnings per share computation purposes upon the respective repurchase rights lapsing. We treat cash received from employees for the exercise of unvested options as a refundable deposit shown as a liability in our consolidated balance sheets. At January 31, 2009, 2010 and 2011 and October 31, 2011, we included cash received for early exercise of options of $100,000, $104,000, $108,000 and $735,000, respectively, in Accrued Expenses and Other Liabilities. Amounts from accrued expenses and other liabilities are transferred into Common Stock and Additional Paid-in Capital as the shares vest.

(7) Convertible Preferred Stock

We are authorized to issue 57,904,560 shares of convertible preferred stock. Shares issued and outstanding were as follows:

<table>
<thead>
<tr>
<th>Series</th>
<th>Shares Authorized</th>
<th>Shares Issued and Outstanding</th>
<th>Carrying Amount</th>
<th>Aggregate Liquidation Preference</th>
<th>Issuance Price per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series A</td>
<td>20,600,000</td>
<td>20,400,000</td>
<td>$5,063</td>
<td>$5,100</td>
<td>$0.2500</td>
</tr>
<tr>
<td>Series B</td>
<td>20,304,560</td>
<td>20,304,560</td>
<td>9,948</td>
<td>10,000</td>
<td>0.4925</td>
</tr>
<tr>
<td>Series C</td>
<td>17,000,000</td>
<td>16,025,634</td>
<td>24,938</td>
<td>25,000</td>
<td>1.5600</td>
</tr>
<tr>
<td></td>
<td>57,904,560</td>
<td>56,730,194</td>
<td>$39,949</td>
<td>$40,100</td>
<td></td>
</tr>
</tbody>
</table>

The rights, preferences and privileges of the Series A, Series B and Series C are as follows:

**Liquidation**

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the preferred stock then outstanding shall be entitled to be paid, prior and in preference to any payment or distribution (or any setting apart of any payment or distribution) of any available funds and assets on any share of common stock, $0.25, $0.4925 and $1.56 per share plus all declared and unpaid dividends thereon for Series A, Series B and Series C, respectively. If, upon the occurrence of such event, the available funds and assets to be distributed to the holders of the preferred stock shall be insufficient to permit the payment in full, then all of the available funds and assets shall be distributed among the holders of then outstanding preferred stock pro rata on an equal priority, pari passu basis, according to their respective liquidation preferences as set forth therein. The remaining assets, if any, shall be distributed to the common stockholders. These liquidity features cause our convertible preferred stock to be classified as mezzanine equity, rather than a component of stockholders' deficit.

**Dividends**

In each calendar year, the holders of the preferred stock shall be entitled to receive, when, as and if declared by the board of directors, noncumulative dividends at the rate of $0.02, $0.0394 and $0.125 per
(7) Convertible Preferred Stock (Continued)

Each share (as adjusted for stock splits, stock dividends, combinations, recapitalizations and the like) per annum, prior and in preference to the payment of any dividend on the common stock in such calendar year for Series A, Series B and Series C, respectively.

Conversion

Each share of preferred stock is convertible, at the right and option of the stockholder, at any time after the date of issuance of such shares, into such number of fully paid and non-assessable shares of common stock as is determined by dividing $0.25, $0.4925 and $1.56 for Series A, Series B and Series C, respectively, by the conversion price per share, provided, in effect on the date the certificate is surrendered for conversion. The conversion price is equal to the original issue price, which is subject to adjustment for certain dilutive issuances, splits, and combinations. Each of our Series A, B and C convertible preferred stock currently converts on a 1:1 basis.

Each share of preferred stock shall automatically convert into fully paid and non-assessable shares of common stock, on the earlier to occur of (i) immediately prior to the closing of a firm commitment underwritten public offering pursuant to an effective registration statement covering the offer and sale of our common stock for the account of the Company in which the aggregate public offering price equals or exceeds $50.0 million and the Public Offering price per share of which equals or exceeds $4.68 (as adjusted for stock splits, stock dividends, recapitalizations and the like), and (ii) upon our receipt of the written consent of the holders of a majority of the voting power of the then outstanding shares of preferred stock (calculated on an as converted to common stock basis), voting together as a single class; provided, however, that the consent of holders of a majority of the then outstanding shares of Series C preferred stock, voting separately, shall be required in order to convert all shares of Series C preferred stock pursuant to clause (ii) above unless such conversion is effected in connection with, and contingent upon, the closing of a public offering in which the public offering price per share equals or exceeds $3.12 (as adjusted for stock splits, stock dividends, recapitalizations and the like).

Voting Rights

Each stockholder of the preferred stock is entitled to the number of votes equal to the number of shares of common stock into which the preferred stock can be converted. The holders of Series A preferred stock, voting as a separate class, may elect two members of the board of directors. The holders of Series B preferred stock, voting as a separate class, may elect one member to the board of directors. The holders of Series C preferred stock, voting as a separate class, may elect one member to the board of directors. Common stock holders, voting as a separate class can elect two members and the remaining board seats are elected by all holders of common or preferred stock voting as a single class.

Redemption

The convertible preferred stock is not redeemable by us or at the option of the preferred stockholders.
(7) Convertible Preferred Stock (Continued)

Warrants to Purchase Convertible Preferred Stock

In September 2008, in connection with a lease and financing agreement, we issued two fully-vested, detachable warrants to purchase 64,906 shares of Series C preferred stock at an exercise price of $1.56 per share. We calculated the fair value of these warrants using the Black-Scholes option-pricing model. The resulting fair value of $63,000 was recorded as a prepaid borrowing cost and included in Prepaid Expenses and Other Current Assets as we had not made any draws under the agreement at January 31, 2009. During fiscal 2010, we expensed these costs as the financing arrangement expired unused. These warrants had not been exercised at October 31, 2011 and expire in 2015. These warrants become a warrant to purchase common stock upon the effectiveness of a registration statement filed under the Securities Act.

In July 2008, we also issued a fully-vested warrant to purchase 404,651 shares of Series C preferred stock at an exercise price of $1.56 per share to a then-current employee. We calculated the fair value of this warrant using the Black-Scholes option-pricing model. The resulting fair value of $0.5 million was recorded as compensation expense during fiscal 2009. This warrant had not been exercised at October 31, 2011 and expires in 2018. This warrant becomes a warrant to purchase common stock upon the effectiveness of a registration statement filed under the Securities Act.

In June 2004, we issued a fully-vested warrant to purchase 200,000 shares of Series A preferred stock at $0.25 per share to a then-current employee. We calculated the fair value of this warrant using the Black-Scholes option-pricing model. The resulting fair value of $35,000 was recorded as compensation expense during 2004. On December 24, 2011, the warrant to purchase 200,000 shares of Series A preferred stock was exercised for proceeds of $50,000.

The fair value of the outstanding warrants is determined using the Black-Scholes option-pricing model and is classified within Non-Current Liabilities on the consolidated balance sheets. We determined the fair value of each warrant on the issuance date and subsequent reporting dates using the Black-Scholes pricing model utilizing the assumptions noted below. Any changes are reflected in Other Income (Expense), Net. The expected term of the warrant is based on the remaining contractual expiration period. The expected stock price volatility for our stock was determined by examining the historical volatilities of a group of our industry peers as we did not have any trading history of our common stock. The risk-free interest rate was calculated using the average of the published interest rates for U.S. Treasury zero-coupon issues with maturities that approximate the expected term. The dividend yield assumption is zero as we did not have any history of, nor plans for, dividend payments.

The following assumptions were used to estimate the value of the preferred stock warrants:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2010 (Unaudited)</th>
<th>2011 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected volatility</td>
<td>50.2-66.9%</td>
<td>56.8-66.9%</td>
<td>48.9-55.6%</td>
<td>50.0-54.3%</td>
<td>49.1-55.3%</td>
</tr>
<tr>
<td>Risk-free rate</td>
<td>2.23-4.53%</td>
<td>1.58-3.59%</td>
<td>0.25-2.69%</td>
<td>0.67-2.03%</td>
<td>0.25-1.99%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Expected term (in years)</td>
<td>remaining contractual term</td>
<td>remaining contractual term</td>
<td>remaining contractual term</td>
<td>remaining contractual term</td>
<td>remaining contractual term</td>
</tr>
</tbody>
</table>

F-19
(7) Convertible Preferred Stock (Continued)

The change in the fair value of the preferred stock warrant liability is summarized below:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Balance at beginning of period</th>
<th>Issuance of preferred stock warrants</th>
<th>Increase in fair value</th>
<th>Exercises</th>
<th>Balance at end of period</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 31, 2009</td>
<td>$82</td>
<td>$522</td>
<td>$21</td>
<td>$0</td>
<td>$625</td>
</tr>
<tr>
<td>January 31, 2010</td>
<td>625</td>
<td>—</td>
<td>22</td>
<td>—</td>
<td>647</td>
</tr>
<tr>
<td>January 31, 2011</td>
<td>647</td>
<td>—</td>
<td>366</td>
<td>—</td>
<td>1,013</td>
</tr>
<tr>
<td>October 31, 2011 (unaudited)</td>
<td>1,013</td>
<td>—</td>
<td>1,515</td>
<td>—</td>
<td>2,528</td>
</tr>
</tbody>
</table>

(8) Stock Option Plan

The 2003 Plan authorizes the granting of common stock options and restricted stock awards to employees, directors and consultants. The exercise price of all common stock options granted is the fair value of our common stock at the date of grant as determined by the board of directors. The common stock options vest generally over a four-year period and expire ten years from the grant date.
Common stock option activity under the plan was as follows:

<table>
<thead>
<tr>
<th>Available for Grant</th>
<th>Shares</th>
<th>Weighted-Average Exercise Price Per Share</th>
<th>Weighted-Average Remaining Contractual Term</th>
<th>Aggregate Intrinsic Value (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balances at January 31, 2010</strong></td>
<td>4,384,497</td>
<td>14,627,055</td>
<td>$0.52</td>
<td></td>
</tr>
<tr>
<td>Additional Shares Authorized</td>
<td>3,955,608</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Options granted</td>
<td>(5,109,500)</td>
<td>5,109,500</td>
<td>1.03</td>
<td></td>
</tr>
<tr>
<td>Options expired</td>
<td>682,401</td>
<td>(682,401)</td>
<td>0.76</td>
<td></td>
</tr>
<tr>
<td>Options expired</td>
<td>49,561</td>
<td>(49,561)</td>
<td>0.51</td>
<td></td>
</tr>
<tr>
<td><strong>Balances at January 31, 2011</strong></td>
<td>3,962,567</td>
<td>16,771,360</td>
<td>$0.67</td>
<td></td>
</tr>
<tr>
<td>Additional Shares Authorized (Unaudited)</td>
<td>4,500,000</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Options granted (Unaudited)</td>
<td>(6,417,800)</td>
<td>6,417,800</td>
<td>2.89</td>
<td></td>
</tr>
<tr>
<td>Options exercised (Unaudited)</td>
<td>(3,340,642)</td>
<td>(3,340,642)</td>
<td>0.71</td>
<td></td>
</tr>
<tr>
<td>Options forfeited (Unaudited)</td>
<td>395,528</td>
<td>(395,528)</td>
<td>1.14</td>
<td></td>
</tr>
<tr>
<td>Options expired (Unaudited)</td>
<td>22,561</td>
<td>(22,561)</td>
<td>0.80</td>
<td></td>
</tr>
<tr>
<td><strong>Balances at October 31, 2011 (Unaudited)</strong></td>
<td>2,462,856</td>
<td>19,430,429</td>
<td>$1.38</td>
<td>$66,646</td>
</tr>
<tr>
<td>Vested and expected to vest at January 31, 2011</td>
<td>15,848,158</td>
<td>$0.67</td>
<td>8.03</td>
<td>$23,316</td>
</tr>
<tr>
<td>Exercisable at January 31, 2011</td>
<td>6,734,908</td>
<td>$0.52</td>
<td>7.24</td>
<td>$10,921</td>
</tr>
<tr>
<td>Vested and expected to vest at October 31, 2011 (Unaudited)</td>
<td>18,220,968</td>
<td>$1.38</td>
<td>8.10</td>
<td>$62,597</td>
</tr>
<tr>
<td>Exercisable at October 31, 2011 (Unaudited)</td>
<td>7,097,115</td>
<td>$0.61</td>
<td>6.93</td>
<td>$29,901</td>
</tr>
</tbody>
</table>
(8) Stock Option Plan (Continued)

Stock-Based Compensation

Employee stock-based compensation expense was as follows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year ended January 31</th>
<th>Nine months ended October 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>$ 11</td>
<td>$ 31</td>
</tr>
<tr>
<td>Research and development</td>
<td>96</td>
<td>215</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>176</td>
<td>382</td>
</tr>
<tr>
<td>General and administrative</td>
<td>484</td>
<td>672</td>
</tr>
<tr>
<td>Total share-based compensation expense</td>
<td>$ 767</td>
<td>$ 1,300</td>
</tr>
</tbody>
</table>

No income tax benefit has been recognized relating to stock-based compensation expense and no tax benefits realized from exercised stock options. At January 31, 2009, 2010 and 2011 and at October 31, 2010 and 2011, there was a total unrecognized compensation cost of $3.5 million, $2.9 million, $3.7 million, $3.2 million and $9.5 million, respectively, related to these stock options, which is expected to be recognized over the next 2.93 years, 2.62 years, 2.47 years, 2.41 years and 3.20 years, respectively.

The total intrinsic value of options exercised during fiscal 2009, 2010, 2011 and the nine months ended October 31, 2010 and 2011 was $28,000, $0.6 million, $1.2 million, $0.7 million and $8.7 million, respectively. The weighted-average grant date fair value of options granted was $0.32, $0.36, $0.54 and $1.41 for fiscal 2009, 2010 and 2011 and for the nine months ended October 31, 2011, respectively.

Valuation Assumptions

We estimated the fair values of each option awarded on the date of grant using the Black-Scholes option pricing model utilizing the assumptions noted below. The expected term of the options is based on the average period the stock options are expected to remain outstanding calculated as the midpoint of the options vesting term and contractual expiration period, as we did not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. The expected stock price volatility for our stock was determined by examining the historical volatilities of a group of our industry peers as we did not have any trading history of our common stock. The risk-free interest rate was calculated using the average of the published interest rates U.S. Treasury zero-coupon issues with maturities that approximate the expected term. The dividend yield assumption is zero as we did not have any history of, nor plans to make, dividend payments.
(8) Stock Option Plan (Continued)

The following assumptions were used to estimate the fair value of options granted:

<table>
<thead>
<tr>
<th></th>
<th>Year ended January 31, 2009</th>
<th>2010</th>
<th>2011</th>
<th>Nine months ended October 31, 2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected volatility</td>
<td>57.9-59.2%</td>
<td>59.2%</td>
<td>51.8-54.1%</td>
<td>52.5-54.1%</td>
<td>48.4-56.5%</td>
</tr>
<tr>
<td>Risk-free rate</td>
<td>1.82-3.36%</td>
<td>2.71-2.94%</td>
<td>1.48-2.92%</td>
<td>1.48-2.92%</td>
<td>1.21-2.47%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Expected term (in years)</td>
<td>6.08</td>
<td>6.08</td>
<td>5.45-6.08</td>
<td>5.45-6.08</td>
<td>5.73-6.08</td>
</tr>
</tbody>
</table>

Forfeitures were estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differed from those estimates. Forfeitures were estimated based on historical experience.

(9) Commitments and Contingencies

Capital Lease Obligation

In September 2008, we entered into a purchase and sale agreement to sell equipment totaling $0.5 million and leaseback the same equipment over a period of 36 months. We have the option to purchase all, but not less than all, of the equipment for a mutually agreed upon market value plus taxes applicable at the end of the lease. Due to our continuing involvement in certain aspects of this equipment, the sale and leaseback of this equipment does not qualify as a sale-leaseback under U.S. generally accepted accounting principles, but rather accounted for as a financing of the equipment. We recorded a financing obligation liability totaling $0.5 million in December 2008. Payments under the financing were made monthly through December 31, 2011 at an interest rate of 8% per annum. At January 31, 2011, we had remaining payments of $0.2 million due within the next twelve months, of which $9,000 represents interest expense.

Operating Lease Commitments

We lease our office spaces under long-term non-cancelable operating leases that expire in 2014. Rent expense for fiscal 2009, 2010 and 2011 was $0.8 million, $1.6 million and $1.6 million, respectively and for the nine months ended October 31, 2010 and October 31, 2011 was $1.2 million and $1.8 million, respectively. Future minimum rental payments required under the operating lease agreements as of January 31, 2011 are as follows:

<table>
<thead>
<tr>
<th>Payments Due by Period</th>
<th>Total (in thousands)</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>Operating lease obligations</td>
<td>$ 5,959</td>
<td>$ 1,862</td>
<td>$ 3,319</td>
<td>$ 689</td>
<td>$ 89</td>
</tr>
</tbody>
</table>

Future operating lease obligations increased during the nine months ended October 31, 2011 for costs related to additional leases. During the nine months ended October 31, 2011, we executed amendments increasing the square footage of our headquarters in San Francisco. In addition, we entered into new
(9) Commitments and Contingencies (Continued)

operating lease agreements for our Cupertino and certain international locations. Payments associated with lease agreements increased by $3.4 million, of which $0.6 million is due by January 31, 2012; $2.6 million is due between January 31, 2012 and January 31, 2014 and $0.2 million is due between January 31, 2014 and January 31, 2015.

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 believe that the ultimate amount of liability, if any, for any pending claims (either individually or in the aggregate) will not materially affect our financial position, results of operations or liquidity.

Indemnification Arrangements

During the ordinary course of business, we include indemnification provisions within certain of our contracts. Pursuant to these agreements, we will indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally parties with which we have commercial relations, in connection with certain intellectual property infringement claims by any third party with respect to our products and services. To date, there have not been any costs incurred in connection with such indemnification clauses; therefore, there is no accrual of such amounts at January 31, 2010 and 2011 and October 31, 2011.

Export Contingency

Our products are subject to U.S. 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 U.S. sanctions. 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. Additionally, while we are taking precautions to prevent our products and services from being shipped to U.S. sanctions targets, we believe that certain of our products that are available at no cost have been downloaded by persons in countries that are the subject of these embargoes. In January 2012, we filed Initial Notifications of Voluntary Self Disclosures with the U.S. Department of Commerce's Bureau of Industry and Security and the U.S. Department of Treasury's Office of Foreign Assets Control concerning these potential violations. If we are found to be in violation of U.S. 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. The voluntary disclosure processes with OFAC and BIS are in the initial stages, and we cannot predict when OFAC and BIS will complete their reviews or what enforcement action, if any, they will take. It is reasonably possible that our business, financial position, results of operations, or cash flows could be negatively affected by an unfavorable resolution to this matter and that imposed fines, if any, could be material to our financial statements. However, we cannot make any predictions of the outcome of these violations or estimate the potential liability, if any, that will be incurred.
In May 2009, we entered into a Loan and Security Agreement with Silicon Valley Bank, which was most recently amended in February 2011. The agreement includes a revolving line of credit facility and a term loan facility described below. The agreement contains financial covenants and other customary affirmative and negative covenants. As part of the agreement, we granted the lender a security interest in our personal property, excluding intellectual property and other intangible assets. The agreement also contains customary events of default provisions. We were in compliance with all covenants at January 31, 2011 and October 31, 2011.

The agreement provides for a revolving line of credit facility, which expires May 28, 2012, and a term loan facility, with each advance amortized over a period of 36 months with equal monthly payments of principal and interest. We may borrow up to $10.0 million under the revolving line of credit facility, subject to a borrowing base determined on eligible accounts receivable and subject to a total maximum outstanding of $10.0 million. At January 31, 2011 and October 31, 2011, we had no balance outstanding on the revolving line of credit. Interest on any drawdown under the revolving line of credit accrues at the prime rate plus 0.75% (4.75% at October 31, 2011). In addition to the line of credit facility, a $3.0 million term loan facility was available for draw through June 30, 2011. At January 31, 2011 and October 31, 2011, we had $0 and $2.5 million outstanding in term debt, consisting of $1 million due between October 31, 2011 and October 31, 2012 and $1.5 million due between October 31, 2012 and October 31, 2014. The interest rate for the term debt is fixed at 5.5%.

**Summary of maturities**

Annual maturities of term loans as of October 31, 2011 (unaudited) were as follows (in thousands):

<table>
<thead>
<tr>
<th>Twelve months ending October 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$ 968</td>
</tr>
<tr>
<td>2013</td>
<td>907</td>
</tr>
<tr>
<td>2014</td>
<td>650</td>
</tr>
<tr>
<td><strong>Total minimum payments</strong></td>
<td>2,525</td>
</tr>
<tr>
<td><strong>Less: current portion</strong></td>
<td>(968)</td>
</tr>
<tr>
<td><strong>Long-term portion</strong></td>
<td>$ 1,557</td>
</tr>
</tbody>
</table>

(11) Related Party Transactions

Our chief executive officer is a member of the board of directors of a Company who is also a customer of Splunk. We recorded revenue from sales to this customer of $0, $0 and $438,000 for the years ended January 31, 2009, 2010 and 2011, respectively. We recorded $0 and $182,000 for the nine months ended October 31, 2010 and 2011. There were no accounts receivable due to Splunk from this customer as of January 31, 2010, 2011 or October 31, 2011. We also recorded $0, $0 and $10,000 in expenses related to purchases made from this Company for the years ended January 31, 2009, 2010 and 2011, respectively. There were no accounts payable to this Company as of January 31, 2010, 2011 or October 31, 2011.
(12) Information About Revenues by Geographic Areas

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>United States</td>
<td>International</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$15,857</td>
<td>$2,299</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$28,388</td>
<td>$6,612</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$52,366</td>
<td>$13,879</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$18,156</td>
<td>$35,000</td>
<td>$66,245</td>
</tr>
</tbody>
</table>

No other individual country exceeded 10% of total revenues during any of the periods presented.

(13) Income Taxes

Income (loss) before income tax expense consists of the following for the periods shown below (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Year ended January 31, 2009</th>
<th>Year ended January 31, 2010</th>
<th>Year ended January 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>United States</td>
<td>International</td>
<td></td>
</tr>
<tr>
<td>Current tax provision:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$ (14,736)</td>
<td>$ (7,372)</td>
<td>$ (3,681)</td>
</tr>
<tr>
<td>State</td>
<td>3</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Foreign</td>
<td>33</td>
<td>78</td>
<td>119</td>
</tr>
<tr>
<td>Total current tax provision</td>
<td>$36</td>
<td>$79</td>
<td>$125</td>
</tr>
<tr>
<td>Deferred tax provision</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>State</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Foreign</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total deferred tax provision</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total tax provision</td>
<td>$36</td>
<td>$79</td>
<td>$125</td>
</tr>
</tbody>
</table>

F-26
(13) Income Taxes (Continued)

For the fiscal years ended January 31, 2009, 2010 and 2011, our tax provision consisted principally of state and foreign income tax expense. The foreign tax expense recorded consists entirely of an estimated, uncertain tax position for which we believe it is more-likely-than-not that we will incur a tax liability. This position is related to operating in foreign jurisdictions prior to establishing a legal presence.

The reconciliation of federal statutory income tax provision to our effective income tax provision is as follows (in thousands):

<table>
<thead>
<tr>
<th>Year ended January 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected provision at U.S. federal statutory rate</td>
<td>$ (5,010)</td>
<td>$ (2,506)</td>
</tr>
<tr>
<td>State income taxes—net of federal benefit</td>
<td>(860)</td>
<td>(430)</td>
</tr>
<tr>
<td>Stock options</td>
<td>137</td>
<td>196</td>
</tr>
<tr>
<td>Tax credits</td>
<td>(355)</td>
<td>(336)</td>
</tr>
<tr>
<td>Tax reserve for uncertain tax positions</td>
<td>33</td>
<td>78</td>
</tr>
<tr>
<td>Change in valuation allowance</td>
<td>6,014</td>
<td>2,973</td>
</tr>
<tr>
<td>Other</td>
<td>77</td>
<td>104</td>
</tr>
<tr>
<td>Total tax provision</td>
<td>$ 36</td>
<td>$ 79</td>
</tr>
</tbody>
</table>

Deferred tax assets and liabilities consist of the following (in thousands):

<table>
<thead>
<tr>
<th>January 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating loss carryforwards</td>
<td>$ 12,307</td>
<td>$ 11,852</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>1,683</td>
<td>3,611</td>
</tr>
<tr>
<td>Tax credit carryforwards</td>
<td>941</td>
<td>1,541</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>42</td>
<td>26</td>
</tr>
<tr>
<td>Other</td>
<td>158</td>
<td>—</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(15,131)</td>
<td>(16,676)</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>$ —</td>
<td>$ 354</td>
</tr>
<tr>
<td>Deferred tax liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td>—</td>
<td>(354)</td>
</tr>
<tr>
<td>Total deferred tax liabilities</td>
<td>—</td>
<td>(354)</td>
</tr>
<tr>
<td>Net deferred taxes</td>
<td>$ —</td>
<td>$ —</td>
</tr>
</tbody>
</table>
## (13) Income Taxes (Continued)

Net operating loss and tax credit carry forwards as of January 31, 2011 are as follows (in thousands):

<table>
<thead>
<tr>
<th>Recorded as:</th>
<th>January 31, 2010</th>
<th>January 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current deferred tax assets</td>
<td>$ 931</td>
<td>$ 1,736</td>
</tr>
<tr>
<td>Current valuation allowance</td>
<td>(931)</td>
<td>(1,736)</td>
</tr>
<tr>
<td>Non-current deferred tax assets</td>
<td>14,200</td>
<td>14,940</td>
</tr>
<tr>
<td>Non-current valuation allowance</td>
<td>(14,200)</td>
<td>(14,940)</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amount</th>
<th>Expiration years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating loss, federal</td>
<td>2024-2031</td>
</tr>
<tr>
<td>Net operating loss, state</td>
<td>2017-2026</td>
</tr>
<tr>
<td>Tax credit, federal</td>
<td>2028-2031</td>
</tr>
<tr>
<td>Tax credit, state</td>
<td>N/A</td>
</tr>
</tbody>
</table>

ASC Topic 740, Income Taxes, requires that the tax benefit of net operating losses, temporary differences and credit carryforwards be recorded as an asset to the extent that we assess that realization is more likely than not. Realization of the future tax benefits is dependent on our ability to generate sufficient taxable income within the carryforward period. Due to our history of operating losses, we believe the recognition of the deferred tax assets arising from the above mentioned future tax benefits is currently not more likely than not to be realized and, accordingly, have provided a full valuation allowance. The valuation allowance totaled $15.1 million, and $16.7 million for fiscal 2010 and 2011, respectively.

The net change in the valuation allowance was an increase of $1.5 million between fiscal 2010 and 2011. At January 31, 2011, we had federal and state net operating loss carryforwards of $29.6 million and $30.8 million, respectively. The net operating losses for federal and state purposes begin to expire starting in 2024 and 2017, respectively.

Additionally, we had federal and state research and development tax credit carryforwards as of January 31, 2011 of $1.1 million and $0.6 million, respectively. Our federal tax credits will start to expire in 2028 if not utilized.

If certain factors change, we may determine that there is sufficient positive evidence to support a reversal of, or decrease in, the valuation allowance. If we were to reverse all or some part of our valuation allowance our financial statements in the period of reversal would likely reflect an increase in assets on our balance sheet and a corresponding tax benefit to our statement of operations in the amount of the reversal.

Because of certain prior period ownership changes, the utilization of a portion of our United States federal and state NOL and tax credit carryforwards may be limited. We have not finalized our analysis to determine the annual 382 limitation, but if we were to determine that certain amounts of the NOL or tax credits were limited, a portion of our deferred tax asset and valuation allowance could be adjusted.
(13) Income Taxes (Continued)

Effective February 1, 2009, we adopted the guidance on accounting for uncertainty in income taxes as set forth under ASC 740 Income Taxes. This guidance clarified the accounting for uncertainty in income taxes recognized in an entity’s financial statements and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. There was no impact upon adoption as our liability recognized under previous accounting guidance was consistent with that required under the new guidance. At January 31, 2011, our reserve for uncertain tax positions was $0.8 million.

As of January 31, 2011, $0.2 million of the unrecognized tax benefit would, if recognized, impact our effective tax rate. The remainder will not, if recognized, affect the effective income tax rate due to the valuation allowance that currently offsets deferred tax assets.

<table>
<thead>
<tr>
<th>Year ended January 31</th>
<th>2010 (in thousands)</th>
<th>2011 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>$ 208</td>
<td>$ 442</td>
</tr>
<tr>
<td>Increase related to prior year tax positions</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Decrease related to prior year tax positions</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Increase related to current year tax positions</td>
<td>234</td>
<td>375</td>
</tr>
<tr>
<td>Settlements with tax authorities</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Decrease related to lapse of statute of limitations</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>$ 442</td>
<td>$ 817</td>
</tr>
</tbody>
</table>

The adoption of this guidance required us to identify, evaluate and measure all uncertain tax positions taken or to be taken on tax returns and to record liabilities for the amount of these positions that may not be sustained, or may only partially be sustained, upon examination by the relevant taxing authorities. Although we believe that our estimates and judgments were reasonable, actual results may differ from these estimates. Some or all of these judgments are subject to review by the taxing authorities.

We are subject to income taxes in U.S. federal and various state and local jurisdictions. Generally, we are no longer subject to U.S. federal, state and local tax examinations for tax years ended before December 31, 2007. However, to the extent allowed by law, the tax authorities may have the right to examine prior periods where net operating losses or tax credits were generated and carried forward, and make adjustments up to the amount of the net operating loss or credit carryforward.

We accrue interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of January 31, 2010 and January 31, 2011, there was accrued interest and penalties of $37,000 and $66,000, respectively.

We intend either to invest our non-United States earnings permanently in foreign operations or to remit these earnings to our United States entities in a tax-free manner. For this reason, we do not record federal income taxes on the undistributed earnings of our foreign subsidiaries.
(14) 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, and warrants, to the extent dilutive.

The following table sets forth the computation of historical basic and diluted net loss per share:

<table>
<thead>
<tr>
<th>(in thousands, except per share data)</th>
<th>Year Ended January 31,</th>
<th>Nine Months Ended October 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Net loss</td>
<td>$ (14,772)</td>
<td>$ (7,451)</td>
</tr>
<tr>
<td>Weighted-average common shares</td>
<td>12,919</td>
<td>14,613</td>
</tr>
<tr>
<td>outstanding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Weighted-average unvested</td>
<td>(8)</td>
<td>(221)</td>
</tr>
<tr>
<td>common shares subject to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>repurchase or forfeiture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted-average shares used to</td>
<td>12,911</td>
<td>14,392</td>
</tr>
<tr>
<td>compute net loss per share, basic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and diluted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>net loss per share, basic and</td>
<td>$ (1.14)</td>
<td>$ (0.52)</td>
</tr>
<tr>
<td>diluted</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Since we were in a 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:

| Shares subject to outstanding         | Year Ended January 31, | Nine Months Ended October 31, |
| common stock options                  | 2009 | 2010 | 2011 | 2010 | 2011 |
| shares                                | 17,099,849 | 14,627,055 | 16,771,360 | 15,653,531 | 19,430,429 |
| Series A convertible preferred stock  | 20,400,000 | 20,400,000 | 20,400,000 | 20,400,000 | 20,400,000 |
| Series B Convertible preferred stock  | 20,304,560 | 20,304,560 | 20,304,560 | 20,304,560 | 20,304,560 |
| Series C Convertible preferred stock  | 16,025,634 | 16,025,634 | 16,025,634 | 16,025,634 | 16,025,634 |
| Shares subject to preferred stock     | 669,557 | 669,557 | 669,557 | 669,557 | 669,557 |
| warrants                              |      |      |      |      |      |
| Total                                 | 74,499,600 | 72,026,806 | 74,171,111 | 73,053,282 | 76,830,180 |

(15) Pro Forma Net Loss Per Share (Unaudited)

Unaudited pro forma net loss per share for fiscal 2011 and for the unaudited nine months ended October 31, 2011 has been computed to give effect to the automatic conversion of the convertible.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEARS ENDED JANUARY 31, 2009, 2010 AND 2011 AND
NINE MONTHS ENDED OCTOBER 31, 2010 AND 2011 (UNAUDITED)

(15) Pro Forma Net Loss Per Share (Unaudited) (Continued)

preferred stock into common stock, the conversion of the Series C preferred stock warrants into common stock warrants, and the exercise and conversion of the Series A preferred stock warrant to common stock, as though the conversion or exercise had taken place on February 1, 2010.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>$ (3,806)</td>
<td>$ (9,716)</td>
</tr>
<tr>
<td>Change in fair value of preferred stock warrant liability</td>
<td>224</td>
<td>616</td>
</tr>
<tr>
<td>Net loss used in computing pro forma basic and diluted net loss per share</td>
<td>$ (3,582)</td>
<td>$ (9,100)</td>
</tr>
<tr>
<td>Basic and diluted shares:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted-average common shares outstanding</td>
<td>17,755</td>
<td>20,308</td>
</tr>
<tr>
<td>Less: Weighted-average unvested common shares subject to repurchase or forfeiture</td>
<td>(17)</td>
<td>(239)</td>
</tr>
<tr>
<td>Pro forma adjustment to reflect assumed conversion of preferred stock to common stock</td>
<td>56,730</td>
<td>56,730</td>
</tr>
<tr>
<td>Pro forma adjustment to reflect assumed exercise and conversion of Series A preferred stock warrants to common stock</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Pro forma basic and diluted shares</td>
<td>74,668</td>
<td>76,999</td>
</tr>
<tr>
<td>Pro forma basic and diluted net loss per share</td>
<td>$ (0.05)</td>
<td>$ (0.12)</td>
</tr>
</tbody>
</table>

(16) Subsequent Events

We have evaluated subsequent events from the consolidated balance sheet date through January 12, 2012, the date the audited financial statements for the three years ended January 31, 2011 and the unaudited financial statements for the nine months ended October 31, 2011 were issued.

On December 24, 2011, the warrant to purchase 200,000 shares of Series A preferred stock was exercised for cash proceeds of $50,000.
Splunk Enables Real-time Operational Visibility and Insights

Splunk is Used Across IT and the Business
PART II
INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

Estimated expenses, other than underwriting discounts and commissions, payable by the Registrant in connection with the sale of the common stock being registered under this registration statement are as follows:

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEC registration fee</td>
<td>$14,325</td>
</tr>
<tr>
<td>FINRA filing fee</td>
<td>$13,000</td>
</tr>
<tr>
<td>Listing fee</td>
<td></td>
</tr>
<tr>
<td>Printing and engraving expenses</td>
<td></td>
</tr>
<tr>
<td>Legal fees and expenses</td>
<td></td>
</tr>
<tr>
<td>Accounting fees and expenses</td>
<td></td>
</tr>
<tr>
<td>Transfer agent and registrar fees and expenses</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$14,325</strong></td>
</tr>
</tbody>
</table>

* To be filed by amendment.


On completion of this offering, the Registrant's amended and restated certificate of incorporation will contain provisions that eliminate, to the maximum extent permitted by the General Corporation Law of the State of Delaware, the personal liability of the Registrant's directors and executive officers for monetary damages for breach of their fiduciary duties as directors or officers. The Registrant's amended and restated certificate of incorporation and bylaws will provide that the Registrant must indemnify its directors and executive officers and may indemnify its employees and other agents to the fullest extent permitted by the General Corporation Law of the State of Delaware.

Sections 145 and 102(b)(7) of the General Corporation Law of the State of Delaware provide that a corporation may indemnify any person made a party to an action by reason of the fact that he or she was a director, executive officer, employee or agent of the corporation or is or was serving at the request of a corporation against a corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful, except that, in the case of an action by or in right of the corporation, no indemnification may generally be made in respect of any claim as to which such person is adjudged to be liable to the corporation.

The Registrant has entered into indemnification agreements with its directors and executive officers, in addition to the indemnification provided for in its amended and restated certificate of incorporation and bylaws, and intends to enter into indemnification agreements with any new directors and executive officers in the future.

The Registrant has purchased and intends to maintain insurance on behalf of each and any person who is or was a director or officer of the Registrant against any loss arising from any claim asserted against him or her and incurred by him or her in any such capacity, subject to certain exclusions.

The Underwriting Agreement (Exhibit 1.1 hereto) provides for indemnification by the underwriters of the Registrant and its executive officers and directors, and by the Registrant of the underwriters, for certain liabilities, including liabilities arising under the Securities Act.
See also the undertakings set out in response to Item 17 herein.

Item 15. Recent Sales of Unregistered Securities.

During the last three years, we sold the following unregistered securities:

Option and Common Stock Issuances

From November 1, 2008 through October 31, 2011, the Registrant granted to its directors, employees, consultants and other service providers options to purchase an aggregate of 14,775,592 shares of common stock under the Registrant's 2003 Equity Incentive Plan, or the 2003 Plan, at exercise prices ranging from $0.565 to $3.94 per share, for an aggregate exercise price of $25.8 million.

From November 1, 2008 through October 31, 2011, the Registrant issued and sold to its directors, employees, consultants and other service providers an aggregate of 9,490,572 shares of common stock upon the exercise of options under the 2003 Plan at exercise prices ranging from $0.025 to $2.94 per share, for an aggregate exercise price of $5.1 million.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering, and the Registrant believes that each transaction was exempt from the registration requirements of the Securities Act in reliance on Rule 701 promulgated under the Securities Act as transactions pursuant to a compensatory benefit plan approved by the Registrant's board of directors, or Section 4(2) of the Securities Act, as transactions by an issuer not involving a public offering. Each recipient of the securities in these transactions represented his or her intention to acquire the securities for investment only and not with a view to, or for resale in connection with, any distribution thereof, and appropriate legends were affixed to the share certificates issued in each such transaction. In each case, the recipient represented that such recipient had received adequate information about the Registrant or had adequate access, through his or her relationship with the Registrant, to information about the Registrant.


(a) Exhibits:

We have filed the exhibits listed on the accompanying Exhibit Index of this Registration Statement.

(b) Financial Statement Schedules.

All other schedules have been omitted because the information required to be presented in them is not applicable or is shown in the consolidated financial statements or related notes.

Item 17. Undertakings.

The Registrant hereby undertakes to provide to the underwriters at the closing as specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is

II-2
against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes that:

For purposes of determining any liability under the Securities Act of 1933, as amended, the information omitted from a form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933, as amended, shall be deemed to be part of this registration statement as of the time it was declared effective.

For the purpose of determining any liability under the Securities Act of 1933, as amended, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this amendment to registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Francisco, State of California, on the 17th day of February, 2012.

**SPLUNK INC.**

By:  /s/ GODFREY R. SULLIVAN

Godfrey R. Sullivan  
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this amendment to registration statement has been signed by the following persons in the capacities indicated below:

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ GODFREY R. SULLIVAN</td>
<td>Chairman, President and Chief Executive Officer (Principal Executive Officer)</td>
<td>February 17, 2012</td>
</tr>
<tr>
<td>/s/ DAVID F. CONTE</td>
<td>Chief Financial Officer (Principal Financial and Accounting Officer)</td>
<td>February 17, 2012</td>
</tr>
<tr>
<td>David F. Conte</td>
<td>Director</td>
<td>February 17, 2012</td>
</tr>
<tr>
<td></td>
<td>John G. Connors</td>
<td>February 17, 2012</td>
</tr>
<tr>
<td></td>
<td>David M. Hornik</td>
<td>February 17, 2012</td>
</tr>
<tr>
<td></td>
<td>Thomas M. Neustaetter</td>
<td>February 17, 2012</td>
</tr>
<tr>
<td></td>
<td>Graham V. Smith</td>
<td>February 17, 2012</td>
</tr>
<tr>
<td></td>
<td>Nicholas G. Sturiale</td>
<td>February 17, 2012</td>
</tr>
<tr>
<td>Signature</td>
<td>Title</td>
<td>Date</td>
</tr>
<tr>
<td>-----------</td>
<td>---------------</td>
<td>------------------</td>
</tr>
<tr>
<td></td>
<td>Erik M. Swan</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td></td>
<td>February 17, 2012</td>
</tr>
<tr>
<td></td>
<td>Scott Thompson</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td></td>
<td>February 17, 2012</td>
</tr>
</tbody>
</table>

*By:  
/s/ GODFREY R. SULLIVAN  
Godfrey R. Sullivan  
*Attorney-in-fact
## EXHIBIT INDEX

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1*</td>
<td>Form of Underwriting Agreement.</td>
</tr>
<tr>
<td>3.1+</td>
<td>Form of Amended and Restated Certificate of Incorporation of the Registrant, to be in effect upon the completion of this offering.</td>
</tr>
<tr>
<td>3.2+</td>
<td>Form of Amended and Restated Bylaws of the Registrant, to be in effect upon the completion of this offering.</td>
</tr>
<tr>
<td>3.3+</td>
<td>Restated Certificate of Incorporation of the Registrant, as amended, as currently in effect.</td>
</tr>
<tr>
<td>3.4+</td>
<td>Bylaws of the Registrant, as currently in effect.</td>
</tr>
<tr>
<td>4.1*</td>
<td>Specimen common stock certificate of the Registrant.</td>
</tr>
<tr>
<td>4.2</td>
<td>Second Amended and Restated Investors' Rights Agreement, dated as of August 31, 2007, as amended, between the Registrant and certain holders of the Registrant's capital stock named therein.</td>
</tr>
<tr>
<td>5.1*</td>
<td>Opinion of Wilson Sonsini Goodrich &amp; Rosati, Professional Corporation.</td>
</tr>
<tr>
<td>10.1#</td>
<td>Form of Indemnification Agreement between the Registrant and its directors and officers.</td>
</tr>
<tr>
<td>10.2#</td>
<td>2003 Equity Incentive Plan, as amended, and Forms of Stock Option Agreement under 2003 Equity Incentive Plan.</td>
</tr>
<tr>
<td>10.3#</td>
<td>2012 Equity Incentive Plan and Form of Stock Option Agreement under 2012 Equity Incentive Plan.</td>
</tr>
<tr>
<td>10.4**</td>
<td>2012 Employee Stock Purchase Plan.</td>
</tr>
<tr>
<td>10.5+</td>
<td>Office Lease, dated as of March 6, 2008, as amended, between Brannan Propco, LLC and the Registrant.</td>
</tr>
<tr>
<td>10.6+</td>
<td>First Amendment to Office Lease, dated as of June 10, 2011, between Kilroy Realty, L.P. and the Registrant.</td>
</tr>
<tr>
<td>10.7+</td>
<td>Cupertino City Center Net Office Lease, dated as of January 14, 2011, between Cupertino City Center Buildings and the Registrant.</td>
</tr>
<tr>
<td>10.8</td>
<td>Loan and Security Agreement, dated as of May 29, 2009, as amended, between Silicon Valley Bank and the Registrant.</td>
</tr>
<tr>
<td>10.10#</td>
<td>Employment Offer Letter between the Registrant and David F. Conte, dated as of January 11, 2012.</td>
</tr>
<tr>
<td>16.1+</td>
<td>Letter from Armanino McKenna LLP addressed to the Securities and Exchange Commission.</td>
</tr>
<tr>
<td>21.1+</td>
<td>List of subsidiaries of the Registrant.</td>
</tr>
<tr>
<td>23.1</td>
<td>Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.</td>
</tr>
<tr>
<td>23.2*</td>
<td>Consent of Wilson Sonsini Goodrich &amp; Rosati, Professional Corporation (included in Exhibit 5.1).</td>
</tr>
<tr>
<td>24.1+</td>
<td>Power of Attorney (see page II-4 to the original filing of this Registration Statement on Form S-1).</td>
</tr>
</tbody>
</table>

* To be filed by amendment.

# Indicates management contract or compensatory plan.

+ Previously filed.
SECOND AMENDED AND RESTATED INVESTORS’ RIGHTS AGREEMENT

This Second Amended and Restated Investors’ Rights Agreement (this “Agreement”) is made and entered into as of August 31, 2007 by and among Splunk Inc., a Delaware corporation (the “Company”), the persons and entities listed on Exhibit A attached hereto (the “Investors”) and the persons listed on Exhibit B attached hereto (the “Stockholders”).

RECITALS

WHEREAS, certain of the Investors, who are listed on Exhibit A, (the “Prior Investors”) are holders of outstanding shares of the Company’s Series A Preferred Stock (the “Series A Stock”); and/or Series B Preferred Stock (the “Series B Stock”) and have also been granted certain information and registration rights and rights of first refusal under an Amended and Restated Investors’ Rights Agreement by and among the Company and the Prior Investors dated as of January 17, 2006 (the “Prior Rights Agreement”).

WHEREAS, certain Investors, who are listed on Exhibit A to the Series C Agreement (as defined below), (the “Series C Investors”) have agreed to purchase shares of the Company’s Series C Preferred Stock (the “Series C Stock”), together with the Series A Stock and the Series B Stock, referred to collectively as the “Preferred Stock” pursuant to a certain Series C Preferred Stock Purchase Agreement by and among the Company and such Series C Investors dated as of even date herewith, as amended from time to time (the “Series C Agreement”). The Series C Agreement provides that, as a condition to the Series C Investors’ purchase of Series C Stock thereunder, the Company will enter into this Agreement and the Series C Investors will be granted the rights set forth herein.

WHEREAS, the Company and the Prior Investors desire to enter into this Agreement in order to amend and restate the Prior Rights Agreement with this Agreement. Section 4.2 of the Prior Rights Agreement provides that the Prior Rights Agreement may be amended by the written consent of the holders of a majority of the “Registrable Securities Then Outstanding” (as defined in Section 2.1(c) of the Prior Rights Agreement) and the Prior Investors party to this Agreement hold a majority of the Registrable Securities Then Outstanding, as defined in the Prior Rights Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, the parties hereto agree as follows:

1. INFORMATION RIGHTS

1.1 Financial Information. The Company covenants and agrees that, commencing on the date of this Agreement, the Company will:

   (a) Annual Reports. Furnish to each Investor, for so long as such Investor holds at least 500,000 shares (as adjusted per Section 6.10) of any combination of Common Stock issuable or issued upon conversion of Preferred Stock (such Investor, a “Major Investor”), as soon as practicable and in any event within 90 days after the end of each fiscal year of the Company, a consolidated Statement of Income and a consolidated Statement of Cash Flows of the Company and its subsidiaries for such year, setting forth in each case in comparative form the figures from the Company’s previous fiscal year all prepared in accordance with generally accepted accounting principles and practices and audited by nationally recognized independent certified public accountants.

   (b) Quarterly Reports. Furnish to each Major Investor as soon as practicable, and in any case within forty-five (45) days of the end of each fiscal quarter of the Company (except the last quarter of the Company’s fiscal year), quarterly unaudited financial statements, including an unaudited Balance Sheet, an unaudited Statement of Income and an unaudited Statement of Cash Flows;

   (c) Monthly Reports. Furnish to each Major Investor as soon as practicable, and in any case within twenty (20) days of the end of each calendar month (except the last month of each fiscal quarter of the Company), monthly unaudited financial statements, including an unaudited Balance Sheet, an unaudited Statement of Income, an unaudited Statement of Cash Flows; and

   (d) Annual Budget. Furnish to each Major Investor as soon as practicable and in any event no later than thirty (30) days prior to the end of each fiscal year of the Company, an annual operating plan and budget, prepared on a quarterly basis, for the next immediate fiscal year.

1.2 Inspection Rights. The Company shall permit each Major Investor, at such Major Investor’s expense, to visit and inspect the Company’s properties, to examine its books of account and records and to discuss the Company’s affairs, finances and accounts with its officers, all at such reasonable times as may be requested by such Major Investor.

1.3 Other Information. The Company covenants and agrees that, commencing on the date of this Agreement, the Company will promptly furnish to each Major Investor who is not otherwise represented on the Company’s Board of Directors:

   (a) Materials relating to the Company’s affairs that are delivered generally to stockholders of the Company; and

   (b) Written notice of any litigation or material adverse claim, dispute or other development against the Company.

1.4 Confidentiality. Each Major Investor agrees to hold all information received pursuant to Sections 1.1 or 1.2 in confidence, and not to use or disclose any of such information to any third party, except:

   (a) to the extent such information may be made publicly available by the Company without restrictions on its use or disclosure;

   (b) to the extent such information is or becomes generally available to the public other than as a result of acts by such Major Investor;

   (c) to the extent such information was in such Major Investor’s possession prior to the date it was disclosed by the Company to such Major Investor, provided that the source of such information was not known by such Major Investor to be bound by a confidentiality agreement with or contractual, legal or fiduciary obligation of confidentiality to the Company or any other person;
registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to
of the offering to which the registration relates.
exercise the Series A Warrant) in order to exercise the registration rights granted hereunder as to such Registrable Securities until immediately before the closing
Stock or the Series A Warrant and that Holders of Registrable Securities will not be required to convert their shares of Preferred Stock into Common Stock (or to
purposes of Sections 2.2, 2.4, 2.12, 3 or 4 of this Agreement; and
Registrable Securities or any assignee of record of such Registrable Securities to whom rights under this Section 2 have been duly assigned in accordance with this
securities that are issuable upon exercise of any then exercisable warrants; (2) are then issuable pursuant to the exercise or
number of shares of Common Stock which are Registrable Securities and (1) are then issued and outstanding, (2) are then issuable pursuant to the exercise or
registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement.
Company's initial public offering of Common Stock pursuant to an effective registration statement filed under the U.S. Securities Act of 1933, as amended (the
"Securities Act").
2. REGISTRATION RIGHTS.

2.1 Definitions. For purposes of this Section 2:

(a) Registration. The terms "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement.

(b) Registrable Securities. The term "Registrable Securities" means:

(1) all the shares of Common Stock issuable or issued upon the conversion of any shares of Preferred Stock (including any shares of Common Stock issuable or issued upon conversion of any shares of Series A Stock issued or issuable upon conversion of the warrant exercisable for shares of Series A Stock that is outstanding as of the date of this Agreement (the "Series A Warrant");

(2) any shares of Common Stock now held by the Stockholders (or their successors or assigns) and set forth in Exhibit B attached hereto (the "Stockholders' Shares");

(3) any shares of Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, all such shares of Common Stock described in clause (1) or (2) of this subsection (b); and

(4) any shares of Common Stock acquired by an Investor subsequent to the date hereof pursuant to exercise of such Investor’s rights under the Co-Sale Agreement;

excluding in all cases, however, any Registrable Securities sold by a person in a transaction in which rights under this Section 2 are not assigned in accordance with this Agreement or any Registrable Securities sold to the public or sold pursuant to Rule 144 promulgated under the Securities Act, provided, however, that notwithstanding anything herein to the contrary, the Stockholders’ Shares and any shares of Common Stock described in clause (3) of this Section 2(b) that are issued in respect of any Stockholders’ Shares (collectively, the "Excluded Shares") shall not be Registrable Securities for purposes of Sections 2.2, 2.4, 2.12, 3 or 4 of this Agreement.

(c) Registrable Securities Then Outstanding. The number of shares of “Registrable Securities Then Outstanding” shall mean the number of shares of Common Stock which are Registrable Securities and (1) are then issued and outstanding, (2) are then issuable pursuant to the exercise or conversion of then outstanding and then exercisable options, warrants or convertible securities, or (3) are then issuable upon conversion of any convertible securities that are issuable upon exercise of any then exercisable warrants; provided, however, that the Excluded Shares (as defined in Section 2.1(b)) shall not be included among the “Registrable Securities Then Outstanding” for purposes of Sections 2.2, 2.4, 2.12, 3 or 4.

(d) Holder. For purposes of this Section 2 and Sections 3 and 4 hereof, the term “Holder” means any person owning of record Registrable Securities or any assignee of record of such Registrable Securities to whom rights under this Section 2 have been duly assigned in accordance with this Agreement; provided, however, that for purposes of this Agreement, a record holder of shares of Preferred Stock or the Series A Warrant exercisable for Registrable Securities or shares of convertible securities that are convertible into Registrable Securities shall be deemed to be the Holder of such Registrable Securities; provided further, that a holder of Excluded Shares (as defined in Section 2.1(b)) shall not be a Holder with respect to such Excluded Shares for purposes of Sections 2.2, 2.4, 2.12, 3 or 4 of this Agreement; and provided, further, that the Company shall in no event be obligated to register shares of Preferred Stock or the Series A Warrant and that Holders of Registrable Securities will not be required to convert their shares of Preferred Stock into Common Stock (or to exercise the Series A Warrant) in order to exercise the registration rights granted hereunder as to such Registrable Securities until immediately before the closing of the offering to which the registration relates.

(e) Form S-3. The term “Form S-3” means such form under the Securities Act as is in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to
other documents filed by the Company with the SEC.

(f) **SEC.** The term “SEC” or “Commission” means the U.S. Securities and Exchange Commission.

(g) **Co-Sale Agreement.** The term “Co-Sale Agreement”) means that certain Second Amended and Restated Right of First Refusal and Co-Sale Agreement by and among the Company, the Major Investors named on Exhibit A thereto and the Stockholders named on Exhibit B thereto, dated as of the date hereof.

### 2.2 Demand Registration:

(a) **Request by Holders.** If the Company shall receive at any time after the earlier of (i) one hundred and eighty (180) days after the effective date of the Company’s initial public

offering of its securities pursuant to a registration filed under the Securities Act and (ii) the third (3rd) anniversary following the date of the initial closing of the sale of shares of Series C Stock under the Series C Agreement, a written request from the Holders of at least thirty percent (30%) of the Registrable Securities Then Outstanding (“Initiating Holders”) that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities pursuant to this Section 2.2, then the Company shall, within ten (10) business days of the receipt of such written request, give written notice of such request (“Request Notice”) to all Holders, and effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities which Holders request to be registered and included in such registration by written notice given by such Holders to the Company within twenty (20) days after receipt of the Request Notice, subject only to the limitations of this Section 2.2: provided, however, that the Company shall not have any obligation to effect the filing of a registration statement under this Section 2.2(a) under either of the following two circumstances: (i) if the Registrable Securities requested by all Holders to be registered pursuant to a request hereunder do not represent 20% or more of the total number of Registrable Securities Then Outstanding and have an anticipated aggregate public offering price (before any underwriting discounts and commissions) of less than Five Million Dollars ($5,000,000); and (ii) during any period beginning with the date ninety (90) days prior to the Company’s good faith estimate of the date of filing of, and ending on a date one hundred and eighty (180) days following the effective date of any Company-initiated registration under the Securities Act (other than a registration relating solely to any employee benefit plan or a corporate reorganization); provided that the Company’s right under this clause (ii) not to file a registration statement shall be contingent upon the Company providing notice to the Initiating Holders within thirty (30) days of their request under this Section 2.2 of the Company’s intent to file such a Company-initiated registration statement within ninety (90) days and the Company thereafter actively employing in good faith, reasonable efforts to cause such Company-initiated registration statement to become effective.

(b) **Underwriting.** If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, then they shall so advise the Company as a part of their request made pursuant to this Section 2.2 and the Company shall include such information in the Request Notice referred to in subsection 2.2(a). In such event, the right of any Holder to include his Registrable Securities in such registration shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting by the Company (which underwriter or underwriters shall be reasonably acceptable to a majority in interest of the Initiating Holders). Notwithstanding any other provision of this Section 2.2, if the managing underwriter advises the Company in writing that marketing factors require a limitation of the number of securities to be underwritten, then the Company shall so advise all Holders of Registrable Securities which would otherwise be registered and underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be reduced as required by the underwriter(s) and allocated among each of the Holders requesting inclusion of their Registrable Securities in the underwriting on a pro rata basis according to the number of Registrable Securities Then Outstanding held by each such Holder; provided, however, that the number of shares of Registrable Securities to be included in such underwriting and registration shall not be reduced unless all other securities of the Company (including all securities proposed to be issued by the Company and included therein) and any other already-outstanding securities that are not Registrable Securities are first entirely excluded from the underwriting and registration. Any Registrable Securities excluded and withdrawn from such underwriting shall be withdrawn from the registration.

(c) **Maximum Number of Demand Registrations.** The Company is obligated to effect only two (2) such registrations pursuant to this Section 2.2 provided that such registrations have been declared or ordered effective.

(d) **Deferral.** Notwithstanding the foregoing, if the Company shall furnish to Holders requesting the filing of a registration statement pursuant to this Section 2.2, a certificate signed by the President or Chief Executive Officer of the Company stating that in the good faith judgment of the Board of Directors of the Company (the “Board”), it would be seriously detrimental to the Company and its stockholders for such registration statement to be filed and it is therefore essential to defer the filing of such registration statement, then the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right more than once in any twelve (12) month period; provided, further, that the Company shall not register any securities for the account of itself or any other stockholder during such ninety (90) day period (other than a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Securities Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered).

(e) **Expenses.** All expenses incurred in connection with a registration pursuant to this Section 2.2, including without limitation all registration and qualification fees, printers’ and accounting fees, fees and disbursements of counsel for the Company, and the reasonable fees and disbursements up to $25,000 of one counsel for the selling Holders (but excluding underwriters’ discounts and commissions), shall be borne by the Company. Each Holder participating in a registration pursuant to this Section 2.2 shall bear such Holder’s proportionate share (based on the total number of shares sold in such registration other than for the account of the Company) of all discounts and commissions. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to this Section 2.2 (and the Holders electing to participate in such registration shall bear all such expenses on a pro rata basis according to the number of Registrable Securities they elected to include in such registration) if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered, unless the Holders of a majority of the Registrable Securities Then Outstanding agree to forfeit their right to one (1) demand registration pursuant to this Section 2.2 (in which case such right shall be forfeited by all Holders of Registrable Securities); provided, further, however, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the
statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(a) **Underwriting.** If a registration statement under which the Company gives notice under this Section 2.3 is for an underwritten offering, then the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder’s Registrable Securities to be included in a registration pursuant to this Section 2.3 shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriter(s) selected for such underwriting. Notwithstanding any other provision of this Agreement, if the managing underwriter advises the Company in writing that marketing factors require a limitation of the number of shares to be underwritten, then the managing underwriter may exclude shares (including Registrable Securities) from the registration and the underwriting, and the number of shares that may be included in the registration and the underwriting shall be allocated, first, to the Company, second, to each of the Holders requesting inclusion of their Registrable Securities (other than Excluded Shares) in such registration statement, on a pro rata basis according to the number of Registrable Securities Then Outstanding held by each such Holder, third, to each of the Holders requesting inclusion of Registrable Securities that are Excluded Shares in the registration statement, on a pro rata basis according to the number of Registrable Securities that are Excluded Shares then held by each of them, and fourth, to all other stockholders of the Company requesting inclusion of securities of the Company in such registration; provided however, that the right of the underwriters to exclude shares (including Registrable Securities) from the registration and underwriting as described above shall be restricted so that the number of Registrable Securities included in any such registration is not reduced below thirty percent (30%) of the shares included in the registration, except for a registration relating to the Company’s initial public offering from which all Registrable Securities may be excluded. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter, delivered at least ten (10) business days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration. For any Holder which is a venture capital fund, partnership or corporation, the affiliated venture capital funds, partners, retired partners and stockholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single “Holder”, and any pro rata reduction with respect to such “Holder” shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such “Holder”, as defined in this sentence.

(b) **Expenses.** All expenses incurred in connection with a registration pursuant to this Section 2.3 (excluding underwriters’ and brokers’ discounts and commissions), including, without limitation all federal and “blue sky” registration and qualification fees, printers’ and accounting fees, fees and disbursements of counsel for the Company and reasonable fees and disbursements of one counsel for the selling Holders (up to $25,000), shall be borne by the Company.

2.4 **Form S-3 Registration.** In case the Company shall receive from any Holder or Holders of Registrable Securities a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, then the Company will:

(a) **Notice.** Promptly give written notice of the proposed registration and the Holder’s or Holders’ request therefor, and any related qualification or compliance, to all other Holders of Registrable Securities; and

(b) **Registration.** As soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder’s Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within twenty (20) days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 2.4:

(1) if Form S-3 is not available for such offering by the Holders;

(2) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than One Million Dollars ($1,000,000);

(3) if the Company shall furnish to the Holders a certificate signed by the President or Chief Executive Officer of the Company stating that in the good faith judgment of the Board, it would be seriously detrimental to the Company and its stockholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement no more than once during any twelve month period for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 2.4; provided, however, that the Company shall not register any securities for the account of itself or any other stockholder during such ninety (90) day period (other than a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Securities Act, a registration on any form that does not include substantially the same information as would be required to be included in a
registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered);

(4) if the Company has, within the twelve (12) month period preceding the date of such request, already effected one
(1) registration on Form S-3 for the Holders pursuant to this Section 2.4; or

(5) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a
general consent to service of process in effecting such registration, qualification or compliance.

(c) Expenses. Subject to the foregoing, the Company shall file a Form S-3 registration statement covering the Registrable
Securities and other securities so requested to be registered pursuant to this Section 2.4 as soon as practicable after receipt of the request or requests of the Holders
for such registration. The Company shall pay all expenses incurred in connection with each registration requested pursuant to this Section 2.4, (excluding
underwriters’ or brokers’ discounts and commissions), including without limitation all filing, registration and qualification, printers’ and accounting fees and the
reasonable fees and disbursements of one counsel for the selling Holder or Holders (up to $25,000) and counsel for the Company.

(d) Not Demand Registration. Form S-3 registrations shall not be deemed to be demand registrations as described in Section 2.2
above.

2.5 Obligations of the Company. Whenever required to effect the registration of any Registrable Securities under this Agreement, the
Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to
cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep
such registration statement effective until the earlier to occur of (i) one hundred twenty (120) days following the effective date and (ii) the last date on which all
Registrable Securities with respect to which such registration statement was filed are sold.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in
connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities
covered by such registration statement.

(c) Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the
requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of the Registrable Securities
owned by them that are included in such registration.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or
Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as
a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in
usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its
obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating
thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration
statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the
statements therein not misleading in the light of the circumstances then existing.

(g) Furnish, at the request of any Holder requesting registration of Registrable Securities, on the date that such Registrable
Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through
underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel
representing the Company for the purposes of such registration, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a “comfort” letter dated as of such date, from the independent certified public accountants of the Company, in form and
substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to a
majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

(h) Cause all such Registrable Securities registered pursuant to this Section 2 to be listed on a national exchange or trading system
and on each securities exchange and trading system on which similar securities issued by the Company are then listed.

(i) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all
such Registrable Securities, in each case not later than the effective date of such registration.

2.6 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 2.2, 2.3
or 2.4 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them, and the intended
method of disposition of such securities as shall be reasonably required to timely effect the registration of their Registrable Securities.

2.7 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such
registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

2.8 Indemnification. In the event any Registrable Securities are included in a registration statement under Sections 2.2, 2.3 or 2.4:
(a) **By the Company.** To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, officers and directors of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended, (the “1934 Act”), against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a “Violation”):

(i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto;

(ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or

(iii) any violation or alleged violation by the Company of the Securities Act, the 1934 Act, any federal or state securities law or any rule or regulation promulgated under the Securities Act, the 1934 Act or any federal or state securities law in connection with the offering covered by such registration statement;

and the Company will reimburse each such Holder, partner, officer or director, underwriter or controlling person for any legal or other expenses reasonably incurred by them, as incurred, in connection with investigating or defending any such loss, claim, damage, liability or action; provided however, that the indemnity agreement contained in this subsection 2.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent (and only to the extent) that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, underwriter or controlling person of such Holder.

(b) **By Selling Holders.** To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder’s partners, directors or officers or any person who controls such Holder within the meaning of the Securities Act or the 1934 Act, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, controlling person, underwriter or other such Holder, partner or director, officer or controlling person of such other Holder may become subject under the Securities Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or other Holder, partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall: not be unreasonably withheld; and provided further, that the total amounts payable in indemnity by a Holder under this Section 2.8(b) in respect of any Violation shall not exceed the net proceeds received by such Holder in the registered offering out of which such Violation arises.

(c) **Notice.** Promptly after receipt by an indemnified party under this Section 2.8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnifying party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential conflict of interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.8, but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 2.8 provides for indemnification in such case; or (ii) contribution under the Securities Act may be required on the part of any such selling Holder or any such controlling person in circumstances for which indemnification is provided under this Section 2.8; then, and in each such case, the Company and such Holder will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the indemnified party, on the other, in connection with the statements or omissions or violations that resulted in such loss, liability, claim, damage or expense, as well as any other equitable considerations; provided however, that, in any such case, (A) no such Holder will be required to contribute any amount in excess of net proceeds received by such Holder (such amount to be combined with any amounts paid by such
2.9  **“Market Stand-Off” Agreement.** Each Holder hereby agrees that it shall not, to the extent requested by the Company or an underwriter of securities of the Company, sell or otherwise transfer or dispose of any Registrable Securities or other shares of stock of the Company then owned by such Holder (other than to donees or partners of the Holder who agree to be similarly bound) for up to one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act (or such other period up to a maximum of 34 additional days as may be requested by the Company or an underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including, but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto); provided, however, that:

(a) such agreement shall be applicable only to the first such registration statement of the Company which covers securities to be sold on its behalf to the public in an underwritten offering but not to Registrable Securities sold pursuant to such registration statement;

(b) all stockholders of the Company who are then employees of the Company and hold in excess of one percent (1%) of the then outstanding Common Stock and common stock equivalents of the Company and all executive officers and directors of the Company enter into similar agreements; and

(c) any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the underwriters shall apply pro rata to all Holders subject to such agreements, based on the number of shares subject to such agreements.

In order to enforce the foregoing covenant, the Company shall have the right to place restrictive legends on the certificates representing the shares subject to this Section and to impose stop transfer instructions with respect to the Registrable Securities and such other shares of stock of each Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

2.10  **Rule 144 Reporting.** With a view to making available the benefits of certain rules and regulations of the Commission which may at any time permit the sale of the Registrable Securities to the public without registration, after such time as a public market exists for the Common Stock of the Company, the Company agrees to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times after the effective date of the first registration under the Securities Act filed by the Company for an offering of its securities to the general public;

(b) File with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the 1934 Act (at any time after it has become subject to such reporting requirements); and

(c) So long as a Holder owns any Registrable Securities, to furnish to the Holder forthwith upon request a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 (at any time after 90 days after the effective date of the first registration statement filed by the Company for an offering of its securities to the general public), and of the Securities Act and the 1934 Act (at any time after it has become subject to the reporting requirements of the 1934 Act), a copy of the most recent annual or quarterly report of the Company, and such other reports and documents of the Company as a Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing a Holder to sell any such securities without registration (at any time after the Company has become subject to the reporting requirements of the 1934 Act).

2.11  **Termination of the Company’s Obligations.** The Company shall have no obligations (i) to Holders who, immediately following the closing of a Qualified IPO (as hereinafter defined) hold a number of Registrable Securities less than two percent (2%) of the outstanding shares of capital stock of the Company (on an as converted basis) at that time (including all shares issued by the Company in such Qualified IPO), pursuant to Sections 2.2 through 2.4 with respect to any request or requests for registration made on a date more than five (5) years after the closing of a firm commitment underwritten public offering pursuant to an effective registration statement filed under the Securities Act covering the offer and sale of Common Stock for the account of the Company in which the aggregate public offering price (before deduction of underwriters’ discounts and commissions) equals or exceeds Fifty Million Dollars ($50,000,000) (a “Qualified IPO”) and the Public Offering price per share equals or exceeds $9.36; (ii) to Holders who, immediately following the closing of a Qualified IPO hold a number of Registrable Securities equal to or greater than two percent (2%) of the outstanding shares of capital stock of the Company (on an as converted basis) at that time (including all shares issued by the Company in such Qualified IPO) and at all times thereafter hold a number of Registrable Securities equal to or greater than one percent (1%) of the outstanding shares of capital stock of the Company (on an as convertible basis) (“% Initial Holders”), pursuant to Sections 2.2 through 2.4 with respect to any request or requests for registration made on a date more than seven (7) years after the closing of a Qualified IPO; (iii) with respect to any Registrable Securities proposed to be sold by a Holder in a registration pursuant to Section 2.2 if, in the opinion of counsel to the Company, all such Registrable Securities proposed to be sold by a Holder may be sold in a three-month period without registration under the Securities Act pursuant to Rule 144 under the Securities Act; and (iv) with respect to any Registrable Securities proposed to be sold by a Holder in a registration pursuant to Section 2.3 or 2.4 if, in the opinion of counsel to the Company, all such Registrable Securities proposed to be sold by a Holder may be sold without registration under the Securities Act pursuant to Rule 144(k) under the Securities Act; provided, however, that the foregoing clauses (iii) and (iv) shall not apply to any Holder for so long as it holds a number of Registrable Securities equal to more than one percent (1%) of the then outstanding shares of capital stock of the Company (on an as converted basis).

2.12  **No Future Grants of Registration Rights.** Following the date hereof, the Company shall not grant registration rights to any other party (other than the registration rights provided for in this Agreement as it may be amended from time to time) without either (i) the approval of a majority of the Board (including a majority of the directors to be elected by the holders of Series A Stock voting as a separate series, the holders of the Series B Stock voting as a separate series, and the holders of the Series C Stock voting as a separate series (collectively, the “Preferred Directors”)); or (ii) the written consent of the Holders of a majority of the Registrable Securities Then Outstanding.
3. **RIGHT OF FIRST REFUSAL.**

3.1 **General.** Each Major Investor and any party to whom such Major Investor’s rights under this Section 3 have been duly assigned in accordance with Section 4.1(c) (each such Major Investor or assignee being hereinafter referred to as a “Rights Holder”) has the right of first refusal to purchase such Rights Holder’s Pro Rata Share (as defined below), of all (or any part) of any “New Securities” (as defined in Section 31) that the Company may from time to time issue after the date of this Agreement; provided, however, that such right is contingent upon such Rights Holder demonstrating to the Company’s satisfaction that it is an “accredited investor” (as defined in Rule 501 of Regulation D promulgated under the Securities Act). A Rights Holder’s “Pro Rata Share” for purposes of this right of first refusal is the ratio of (a) the number of shares of Common Stock issuable or issued upon conversion of Preferred Stock or directly or indirectly upon conversion or exercise of convertible or exercisable securities held by such Rights Holder, to (b) a number of shares of Common Stock of the Company equal to the sum of (i) the total number of shares of Common Stock of the Company then outstanding plus (ii) the total number of shares of Common Stock of the Company into which all then outstanding shares of Preferred Stock and shares of Preferred Stock issuable upon exercise of then outstanding options or warrants of the Company are then, or would, upon exercise of such warrants, be, convertible plus (iii) the number of shares of Common Stock of the Company issuable upon exercise of then outstanding options or warrants to purchase shares of Common Stock.

3.2 **New Securities.** “New Securities” shall mean any shares of Common Stock of the Company or shares of any series of Preferred Stock of the Company (collectively the “Preferred Stock”), whether now authorized or not, and rights, options or warrants to purchase such Common Stock or Preferred Stock, and securities of any type whatsoever that are, or may become, convertible or exchangeable into such Common Stock or Preferred Stock; provided, however, that the term “New Securities” does not include:

(a) shares of Common Stock issued upon conversion of any shares of Preferred Stock;

(b) shares of Common Stock (and any options, warrants, convertible securities or other rights directly or indirectly exercisable or convertible into such shares of Common Stock) granted or issued to employees, officers, directors, contractors, consultants or advisers to the Company or any subsidiary pursuant to incentive agreements, stock purchase or stock option plans, stock bonuses or awards, warrants, contracts or other arrangements provided that such issuances are approved by the Board, including the approval of a majority of the Preferred Directors;

(c) shares of Common Stock (and any options, warrants, convertible securities or other rights directly or indirectly exercisable or convertible into such shares of Common Stock) issued pursuant to incentive agreements, stock purchase or stock option plans, stock bonuses or awards, warrants, contracts or other arrangements involving in connection with a commercial relationship with the Company or (ii) providing the Company with equipment leases, real property leases, loans, credit lines, guarantees of indebtedness, cash price reductions or similar benefits, under arrangements, in each case approved by the Board, including the approval of a majority of the Preferred Directors;

(d) shares of Common Stock (and any options, warrants, convertible securities or other rights directly or indirectly exercisable or convertible into such shares of Common Stock) issued pursuant to the acquisition of another corporation or entity by the Company by consolidation, merger, purchase of all or substantially all of the assets, or other reorganization in which the Company acquires, in a single transaction or series of related transactions, all or substantially all of the assets of such other corporation or entity or fifty percent (50%) or more of the voting power of such other corporation or entity or fifty percent (50%) or more of the equity ownership of such other entity under arrangements approved by the Board, including the approval of a majority of the Preferred Directors;

(e) shares of Common Stock or Preferred Stock issued upon the exercise of any warrants or options that are outstanding as of the date of this Agreement and any shares of the Company’s Common Stock issuable upon conversion of any such shares of Preferred Stock;

(f) shares of Common Stock issued in connection with an initial public offering of the Company’s Common Stock pursuant to a registration statement under the Securities Act;

(g) shares of Common Stock or other securities of the Company for which an adjustment is made pursuant to any of Sections 5.4, 5.5 or 5.6 of Article VI of the Company’s Restated Certificate of Incorporation, as amended from time to time after the date of this Agreement (the “Restated Certificate”); and

(h) shares of Series C Stock sold pursuant to the Series C Agreement, as amended from time to time after the date of this Agreement.

3.3 **Procedures.** In the event that the Company proposes to undertake an issuance of New Securities, it shall give to each Rights Holder written notice of its intention to issue New Securities (the “Notice”), describing the type of New Securities and the price and the general terms upon which the Company proposes to issue such New Securities. Each Rights Holder shall have fifteen (15) days from the date of deemed delivery of such notice to agree in writing to purchase such Rights Holder’s Pro Rata Share of such New Securities for the price and upon the general terms specified in the Notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased (not to exceed such Rights Holder’s Pro Rata Share). If any Rights Holder fails to so agree in writing within such fifteen (15) day period to purchase such Rights Holder’s full Pro Rata Share of an offering of New Securities (a “Nonpurchasing Holder”), then such Nonpurchasing Holder shall forfeit the right hereunder to purchase that part of such Holder’s Pro Rata Share of such New Securities that such Holder did not so agree to purchase and the Company shall promptly give each Rights Holder who has timely agreed to purchase such Holder’s full Pro Rata Share of such offering of New Securities (a “Purchasing Holder”) written notice of the failure of any Nonpurchasing Holder to purchase such Nonpurchasing Holder’s full Pro Rata Share of such offering of New Securities (the “Overallotment Notice”). Each Purchasing Holder shall have a right of overallotment such that such Purchasing Holder may agree to purchase a portion of the Nonpurchasing Holders’ unpurchased Pro Rata Shares of such offering on a pro rata basis according to the relative Pro Rata Shares of the Purchasing Holders, at any time within five (5) days after deemed delivery of the Overallotment Notice.

3.4 **Failure to Exercise.** In the event that the Rights Holders fail to exercise in full the right of first refusal within such fifteen (15) plus five (5) day period, then the Company shall have 90 days
deliver an Employee Inventions and Proprietary Rights Agreement and Confidentiality Agreement in substantially the form approved by the Board. The Company
term prior to the expiration of the vesting period of such Award.
Company a repurchase option to buy back at cost a portion of the shares of Common Stock held by such person if such person's employment with, or consulting
incentive plan of the Company (in each case an "Option grant or restricted stock award made by the Company after the date of this Agreement to any employee or consultant of the Company under any equity
Investor or Holder or Stockholder and the Company.
effects in accordance with this Section 4.2 shall be binding upon each Investor, each Holder, each Stockholder, each permitted successor or assignee of such
rights under Section 2.11;
thereunder in a manner than is materially different from the affect on the express rights thereunder of other Holders shall be effective against such Holder,
or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and Investors (and/or any of their permitted
applicable to such securities, and (iii) such assignee executes and delivers to the Company a counterpart signature page to this Agreement in a form reasonably satisfactory to the Company agreeing to be bound by all of the terms and conditions of this Agreement (including without limitation the provisions of this Section 4) as an “Investor” hereunder.
holders representing a majority of the Registrable Securities then Outstanding then held by all then current 2% Initial Holders who have
provided further, however, that no party may be assigned any of the foregoing rights unless (i) the Company is given written notice by the assigning party at the time of such assignment stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned, (ii) such transfer of the securities of the Company is made in compliance with the terms and conditions relating to restrictions and conditions of transfer applicable to such securities, and (iii) such assignee executes and delivers to the Company a counterpart signature page to this Agreement in a form reasonably satisfactory to the Company agreeing to be bound by all of the terms and conditions of this Agreement (including without limitation the provisions of this Section 4) as an “Investor” hereunder.
Registration Rights. The registration rights of a Holder under Section 2 hereof may be assigned only to (i) a party who
acquires at least 200,000 Registrable Securities (as adjusted per Section 6.10); provided, however, that if a Holder under Section 2 hereof holds less than 200,000 Registrable Securities, then the registration rights under Section 2.3 may be transferred to a transferee who acquires all of such Holder's Registrable Securities, or (ii) a transferee or assignee that is a subsidiary, parent, affiliated venture capital fund, partner, limited partner, retired partner, member or stockholder of a Holder; provided further, however, that no party may be assigned any of the foregoing rights unless (i) the Company is given written notice by the assigning party at the time of such assignment stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned, (ii) such transfer of the securities of the Company is made in compliance with the terms and conditions relating to restrictions and conditions of transfer applicable to such securities, and (iii) such assignee executes and delivers to the Company a counterpart signature page to this Agreement in a form reasonably satisfactory to the Company agreeing to be bound by all of the terms and conditions of this Agreement (including without limitation the provisions of this Section 4) as an "Investor" hereunder.
(c) Refusal Rights. The rights of a Rights Holder under Section 3 hereof may be assigned only to a party to the extent that such
transferee acquires from the Rights Holder (or the Rights

4. ASSIGNMENT AND AMENDMENT.
4.1 Assignment. Notwithstanding anything herein to the contrary:
(a) Information Rights. The rights of a Major Investor under Section 1.1 and 1.2 hereof may be assigned only to a party to the extent that such transferee acquires from the Major Investor (or the Major Investor’s permitted assigns) at least that number and type of shares capital stock of the Company, as are necessary to have the applicable rights of a Major Investor described in the relevant provisions of Sections 1.1 and 1.2 hereof, respectively. A transferee which acquires such required number and type of shares of capital stock of the Company pursuant to an assignment made in accordance with the terms, and conditions hereof shall be deemed to be a “Major Investor” for purposes of Section 1; provided, however that no party may be assigned any of the foregoing rights unless (i) the Company is given written notice by the assigning party at the time of such assignment stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned, (ii) such transfer of the securities of the Company is made in compliance with the terms and conditions relating to restrictions and conditions of transfer applicable to such securities, and (iii) such assignee executes and delivers to the Company a counterpart signature page to this Agreement in a form reasonably satisfactory to the Company agreeing to be bound by all of the terms and conditions of this Agreement (including without limitation the provisions of this Section 4) as an “Investor” hereunder.

(b) Registration Rights. The registration rights of a Holder under Section 2 hereof may be assigned only to (i) a party who
acquires at least 200,000 Registrable Securities (as adjusted per Section 6.10); provided, however, that if a Holder under Section 2 hereof holds less than 200,000 Registrable Securities, then the registration rights under Section 2.3 may be transferred to a transferee who acquires all of such Holder's Registrable Securities, or (ii) a transferee or assignee that is a subsidiary, parent, affiliated venture capital fund, partner, limited partner, retired partner, member or stockholder of a Holder; provided further, however, that no party may be assigned any of the foregoing rights unless (i) the Company is given written notice by the assigning party at the time of such assignment stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned, (ii) such transfer of the securities of the Company is made in compliance with the terms and conditions relating to restrictions and conditions of transfer applicable to such securities, and (iii) such assignee executes and delivers to the Company a counterpart signature page to this Agreement in a form reasonably satisfactory to the Company agreeing to be bound by all of the terms and conditions of this Agreement (including without limitation the provisions of this Section 4) as an “Investor” hereunder.
(c) Refusal Rights. The rights of a Rights Holder under Section 3 hereof may be assigned only to a party to the extent that such

5. CERTAIN COVENANTS OF THE COMPANY.
5.1 Option and Stock Awards; Vesting. Except as otherwise approved by the Board (including a majority of the Preferred Directors), each
option grant or restricted stock award made by the Company after the date of this Agreement to any employee or consultant of the Company under any equity incentive plan of the Company (in each case an “Award”) will provide for no less than a four-year vesting period, with 25% of the shares to vest at the end of the first year of vesting and the remainder to vest monthly over the next 36 months and will prohibit transfers of unvested shares. Each Award will provide for the Company a repurchase option to buy back at cost a portion of the shares of Common Stock held by such person if such person’s employment with, or consulting to, the Company is terminated prior to the expiration of the vesting period of such Award.

5.2 Invention Assignment Agreements. The Company shall require all employees with access to confidential information to execute and deliver an Employee Inventions and Proprietary Rights Agreement and Confidentiality Agreement in substantially the form approved by the Board. The Company
and deliver an agreement providing for the assignment to the Company of inventions conceived in the course of providing such services.

5.3 Expense Reimbursement. The Company shall reimburse members of the Board of Directors for reasonable travel and other related expenses incurred in connection with the performance of their duties as a member of the Board of Directors.

6. GENERAL PROVISIONS.

6.1 Notices. Any notice, request or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given (i) on the day of delivery if personally delivered; (ii) one (1) business day after transmission by facsimile or telecopier, addressed to the other party at its facsimile number or telecopier address specified herein (or hereafter noticed to the parties hereto), with confirmation of transmission; (iii) one (1) business day following deposit with a nationally recognized express courier service (fees prepaid) with instructions to deliver no later than the following business day for deliveries within the United States; (iv) three (3) business days following deposit with an internationally recognized express courier service (fees prepaid) with instructions to deliver no later than three (3) business days later for deliveries across international borders; or (v) three (3) business days following deposit in the U.S. mail by registered or certified mail, return receipt requested, postage prepaid, as follows:

(a) if to an Investor, at such Investor’s respective address as set forth on Exhibit A hereto.

(b) if to the Company, marked “Attention” President’, at 118 King Street, Fifth Floor, San Francisco, California 94107; and

(c) if to a Stockholder, at such Stockholder’s address as set forth on Exhibit B hereto.

Any party hereto (and such party’s permitted assigns) may by notice so given change its address for future notices hereunder.

6.2 Entire Agreement. This Agreement, together with all the Exhibits hereto, constitutes and contains the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes any and all prior negotiations, correspondence, agreements, understandings, duties or obligations between the parties respecting the subject matter hereof (including without limitation under the Prior Rights Agreement). This Agreement will amend and restate the Prior Rights Agreement to read as set forth herein, when it has been duly executed by parties holding the requisite number of shares and having the right to so amend and restate the Prior Rights Agreement.

6.3 Governing Law. This Agreement shall be governed by and construed exclusively in accordance with the internal laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California, excluding that body of law relating to conflict of laws and choice of law.

6.4 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, then such provision(s) shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision(s) were so excluded and shall be enforceable in accordance with its terms.

6.5 Third Parties. Nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties hereto and their successors and assigns, any rights or remedies under or by reason of this Agreement.

6.6 Successors And Assigns. Subject to the provisions of Section 4.1, the provisions of this Agreement shall inure to the benefit of, and shall be binding upon, the successors and permitted assigns of the parties hereto.

6.7 Captions. The captions to sections of this Agreement have been inserted for identification and reference purposes only and shall not be used to construe or interpret this Agreement.

6.8 Counterparts and Facsimile Signatures. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile and upon such delivery the facsimile signature will be deemed to have the same effect as if the original signature had been delivered to the other party.

6.9 Costs And Attorneys’ Fees. In the event that any action, suit or other proceeding is instituted concerning or arising out of this Agreement or any transaction contemplated hereunder, the prevailing party shall recover all of such party’s costs and attorneys’ fees incurred in each such action, suit or other proceeding, including any and all appeals or petitions therefrom.

6.10 Adjustments for Stock Splits, Etc. Wherever in this Agreement there is a reference to a specific number of shares of Common Stock or Preferred Stock of the Company of any class or series, then, upon the occurrence of any subdivision, combination or stock dividend of such class or series of stock, the specific number of shares so referenced in this Agreement shall automatically be proportionally adjusted to reflect the effect on the outstanding shares of such class or series of stock by such subdivision, combination or stock dividend.

6.11 Aggregation of Stock. All shares held or acquired by affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement including, without limitation, determining who is a Major Investor or a Rights Holder hereunder.

6.12 Prior Rights Agreement Superseded/Waiver. Pursuant to Section 4.2 of the Prior Rights Agreement, the undersigned parties who are parties to such Prior Rights Agreement hereby (i) amend and restate the Prior Rights Agreement to read in its entirety as set forth in this Agreement, all with the intent and effect that the Prior Rights Agreement shall hereby be terminated and entirely superseded by this Agreement and (ii) waive, on behalf of each “Rights Holder” (as defined in the Prior Rights Agreement), the application of the right of first refusal set forth in Section 3 of the Prior Rights Agreement to the issuance of shares of Series C Stock pursuant to the Series C Agreement.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

COMPANY:

SPLUNK INC.

By: /s/ Michael Baum  
    Michael Baum  
    Chief Executive Officer

INVESTORS:

Ignition Venture Partners III, L.P.

By: Ignition GP, LLC  
    Its: General Partner
By: /s/ John Connors  
    John Connors

Ignition Managing Directors Fund III, LLC

By: /s/ John Connors  
    John Connors

JK&B Capital IV, L.P.

By: JK&B Capital Management IV, L.P.  
    Its: General Partner  
    By: JK&B Capital IV, L.L.C.  
    Its: General Partner
By: /s/ Marc Sokol  
    Marc Sokol, its Managing Director

JK&B Capital IV QIP, L.P.

By: JK&B Capital Management IV, L.P.  
    Its: General Partner  
    By: JK&B Capital IV, L.L.C.  
    Its: General Partner
By: /s/ Marc Sokol  
    Marc Sokol, its Managing Director

AUGUST CAPITAL III, L.P. for itself and as nominee for  
August Capital Strategic Partners III, L.P.  
August Capital III Founders Fund, L.P. and  
certain individuals thereof

By: August Capital Management III, L.L.C.  
    its General Partner

[SIGNATURE PAGE TO SECOND AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT]
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

**INVESTORS:**

**SEVIN ROSEN FUND VIII L.P.**
By: SRB Associates VIII L.P., its General Partner
By: /s/ Jackie R. Kimzey
Name: Jackie R. Kimzey
Title: General Partner

**SEVIN ROSEN VIII AFFILIATES FUND L.P.**
By: SRB Associates VII L.P., its General Partner
By: /s/ Jackie R. Kimzey
Name: Jackie R. Kimzey
Title: General Partner

**SEVIN ROSEN BAYLESS MANAGEMENT COMPANY**
By: /s/ Jackie R. Kimzey
Name: Jackie R. Kimzey
Title: Vice President

**MICHAEL BAUM**
By: /s/ Michael Baum
Michael Baum

STOCKHOLDERS:

/s/ Michael Baum
Michael Baum

/s/ Rob Das
Rob Das

/s/ Erik Swan
Erik Swan

EXHIBIT A

List of Investors

Name and Address

Ignition Venture Partners III, L.P.
11400 SE 6th Street
Suite 100
Bellevue, WA 98004

Ignition Managing Directors Fund III, LLC
AMENDMENT TO INVESTORS’ RIGHTS AGREEMENT
SPLUNK, INC.

This Amendment to Investors’ Rights Agreement (this “Amendment to IRA”) is made and entered into as of September 10, 2008 (the “Effective Date”) by and among Splunk, Inc., a Delaware corporation (the “Company”), and the undersigned investors in the Company (the “Existing Investors”). Capitalized terms not otherwise defined herein shall have their meaning set forth in that certain Second Amended and Restated Investors’ Rights Agreement dated as of August 31, 2007 by and among the Company and the investors identified therein (such agreement, as amended from time to time, the “Investors’ Rights Agreement”).

RECITALS

A. The Company is entering into a capital growth loan agreement and an equipment lease agreement with TriplePoint Capital LLC, a Delaware limited liability company (“TPC”) in connection with which the Company will be issuing warrants exercisable for shares of Series C Preferred Stock to TPC or affiliates of TPC (the “Warrants”).

B. The undersigned Existing Investors and the Company desire to amend the Investors’ Rights Agreement to provide the holders of the Warrants with the rights of an “Investor” with respect to the shares of stock issuable upon exercise of the Warrants.

NOW, THEREFORE, in consideration of the foregoing recitals and for other consideration, the adequacy and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

EXHIBIT B

List of Stockholders

<table>
<thead>
<tr>
<th>Name</th>
<th>Type of Security Held</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Baum</td>
<td>Common Stock</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Rob Das</td>
<td>Common Stock</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Erik Swan</td>
<td>Common Stock</td>
<td>2,000,000</td>
</tr>
</tbody>
</table>
1. The Investors’ Rights Agreement is hereby amended to provide that, upon TPC’s execution of a counterpart signature page of the Investors’ Rights Agreement:
   
   (a) TPC shall become a party to the Investors’ Rights Agreement as an “Investor” thereunder;
   
   (b) the definition of “Registrable Securities” in Section 2.1(b)(1) shall include the shares of Common Stock issuable upon conversion of the shares of Series C Preferred Stock issuable upon exercise of either of the Warrants (the “Series C Stock”);
   
   (c) all references to “Preferred Stock” shall mean and include the shares of Series C Stock;
   
   (d) the definition of a “Holder” under Section 2.1(d) shall include the holder of a Warrant with respect to the Registrable Securities issuable upon conversion of the Series C Stock; and
   
   (e) Exhibit A to the Investors’ Rights Agreement shall be amended to include TPC.

2. Except as set forth herein, all other terms of the Investors’ Rights Agreement shall remain in full force and effect.

[Remainder of Page Left Blank Intentionally.]

IN WITNESS WHEREOF, the parties have executed this Amendment to Investors’ Rights Agreement on the date and year first above written,

THE COMPANY:

SPLUNK, INC.

A Delaware corporation

By: /s/ Phil Oreste
    Phil Oreste, Vice President, Finance

THE EXISTING INVESTORS:

TRIPLEPOINT CAPITAL LLC

By: /s/ Jim Labe
    Jim Labe

[Signature Page to Amendment to Investors’ Rights Agreement]

IN WITNESS WHEREOF, the parties have executed this Amendment to Investors’ Rights Agreement on the date and year first above written.

THE EXISTING INVESTORS:

JK&B Capital IV, L.P.

By: /s/ Marc Sokol
    Marc Sokol, its Managing Director

[Signature Page to Amendment to Investors’ Rights Agreement]
By: /s/ Marc Sokol
Marc Sokol, its Managing Director

AUGUST CAPITAL III, L.P., for itself and as nominee for
August Capital Strategic Partners III, L.P.
August Capital III Founders Fund, L.P. and
certain individuals thereof
By: August Capital Management III, L.L.C.
its General Partner
By: /s/ Steven Simonian
Print Name: Steven Simonian
Title: Attorney-in-fact

IN WITNESS WHEREOF, the parties have executed this Amendment to Investors’ Rights Agreement on the date and year first above written.

THE EXISTING INVESTORS:

Ignition Venture Partners III, L.P.
By: Ignition GP, LLC
Its: General Partner
By: /s/ John Connors
John Connors

Ignition Managing Directors Fund III, LLC
By: Ignition GP, LLC
Its: General Partner
By: /s/ John Connors
John Connors

SEVIN ROSEN FUND VIII, L.P.
By: SRB Associates VIII L.P., its General Partner
By: /s/ John V. Jaggers
Print Name: John V. Jaggers
Title: General Partner

SEVIN ROSEN VIII AFFILIATES FUND, L.P.
By: SRB Associates VIII L.P., its General Partner
By: /s/ John V. Jaggers
Print Name: John V. Jaggers
Title: General Partner

SEVIN ROSEN BAYLESS MANAGEMENT COMPANY
By: /s/ John V. Jaggers
[Signature Page to Amendment to Investors’ Rights Agreement]
LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (this “Agreement”) dated as of May 29, 2009 (the “Effective Date”) between SILICON VALLEY BANK, a California corporation (“Bank”), and SPLUNK INC., a Delaware corporation (“Borrower”), provides the terms on which Bank shall lend to Borrower and Borrower shall repay Bank. The parties agree as follows:

1. ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in Section 13. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein.

2. LOAN AND TERMS OF PAYMENT

2.1 Promise to Pay. Borrower hereby unconditionally promises to pay Bank the outstanding principal amount of all Credit Extensions and accrued and unpaid interest thereon as and when due in accordance with this Agreement.

2.1.1 Revolving Advances.

(a) Availability. Subject to the terms and conditions of this Agreement and to deduction of Reserves, Bank shall make Advances not exceeding the Availability Amount. Amounts borrowed hereunder may be repaid and, prior to the Revolving Line Maturity Date, reborrowed, subject to the applicable terms and conditions precedent herein.

(b) Streamline Period. Borrower may, at its option, elect not to have any Advances outstanding during specified periods of time (each, a “Streamline Period”). At least ten (10) days prior to requesting that a Streamline Period be put into effect, Borrower shall give Bank written notice thereof, specifying the date the Streamline Period is to begin. On or prior to the Business Day immediately preceding the commencement of the Streamline Period, Borrower will pay to Bank, by wire transfer, an amount sufficient to repay in full all outstanding Advances, all accrued interest thereon, and all other outstanding monetary Obligations. A Streamline Period may be put into effect if (i) there are no outstanding Obligations on the Revolving Line, or (ii) Borrower’s Quick Ratio is greater than 1.50 to 1.00. During a Streamline Period, Borrower may not request any Advances, and Bank shall have no obligation to make any Advances. To terminate a Streamline Period, Borrower shall provide Bank at least thirty (30) days prior written notice thereof together with a Transaction Report and such information relating to the Eligible Accounts, and other Collateral as Bank may specify.

(c) Termination; Repayment. The Revolving Line terminates on the Revolving Line Maturity Date, when the principal amount of all Advances; the unpaid interest thereon, and all other Obligations relating to the Revolving Line shall be immediately due and payable.

2.1.2 Letters of Credit Sublimit.

(a) As part of the Revolving Line, Bank shall issue or have issued Letters of Credit denominated in Dollars or a Foreign Currency for Borrower’s account. The aggregate Dollar Equivalent amount utilized for the issuance of Letters of Credit shall at all times reduce the amount otherwise available for Advances under the Revolving Line. The Dollar Equivalent of the face amount of outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit) may not exceed the lesser of One Million Dollars ($1,000,000) or the Availability Amount.

(b) If, on the Revolving Line Maturity Date (or the effective date of any termination of this Agreement), there are any outstanding Letters of Credit, then on such date Borrower shall provide to Bank cash collateral in an amount equal to 105% of the Dollar Equivalent of the face amount of all such Letters of Credit plus all interest, fees, and costs due or to become due in connection therewith (as estimated by Bank in its good faith business judgment), to secure all of the Obligations relating to such Letters of Credit. All Letters of Credit shall be in form and substance acceptable to Bank in its sole discretion and shall be subject to the terms and conditions of Bank’s standard Application and Letter of Credit Agreement (the “Letter of Credit Application”). Borrower agrees to execute any further documentation in connection with the Letters of Credit as Bank may reasonably request. Borrower further agrees to be bound by the regulations and interpretations of the issuer of any Letters of Credit guaranteed by Bank and opened for Borrower’s account or by Bank’s interpretations of any Letter of Credit issued by Bank for Borrower’s account, and Borrower understands and agrees that Bank shall not be liable for any error, negligence, or mistake, whether of omission or commission, in following Borrower’s instructions or those contained in the Letters of Credit or any modifications, amendments, or supplements thereto.

(c) The obligation of Borrower to immediately reimburse Bank for drawings made under Letters of Credit shall be absolute, unconditional, and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, such Letters of Credit, and the Letter of Credit Application.

2.1.3 Foreign Exchange Sublimit. As part of the Revolving Line, Borrower may enter into foreign exchange contracts with Bank under which Borrower commits to purchase or sell to Bank a specific amount of Foreign Currency (each, a “FX Forward Contract”) on a specified date (the “Settlement Date”). FX Forward Contracts shall have a Settlement Date of at least one (1) FX Business Day after the contract date and shall be subject to a reserve of ten percent (10%) of each outstanding FX Forward Contract (the “FX Reserve”). The aggregate amount of FX Forward Contracts at any one time may not exceed ten (10) times the lesser of One Million Dollars ($1,000,000) or the Availability Amount. The amount otherwise available for Credit Extensions under the Revolving Line shall be reduced by an amount equal to ten percent (10%) of each outstanding FX Forward Contract (the “FX Reduction Amount”). Any amounts needed to fully
2.1.4 Cash Management Services Sublimit. Borrower may use up to the lesser of (1) One Million Dollars ($1,000,000) or (ii) the Availability Amount of the Revolving Line for Bank’s cash management services which may include merchant services, direct deposit of payroll, business credit card, and check cashing services identified in Bank’s various cash management services agreements (collectively, the “Cash Management Services”).

2.2 Overadvances. If, at any time, the total of all outstanding Obligations exceeds the Availability Amount (such sum being an “Overadvance”) Borrower shall immediately pay to Bank in cash such Overadvance. Without limiting Borrower’s obligation to repay Bank any amount of the Overadvance, Borrower agrees to pay Bank interest on the outstanding amount of any Overadvance, on demand, at the Default Rate.

2.3 Payment of interest on the Credit Extensions.

(a) Advances. Subject to Section 2.3(b), the principal amount outstanding under the Revolving Line shall accrue interest at a floating per annum rate equal to the Prime Rate, plus four percent (4.00%), which interest shall be payable monthly in accordance with Section 2.3(e) below.

(b) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, Obligations shall bear interest at a rate per annum which is five percentage points (5.00%) above the rate that is otherwise applicable thereto (the “Default Rate”) unless Bank otherwise elects from time to time in its sole discretion to impose a smaller increase. Fees and expenses which are required to be paid by Borrower pursuant to the Loan Documents (including, without limitation, Bank Expenses) but are not paid when due shall bear interest until paid at a rate equal to the highest rate applicable to the Obligations. Payment or acceptance of the increased interest rate provided in this Section 2.3(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Bank.

(c) Adjustment to Interest Rate. Changes to the interest rate of any Credit Extension based on changes to the Prime Rate shall be effective on the effective date of any change to the Prime Rate and to the extent of any such change.

(d) Debit of Accounts. Bank may debit any of Borrower’s deposit accounts, including the Designated Deposit Account, for principal and interest payments or any other amounts Borrower owes Bank when due. These debits shall not constitute a set-off.

(e) Payment; Interest Computation; Float Charge. Interest is payable monthly on the last calendar day of each month and shall be computed on the basis of a 360-day year for the actual number of days elapsed. In computing interest, (i) all Payments received after 12:00 p.m. Pacific time on any day shall be deemed received at the opening of business on the next Business Day, and (ii) the date of the making of any Credit Extension shall be included and the date of payment shall be excluded; provided, however, that if any Credit Extension is repaid on the same day on which it is made, such day shall be included in computing interest on such Credit Extension. In addition, Bank shall be entitled to charge Borrower a “float” charge in an amount equal to two (2) Business Days interest, at the interest rate applicable to Advances whether or not any Advances are outstanding, on all Payments received by Bank. Such float charge is not included in interest for purposes of computing Minimum Monthly Interest (if any) under this Agreement. The float charge for each month shall be payable on the last day of the month. Bank shall not, however, be required to credit Borrower’s account for the amount of any item of payment which is unsatisfactory to Bank in its good faith business judgment, and Bank may charge Borrower’s Designated Deposit Account for the amount of any item of payment which is returned unpaid.

2.4 Fees. Borrower shall pay to Bank:

(a) Commitment Fee. A fully earned, non-refundable commitment fee of Twenty Five Thousand Dollars ($25,000) (the “Commitment Fee”), on the Effective Date;

(b) Good Faith Deposit. Borrower has paid to Bank a good faith deposit of Fifteen Thousand Dollars ($15,000) (the “Good Faith Deposit”) to initiate Bank’s due diligence review process. Bank shall apply the Good Faith Deposit to the Bank Expenses and shall apply any remaining portion of the Good Faith Deposit to the Commitment Fee;

(c) Letter of Credit Fee. Bank’s customary fees and expenses for the issuance or renewal of Letters of Credit, upon the issuance of such Letter of Credit, each anniversary of the issuance during the term of such Letter of Credit, and upon the renewal of such Letter of Credit by Bank;

(d) Termination Fee. Subject to the terms of Section 12.1, a termination fee;

and

(e) Bank Expenses. All Bank Expenses (including reasonable attorneys’ fees and expenses for documentation and negotiation of this Agreement) incurred through and after the Effective Date, when due.

2.5 Payments; Application of Payments.

(a) All payments (including prepayments) to be made by Borrower under any Loan Document shall be made in immediately available funds in U.S. Dollars, without setoff or counterclaim, before 12:00 p.m. Pacific time on the date when due. Payments of principal and/or interest received after 12:00 p.m. Pacific time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment shall be due the next Business Day, and additional fees or interest, as applicable, shall continue to accrue until paid.
under this Agreement). If Borrower shall acquire a commercial tort claim, Borrower shall promptly notify Bank in a writing signed by Borrower of the general

3. CONDITIONS OF LOANS

3.1 Conditions Precedent to Initial Credit Extension. Bank’s obligation to make the initial Credit Extension is subject to the condition precedent that Bank shall have received, in form and substance satisfactory to Bank, such documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate, including, without limitation:

(a) duly executed original signatures to the Loan Documents;
(b) duly executed original signatures to the Control Agreement;
(c) Borrower’s Operating Documents and a good standing certificate of Borrower certified by the Secretary of State of the State of Delaware as of a date no earlier than thirty (30) days prior to the Effective Date;
(d) duly executed original signatures to the completed Borrowing Resolutions for Borrower;
(e) duly executed original signatures to the Intercreditor Agreement;
(f) certified copies, dated as of a recent date, of financing statement searches, as Bank shall request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released;
(g) the Perfection Certificate of Borrower, together with the duly executed original signature thereto;
(h) evidence satisfactory to Bank that the insurance policies required by Section 6.7 hereof are in full force and effect, together with appropriate evidence showing lender loss payable and/or additional insured clauses or endorsements in favor of Bank; and
(i) payment of the fees and Bank Expenses then due as specified in Section 2.4 hereof.

3.2 Conditions Precedent to all Credit Extensions. Bank’s obligations to make each Credit Extension, including the initial Credit Extension, is subject to the following conditions precedent:

(a) except as otherwise provided in Section 3.4, timely receipt of an executed Transaction Report;
(b) the representations and warranties in this Agreement shall be true, accurate, and complete in all material respects on the date of the Transaction Report and on the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower’s representation and warranty on that date that the representations and warranties in this Agreement remain true, accurate, and complete in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date; and
(c) in Bank’s sole discretion, there has not been a Material Adverse Change.

3.3 Covenant to Deliver. Borrower agrees to deliver to Bank each item required to be delivered to Bank under this Agreement as a condition precedent to any Credit Extension. Borrower expressly agrees that a Credit Extension made prior to the receipt by Bank of any such item shall not constitute a waiver by Bank of Borrower’s obligation to deliver such item, and the making of any Credit Extension in the absence of a required item shall be in Bank’s sole discretion.

3.4 Procedures for Borrowing. Subject to the prior satisfaction of all other applicable conditions to the making of an Advance set forth in this Agreement, to obtain an Advance (other than Advances under Section 2.1.2 or 2.1.4), Borrower shall notify Bank (which notice shall be irrevocable) by electronic mail, facsimile, or telephone by 12:00 p.m. Pacific time on the Funding Date of the Advance. Together with such notification, Borrower must promptly deliver to Bank by electronic mail or facsimile a completed Transaction Report executed by a Responsible Officer or his or her designee. Bank shall credit Advances to the Designated Deposit Account. Bank may make Advances under this Agreement based on instructions from a Responsible Officer or his or her designee or without instructions if the Advances are necessary to meet Obligations which have become due. Bank may rely on any telephone notice given by a person whom Bank believes is a Responsible Officer or designee.

4. CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Borrower hereby grants Bank, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Bank, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof.

4.2 Priority of Security Interest. Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral (subject only to Permitted Liens that may have superior priority to Bank’s Lien under this Agreement). If Borrower shall acquire a commercial tort claim, Borrower shall promptly notify Bank in a writing signed by Borrower of the general
REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows:

5.1 Due Organization, Authorization; Power and Authority. Borrower is duly existing and in good standing as a Registered Organization in the State of Delaware and is qualified and licensed to do business and is in good standing in any jurisdiction in which the conduct of its business or its ownership of property requires that it be qualified except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower’s business. In connection with this Agreement, Borrower has delivered to Bank a completed certificate signed by Borrower, entitled “Perfection Certificate”. Borrower represents and warrants to Bank that (a) Borrower’s exact legal name is that indicated on the Perfection Certificate and on the signature page hereof; (b) Borrower is an organization of the type and is organized in the jurisdiction set forth in the Perfection Certificate; (c) the Perfection Certificate accurately sets forth Borrower’s organizational identification number or accurately states that Borrower has none; (d) the Perfection Certificate accurately sets forth Borrower’s place of business, or, if more than one, its chief executive office as well as Borrower’s mailing address (if different than its chief executive office); (e) Borrower (and each of its predecessors) has not, in the past five (5) years, changed its jurisdiction of formation, organizational structure or type, or any organizational number assigned by its jurisdiction; and (f) all other information set forth on the Perfection Certificate pertaining to Borrower and each of its Subsidiaries is accurate and complete (it being understood and agreed that Borrower may from time to time update certain information in the Perfection Certificate after the Effective Date to the extent permitted by one or more specific provisions in this Agreement).

The execution, delivery and performance by Borrower of the Loan Documents to which it is a party have been duly authorized, and do not (i) conflict with any of Borrower’s organizational documents, (ii) contravene, conflict with, constitute a default under or violate any material Requirement of Law, (iii) contravene, conflict or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect), or (v) constitute an event of default under any material agreement by which Borrower is bound. Borrower is not in default under any agreement to which it is a party or by which it is bound in which the default could reasonably be expected to have a material adverse effect on Borrower’s business.

5.2 Collateral. Borrower has good title to, has rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens except Permitted Liens. Borrower has no deposit accounts other than the deposit accounts with Bank, the deposit accounts, if any, described in the Perfection Certificate delivered to Bank in connection herewith, or of which Borrower has given Bank notice and taken such actions as are necessary to give Bank a perfected security interest therein. The Accounts are bona fide, existing obligations of the Account Debtors.

The Collateral is not in the possession of any third party bailee (such as a warehouse) except as otherwise provided in the Perfection Certificate. None of the components of the Collateral shall be maintained at locations other than as provided in the Perfection Certificate or as permitted pursuant to Section 7.2.

All Inventory is in all material respects of good and marketable quality, free from material defects.

Borrower is the sole owner of the Intellectual Property which it owns or purports to own except for (a) non-exclusive licenses granted to its customers in the ordinary course of business, (b) over-the-counter software that is commercially available to the public, and (c) material Intellectual Property licensed to Borrower and noted on the Perfection Certificate. Each issued Patent which it owns or purports to own and which is material to Borrower’s business is valid and enforceable, and no part of the Intellectual Property which Borrower owns or purports to own and which is material to Borrower’s business has been judged invalid or unenforceable, in whole or in part. To the best of Borrower’s knowledge, no claim has been made that any part of the Intellectual Property violates the rights of any third party except to the extent such claim would not reasonably be expected to have a material adverse effect on Borrower’s business.

Except as noted on the Perfection Certificate, Borrower is not a party to, nor is it bound by, any Restricted License.

5.3 Accounts Receivable.

(a) For each Account with respect to which Advances are requested, on the date each Advance is requested and made, such Account shall be an Eligible Account.

(b) All statements made and all unpaid balances appearing in all invoices, instruments and other documents evidencing the Eligible Accounts are and shall be true and correct and all such invoices, instruments and other documents, and all of Borrower’s Books are genuine and in all respects what they purport to be. Whether or not an Event of Default has occurred and is continuing, Bank may notify any Account Debtor owing Borrower money of Bank’s security interest in such funds and verify the amount of such Eligible Account. All sales and other transactions underlying or giving rise to each Eligible Account shall comply in all material respects with all applicable laws and governmental rules and regulations. Borrower has no knowledge of any actual or imminent Insolvency Proceeding of any Account Debtor whose accounts are Eligible Accounts in any Transaction Report. To the best of Borrower’s knowledge,
5.4 **Litigation.** There are no actions or proceedings pending or, to the knowledge of the Responsible Officers, threatened in writing by or against Borrower or any of its Subsidiaries involving more than, individually or in the aggregate, Two Hundred Fifty Thousand Dollars ($250,000).

5.5 **Financial Statements; Financial Condition.** All consolidated financial statements for Borrower and any of its Subsidiaries delivered to Bank fairly present in all material respects Borrower’s consolidated financial condition and Borrower’s consolidated results of operations. There has not been any material deterioration in Borrower’s consolidated financial condition since the date of the most recent financial statements submitted to Bank.

5.6 **Solvency.** The fair salable value of Borrower’s assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; Borrower is not left, with unreasonably small capital after the transactions in this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature.

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5.7 **Regulatory Compliance.** Borrower is not an “investment company” or a company “controlled” by an “investment company” under the Investment Company Act of 1940, as amended. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors). Borrower has complied in all material respects with the Federal Fair Labor Standards Act. Neither Borrower nor any of its Subsidiaries is a “holding company” or an “affiliate” of a “holding company” or a “subsidiary company” of a “holding company” as each term is defined and used in the Public Utility Holding Company Act of 2005. Borrower has not violated any laws, ordinances or rules, the violation of which could reasonably be expected to have a material adverse effect on its business. None of Borrower’s or any of its Subsidiaries’ properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower’s knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Borrower and each of its Subsidiaries have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted.

5.8 **Subsidiaries; Investments.** Borrower does not own any stock, partnership interest or other equity securities except for Permitted Investments.

5.9 **Tax Returns and Payments; Pension Contributions.** Borrower has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower. Borrower may defer payment of any contested taxes, provided that Borrower (a) in good faith contests its obligation to pay the taxes by appropriate proceedings promptly and diligently instituted and conducted, (b) notifies Bank in writing of the commencement of, and any material development in, the proceedings, or (c) posts bonds or takes any other steps required to prevent the Governmental Authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a “Permitted Lien”. Borrower is unaware of any claims or adjustments proposed for any of Borrower’s prior tax years which could result in additional taxes becoming due and payable by Borrower. Borrower has paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and is unaware of any claims or adjustments proposed for any of Borrower’s prior tax years which could result in additional taxes becoming due and payable by Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

5.10 **Use of Proceeds.** Borrower shall use the proceeds of the Credit Extensions solely as working capital and to fund its general business requirements and not for personal, family, household or agricultural purposes.

5.11 **Full Disclosure.** No written representation, warranty or other statement of Borrower in any certificate or written statement given to Bank, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Bank, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading (it being recognized by Bank that the projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

5.12 **Definition of “Knowledge.”** For purposes of the Loan Documents, whenever a representation or warranty is made to Borrower’s knowledge or awareness, to the “best of Borrower’s knowledge, or with a similar qualification, knowledge or awareness means the actual knowledge of the Responsible Officers or such level of knowledge or awareness as would be obtained or should have been known at the time by a prudent business person under substantially similar circumstance after reasonable investigation.

6. **AFFIRMATIVE COVENANTS**

Borrower shall do all of the following:

6.1 **Government Compliance.**

(a) Maintain its and all its Subsidiaries’ legal existence and good standing in their respective jurisdictions of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on Borrower’s business or operations. Borrower shall comply, and have each Subsidiary comply, with all laws, ordinances and regulations to which it is subject, noncompliance with which could have a material adverse effect on Borrower’s business.

(b) Obtain all of the Governmental Approvals necessary for the performance by Borrower of its obligations under the Loan Documents to which it is a party and the grant of a security interest to Bank in all of its property. Borrower shall promptly provide copies of any such obtained Governmental Approvals to Bank.

6.2 **Financial Statements, Reports, Certificates.** Provide Bank with the following:
6.3 Accounts Receivable.

(a) Schedules and Documents Relating to Accounts. Borrower shall deliver to Bank transaction reports and schedules of collections, as provided in Section 6.2, on Bank’s standard forms; provided, however, that Borrower’s failure to execute and deliver the same shall not affect or limit Bank’s Lien and other rights in all of Borrower’s Accounts, nor shall Bank’s failure to advance or lend against a specific Account affect or limit Bank’s Lien and other rights therein. If requested by Bank, Borrower shall furnish Bank with copies (or, at Bank’s request, originals) of all contracts, orders, invoices, and other similar documents, and all shipping instructions, delivery receipts, bills of lading, and other evidence of delivery, for any goods the sale or disposition of which gave rise to such Accounts. In addition, Borrower shall deliver to Bank, on its request, the originals of all instruments, chattel paper, security agreements, similar documents, and all shipping instructions, delivery receipts, bills of lading, and other evidence of delivery, for any goods the sale or disposition of which gave rise to such Accounts. In addition, Borrower shall deliver to Bank, on its request, the originals of all instruments, chattel paper, security agreements, guarantees and other documents and property evidencing or securing any Accounts, in the same form as received, with all necessary indorsements, and copies of all credit memos.

(b) Disputes. Borrower shall promptly notify Bank of any disputes or claims relating to Accounts. Borrower may forgive (completely or partially), compromise, or settle any Account for less than payment in full, or agree to do any of the foregoing so long as (i) Borrower does so in good faith, in a commercially reasonable manner, in the ordinary course of business, in arm’s-length transactions, and reports the same to Bank in the regular course of business; and (ii) no Event of Default has occurred and is continuing; and (iii) after taking into account all such discounts, settlements and forgiveness, the total outstanding Obligations will not exceed the lesser of the Revolving Line or the Borrowing Base.

(c) Collection of Accounts. Borrower shall have the right to collect all Accounts, unless and until an Event of Default has occurred and is continuing. Bank shall require that all proceeds of Accounts be deposited by Borrower into a lockbox account, or such other “blocked account” as specified by Bank, pursuant to a blocked account agreement in such form as Bank may specify in its good faith business judgment. All funds in the blocked account shall be applied to reduce the Obligations on a daily basis. For purposes of interest calculations, collections deposited into the blocked account will be deemed applied two (2) days after receipt of such amounts by Bank.

(d) Returns. Provided no Event of Default has occurred and is continuing, if any Account Debtor returns any Inventory to Borrower, Borrower shall promptly (i) determine the reason for such return, (ii) issue a credit memorandum to the Account Debtor in the appropriate amount, and (iii) provide a copy of such credit memorandum to Bank, upon request from Bank. In the event any attempted return occurs after the occurrence and during the continuance of any Event of Default, Borrower shall hold the returned Inventory in trust for Bank, and immediately notify Bank of the return of the Inventory.

(j) any other financial information reasonably requested by Bank.
(e) **Verification.** Bank may, from time to time, verify directly with the respective Account Debtors the validity, amount and other matters relating to the Accounts, either in the name of Borrower or Bank or such other name as Bank may choose.

(f) **No Liability.** Bank shall not be responsible or liable for any shortage or discrepancy in, damage to, or loss or destruction of any goods, the sale or other disposition of which gives rise to an Account, or for any error, act, omission, or delay of any kind occurring in the settlement, failure to settle, collection or failure to collect any Account, or for settling any Account in good faith for less than the full amount thereof, nor shall Bank be deemed to be responsible for any of Borrower’s obligations under any contract or agreement giving rise to an Account. Nothing herein shall, however, relieve Bank from liability for its own gross negligence or willful misconduct.

6.4 **Remittance of Proceeds.** Except as otherwise provided in Section 6.3(c), deliver, in kind, all proceeds arising from the disposition of any Collateral to Bank in the original form in which received by Borrower not later than the following Business Day after receipt by Borrower, to be applied to the Obligations (a) prior to an Event of Default, pursuant to the terms of Section 2.5(b) hereof, and (b) after the occurrence and during the continuance of an Event of Default, pursuant to the terms of Section 9.4 hereof; provided that, if no Event of Default has occurred and is continuing, Borrower shall not be obligated to remit to Bank the proceeds of the sale of worn out or obsolete Equipment disposed of by Borrower in good faith in an arm’s length transaction for an aggregate purchase price of Twenty Five Thousand Dollars ($25,000) or less (for all such transactions in any fiscal year). Borrower agrees that it will not commingle proceeds of Collateral with any of Borrower’s other funds or property, but will hold such proceeds separate and apart from such other funds and property and in an express trust for Bank. Nothing in this Section limits the restrictions on disposition of Collateral set forth elsewhere in this Agreement.

6.5 **Taxes; Pensions.** Timely file, and require each of its Subsidiaries to timely file, all required tax returns and reports and timely pay, and require each of its Subsidiaries to timely pay, all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower and each of its Subsidiaries, except for deferred payment of any taxes contested pursuant to the terms of Section 5.9 hereof, and shall deliver to Bank, on demand, appropriate certificates attesting to such payments, and pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms.

6.6 **Access to Collateral; Books and Records.** At reasonable times, on one (1) Business Day’s notice (provided no notice is required if an Event of Default has occurred and is continuing), Bank, or its agents, shall have the right to inspect the Collateral and the right to audit and copy Borrower’s Books. Provided no Event of Default has occurred and is continuing, such audits shall be conducted no more than twice every twelve (12) months or more frequently as conditions warrant. The foregoing inspections and audits shall be at Borrower’s expense, and the charge therefor shall be $750 per person per day (or such higher amount as shall represent Bank’s then-current standard charge for the same), plus reasonable out-of-pocket expenses. In the event Borrower and Bank schedule an audit more than ten (10) days in advance, and Borrower cancels or seeks to reschedules the audit with less than ten (10) days written notice to Bank, then (without limiting any of Bank’s rights or remedies), Borrower shall pay Bank a fee of $1,000 plus any out-of-pocket expenses incurred by Bank to compensate Bank for the anticipated costs and expenses of the cancellation or rescheduling.

6.7 **Insurance.** Keep its business and the Collateral insured for risks and in amounts standard for companies in Borrower’s industry and location and as Bank may reasonably request. Insurance policies shall be in a form, with companies, and in amounts that are satisfactory to Bank. All property policies shall have a lender’s loss payable endorsement showing Bank as the lender loss payee and waive subrogation against Bank. All liability policies shall show, or have endorsements showing, Bank as an additional insured. All policies (or the loss payable and additional insured endorsements) shall provide that the insurer shall give Bank at least twenty (20) days notice before canceling, amending, or declining to renew its policy. At Bank’s request, Borrower shall deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any property policy shall, at Bank’s option, be payable to Bank on account of the Obligations. If Borrower fails to obtain insurance as required under this Section 6.7 or to pay any amount or furnish any required proof of payment to third persons and Bank, Bank may make all or part of such payment or obtain such insurance policies required in this Section 6.7, and take any action under the policies Bank deems prudent.

6.8 **Operating Accounts.**

(a) Maintain its primary operating and other deposit accounts and securities accounts with Bank and Bank’s Affiliates.

(b) Provide Bank five (5) days prior written notice before establishing any Collateral Account at or with any bank or financial institution other than Bank or Bank’s Affiliates. For each Collateral Account that Borrower at any time maintains, Borrower shall cause the applicable bank or financial institution (other than Bank) at or with which any Collateral Account is maintained to escrow and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Bank’s Lien in such Collateral Account in accordance with the terms hereunder which Control Agreement may not be terminated without the prior written consent of Bank. The provisions of the previous sentence shall not apply to deposit accounts exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Borrower’s employees and identified to Bank by Borrower as such.

6.9 **Financial Covenants.** Maintain at all times, to be tested as of the last day of each quarter, unless otherwise noted, on a consolidated basis with respect to Borrower:

(a) **Minimum Bookings.** Consummate new contracts during each such quarter having a Total Contract Value of not less than the following amounts:

<table>
<thead>
<tr>
<th>Period</th>
<th>Minimum Bookings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Date through March 31, 2009</td>
<td>$ 5,000,000</td>
</tr>
<tr>
<td>April 1, 2009 through June 30, 2009</td>
<td>$ 6,000,000</td>
</tr>
<tr>
<td>July 1, 2009 through September 30, 2009</td>
<td>$ 7,000,000</td>
</tr>
</tbody>
</table>
document, agreement, or instrument executed or issued pursuant to this Section 6.12 shall be a Loan Document.

6.13 Further Assurances. Execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank’s Lien in the Collateral or to effect the purposes of this Agreement.

7. NEGATIVE COVENANTS

Borrower shall not do any of the following without Bank’s prior written consent:

7.1 Dispositions. Convey, sell, lease, transfer, assign, or otherwise dispose of (collectively, “Transfer”), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (a) of Inventory in the ordinary course of business; (b) of worn-out or obsolete Equipment; and (c) in connection with Permitted Liens and Permitted Investments.

7.2 Changes in Business, Ownership, or Business Locations. (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower and such Subsidiary, as applicable, or reasonably related thereto; (b) liquidate or dissolve; or (c) enter into any transaction or series of related transactions in which the stockholders of Borrower who were not stockholders immediately prior to the first such transaction own more than forty-nine percent (49%) of the voting stock of Borrower immediately after giving effect to such transaction or related series of such transactions (other than by the sale of Borrower’s equity securities in a public offering or to venture capital investors prior to the closing of the transaction and provides to Bank a description of the material terms of the transaction). Borrower shall not, without at least thirty (30) days prior written notice to Bank: (1) add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than Ten Thousand Dollars ($10,000) in Borrower’s assets or property) or deliver any portion of the Collateral valued, individually or in the aggregate, in excess of Ten Thousand Dollars ($10,000) to a bailee at a location other than to a bailee and at a location already disclosed in the Perfection Certificate, (2) change its jurisdiction of organization, (3) change its organizational structure or type, (4) change its legal name, or (5) change any organizational number (if any) assigned by its jurisdiction of organization. If Borrower intends to deliver any portion of the Collateral valued, individually or in the aggregate, in excess of Ten Thousand Dollars ($10,000) to a bailee at a location other than as provided in the Perfection Certificate, Borrower shall first receive the written consent of Bank, and such bailee shall execute and deliver a bailee agreement in form and substance satisfactory to Bank in its sole discretion.

7.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person. A Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

7.4 Indebtedness. Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 Encumbrance. Create, incur, allow, or suffer any Lien on any of the Collateral, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, permit any Collateral not to be subject to the first priority security interest granted herein (subject only to Permitted Liens that may have superior priority to Bank’s Lien under this Agreement), or enter into any agreement, document, instrument or other arrangement (except with or in favor of Bank) with any Person which directly or indirectly prohibits or has the effect of prohibiting

<table>
<thead>
<tr>
<th>Period</th>
<th>Minimum EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Date through March 31, 2009</td>
<td>$ (3,000,000)</td>
</tr>
<tr>
<td>April 1, 2009 through June 30, 2009</td>
<td>$ (1,500,000)</td>
</tr>
<tr>
<td>July 1, 2009 through September 30, 2009</td>
<td>$ (1,000,000)</td>
</tr>
<tr>
<td>October 1, 2009 through December 31, 2009</td>
<td>$ 0</td>
</tr>
</tbody>
</table>


(a) (i) Protect, defend and maintain the validity and enforceability of its Intellectual Property; (ii) promptly advise Bank in writing of material infringements of its Intellectual Property; and (iii) not allow any Intellectual Property material to Borrower’s business to be abandoned, forfeited or dedicated to the public without Bank’s written consent.

(b) Provide written notice to Bank within thirty (30) days of entering or becoming bound by any Restricted License (other than over-the-counter software that is commercially available to the public).

6.11 Litigation Cooperation. From the date hereof and continuing through the termination of this Agreement, make available to Bank, without expense to Bank, Borrower and its officers, employees and agents and Borrower’s books and records, to the extent that Bank may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against Bank with respect to any Collateral or relating to Borrower.

6.12 Formation or Acquisition of Subsidiaries. At the time that Borrower forms any direct or indirect Subsidiary or acquires any direct or indirect Subsidiary after the Effective Date, Borrower shall (a) cause such new Subsidiary to provide to Bank a joinder to this Agreement to cause such Subsidiary to become a co-borrower hereunder, together with such appropriate financing statements and/or Control Agreements, all in form and substance satisfactory to Bank (including being sufficient to grant Bank a first priority Lien (subject to Permitted Liens) in and to the assets of such newly formed or acquired Subsidiary), (b) provide to Bank appropriate certificates and powers and financing statements, pledging all of the direct or beneficial ownership interest in such new Subsidiary, in form and substance satisfactory to Bank, and (c) provide to Bank all other documentation in form and substance satisfactory to Bank, which in its opinion is appropriate with respect to the execution and delivery of the applicable documentation referred to above. Any
a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a material adverse effect on Borrower’s business, or permit any of its Subsidiaries to do so; withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

8. EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an “Event of Default”) under this Agreement:

8.1 Payment Default. Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day cure period shall not apply to payments due on the Revolving Line Maturity Date). Notwithstanding the foregoing, during the cure period, the failure to make or pay any payment specified under clause (a) or (b) hereunder is not an Event of Default (but no Credit Extension will be made during the cure period);

8.2 Covenant Default.

(a) Borrower fails or neglects to perform any obligation in Sections 6.2, 6.5, 6.7, 6.8, or violates any covenant in Section 7;

(b) Borrower fails or neglects to perform its obligations in Section 6.11 and has failed to cure the default within five (5) days after the occurrence thereof; or

(c) Borrower fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement or any Loan Documents, and as to any default (other than those specified in this Section 8) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) day period or cannot after diligent attempts by Borrower be cured within such ten (10) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Credit Extensions shall be made during such cure period). Cure periods provided under this section shall not apply, among other things, to financial covenants or any other covenants set forth in clause (a) above;

8.3 [Reserved].

8.4 Attachment; Levy; Restraint on Business.

(a) (i) the service of process seeking to attach, by trustee or similar process, any funds of Borrower or of any entity under the control of Borrower (including a Subsidiary) on deposit or otherwise maintained with Bank or any Bank Affiliate, or (ii) a notice of lien or levy is filed against any of Borrower’s assets by any governmental agency, and the same under subclauses (i) and (ii) hereof are not, within ten (10) days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); provided, however, no Credit Extensions shall be made during any ten (10) day cure period; or

(b) (i) any material portion of Borrower’s assets is attached, seized, levied on, or comes into possession of a trustee or receiver, or (ii) any court order enjoins, restrains, or prevents Borrower from conducting any material part of its business;
Obligations shall for any reason be subordinated or shall not have the priority contemplated by this Agreement or the Intercreditor Agreement.

9. **BANK’S RIGHTS AND REMEDIES**

9.1 **Rights and Remedies.** While an Event of Default occurs and continues Bank may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Bank);

(b) stop advancing money or extending credit for Borrower’s benefit under this Agreement or under any other agreement between Borrower and Bank;

(c) demand that Borrower (i) deposit cash with Bank in an amount equal to 105% of the Dollar Equivalent of the aggregate face amount of all Letters of Credit remaining undrawn (plus all interest, fees, and costs due or to become due in connection therewith (as estimated by Bank in its good faith business judgment)), to secure all of the Obligations relating to such Letters of Credit, as collateral security for the repayment of any future drawings under such Letters of Credit, and Borrower shall forthwith deposit and pay such amounts, and (ii) pay in advance all letter of credit fees scheduled to be paid or payable over the remaining term of any Letters of Credit;

(d) terminate any FX Forward Contracts;

(e) settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Bank considers advisable, notify any Person owing Borrower money of Bank’s security interest in such funds, and verify the amount of such account;

(f) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Bank requests and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank’s rights or remedies;

(g) apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) any amount held by Bank owing to or for the credit or the account of Borrower;

(h) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Bank is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower’s labels, Patents, Copyrights, mask works, rights of use of any name, trade secrets, trade names, Trademarks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank’s exercise of its rights under this Section, Borrower’s rights under all licenses and all franchise agreements inure to Bank’s benefit;

(i) place a “hold” on any account maintained with Bank and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(j) demand and receive possession of Borrower’s Books; and

(k) exercise all rights and remedies available to Bank under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).
9.2 **Power of Attorney.** Borrower hereby irrevocably appoints Bank as its lawful attorney-in-fact, exercisable upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower’s name on any checks or other forms of payment or security; (b) sign Borrower’s name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Bank determines reasonable; (d) make, settle, and adjust all claims under Borrower’s insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Bank or a third party as the Code permits. Borrower hereby appoints Bank as its lawful attorney-in-fact to sign Borrower’s name on any documents necessary to perfect or continue the perfection of Bank’s security interest in the Collateral regardless of whether an Event of Default has occurred until all Obligations have been satisfied in full and Bank is under no further obligation to make Credit Extensions hereunder. Bank’s foregoing appointment as Borrower’s attorney in fact, and all of Bank’s rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Bank’s obligation to provide Credit Extensions terminates.

9.3 **Protective Payments.** If Borrower fails to obtain the insurance called for by Section 6.7 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this Agreement or any other Loan Document, Bank may obtain such insurance or make such payment, and all amounts so paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then highest rate applicable to the Obligations, and secured by the Collateral. Bank will make reasonable efforts to provide Borrower with notice of Bank obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Bank are deemed an agreement to make similar payments in the future or Bank’s waiver of any Event of Default.

9.4 **Application of Payments and Proceeds.** If an Event of Default has occurred and is continuing, Bank may apply any funds in its possession, whether from Borrower account balances, payments, proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, or otherwise, to the Obligations in such order as Bank shall determine in its sole discretion. Any surplus shall be paid to Borrower by credit to the Designated Deposit Account or to other Persons legally entitled thereto; Borrower shall remain liable to Bank for any deficiency. If Bank, in its good faith business judgment, directly or indirectly enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Bank shall have the option, exercisable at any time, of either reducing the Obligations by the principal amount of the purchase price or deferring the reduction of the Obligations until the actual receipt by Bank of cash therefor.

9.5 **Bank’s Liability for Collateral.** So long as Bank complies with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of Bank, Bank shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 **No Waiver; Remedies Cumulative.** Bank’s failure, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Bank thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by the party granting the waiver and then is only effective for the specific instance and purpose for which it is given. Bank’s rights and remedies under this Agreement and the other Loan Documents are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank’s exercise of one right or remedy is not an election and shall not preclude Bank from exercising any other remedy under this Agreement or other remedy available at law or in equity, and Bank’s waiver of any Event of Default is not a continuing waiver. Bank’s delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 **Demand Waiver.** Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

10. **NOTICES**

All notices, consents, requests, approvals, demands, or other communication by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be
A MATERI AL IN DUCEM ENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES’ AGREEMENT TO WAIVE THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY, if the above waiver of the right to a trial by jury is not enforceable, the parties hereto agree that any and all disputes or controversies of any nature between them arising at any time shall be decided by a reference to a private judge, mutually selected by the parties (or, if they cannot agree, by the Presiding Judge of the Santa Clara County, California Superior Court) appointed in accordance with California Code of Civil Procedure Section 638 (or pursuant to comparable provisions of federal law if the dispute falls within the exclusive jurisdiction of the federal courts), sitting without a jury, in Santa Clara County, California; and the parties hereby submit to the jurisdiction of such court. The reference proceedings shall be conducted pursuant to and in accordance with the provisions of California Code of Civil Procedure §§ 638 through 645.1, inclusive. The private judge shall have the power, among others, to grant provisional relief, including without limitation, entering temporary restraining orders, issuing preliminary and permanent injunctions and appointing receivers. All such proceedings shall be closed to the public and confidential and all records relating thereto shall be permanently sealed. If during the course of any dispute, a party desires to seek provisional relief, a judge has not been appointed at that point pursuant to the judicial reference procedures, then such party may apply to the Santa Clara County, California Superior Court for such relief. The proceeding before the private judge shall be conducted in the same manner as it would be before a court under the rules of evidence applicable to judicial proceedings. The parties shall be entitled to discovery which shall be conducted in the same manner as it would be before a court under the rules of discovery applicable to judicial proceedings. The private judge shall oversee discovery and may enforce all discovery rules and orders applicable to judicial proceedings in the same manner as a trial court judge. The parties agree that the selected or appointed private judge shall have the power to decide all issues in the action or proceeding, whether of fact or of law, and shall report a statement of decision thereon pursuant to California Code of Civil Procedure § 644(a). Nothing in this paragraph shall limit the right of any party at any time to exercise self-help remedies, foreclose against collateral, or obtain provisional remedies. The private judge shall also determine all issues relating to the applicability, interpretation, and enforceability of this paragraph.

12. GENERAL PROVISIONS

12.1 Termination Prior to Revolving Line Maturity Date. This Agreement may be terminated prior to the Revolving Line Maturity Date by Borrower, effective three (3) Business Days after written notice of termination is given to Bank. Notwithstanding any such termination, Bank’s lien and security interest in the Collateral shall continue until Borrower fully satisfies its Obligations. If such termination is at Borrower’s election or at Bank’s election due to the occurrence and continuance of an Event of Default, Borrower shall pay to Bank, in addition to the payment of any other expenses or fees then-owing, a termination fee in an amount equal to one percent (1.00%) of the Revolving Line provided that no termination fee shall be charged if the credit facility hereunder is replaced with a new facility from another division of Bank.

12.2 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights or obligations under it without Bank’s prior written consent (which may be granted or withheld in Bank’s discretion). Bank has the right, without the consent of or notice to Borrower, to sell, transfer, assign, negotiate, or grant participation in all or any part of, or any interest in, Bank’s obligations, rights, and benefits under this Agreement and the other Loan Documents.

12.3 Indemnification. Borrower agrees to indemnify, defend and hold Bank and its directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Bank (each, an “Indemnified Person”) harmless against: (a) all obligations, demands, claims, and liabilities (collectively, “Claims”) claimed or asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses or expenses (including Bank Expenses) in any way suffered, incurred, or paid by such Indemnified Person as a result of, following from, consequent to, or arising from transactions between Bank and Borrower (including reasonable attorneys’ fees and expenses), except for Claims and/or losses directly caused by such Indemnified Person’s gross negligence or willful misconduct.

12.4 Time of Essence. Time is of the essence for the performance of all Obligations in this Agreement.

12.5 Severability of Provisions. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.6 Correction of Loan Documents. Bank may correct patent errors and fill in any blanks in the Loan Documents consistent with the agreement of the parties.

12.7 Amendments in Writing; Waiver; Integration. No purported amendment or modification of any Loan Document, or waiver, discharge or termination of any obligation under any Loan Document, shall be enforceable or admissible unless, and only to the extent, expressly set forth in a writing signed by the party against which enforcement or admission is sought. Without limiting the generality of the foregoing, no oral promise or statement, nor any action, inaction, delay, failure to require performance or course of conduct shall operate as, or evidence, an amendment, supplement or waiver or have any other effect on any Loan Document. Any waiver granted shall be limited to the specific circumstance expressly described in it, and shall not apply to any
Subsequent or other circumstance, whether similar or dissimilar, or give rise to, or evidence, any obligation or commitment to grant any further waiver. The Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of the Loan Documents merge into the Loan Documents.

12.8 **Counterparts.** This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement.

12.9 **Survival.** All covenants, representations and warranties made in this Agreement continue in full force until this Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been satisfied. The obligation of Borrower in Section 12.3 to indemnify Bank shall survive until the statute of limitations with respect to such claim or cause of action shall have run.

12.10 **Confidentiality.** In handling any confidential information, Bank shall exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made: (a) to Bank's Subsidiaries or Affiliates; (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, Bank shall use its best efforts to obtain any prospective transferee's or purchaser's agreement to the terms of this provision); (c) as required by law, regulation, subpoena, or other order; (d) to Bank's regulators or as otherwise required in connection with Bank's examination or audit; (e) as Bank considers appropriate in exercising remedies under the Loan Documents; and (f) to third-party service providers of Bank so long as such service providers have executed a confidentiality agreement with Bank with terms no less restrictive than those contained herein. Confidential information does not include information that is either: (i) in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain after disclosure to Bank; or (ii) disclosed to Bank by a third party, if Bank does not know that the third party is prohibited from disclosing the information.

Bank may use confidential information for the development of databases, reporting purposes, and market analysis so long as such confidential information is aggregated and anonymized prior to distribution unless otherwise expressly permitted by Borrower. The provisions of the immediately preceding sentence shall survive the termination of this Agreement.

12.11 **Attorneys' Fees, Costs and Expenses.** In any action or proceeding between Borrower and Bank arising out of or relating to the Loan Documents, the prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs and expenses incurred, in addition to any other relief to which it may be entitled.

12.12 **Electronic Execution of Documents.** The words “execution,” “signed,” “signature” and words of like import in any Loan Document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping systems, as the case may be, to the extent and as provided for in any applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act.

12.13 **Captions.** The headings used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

12.14 **Construction of Agreement.** The parties mutually acknowledge that they and their attorneys have participated in the preparation and negotiation of this Agreement. In cases of uncertainty this Agreement shall be construed without regard to which of the parties caused the uncertainty to exist.

12.15 **Relationship.** The relationship of the parties to this Agreement is determined solely by the provisions of this Agreement. The parties do not intend to create any agency, partnership, joint venture, trust, fiduciary or other relationship with duties or incidents different from those of parties to an arm's-length contract.

12.16 **Third Parties.** Nothing in this Agreement, whether express or implied, is intended to: (a) confer any benefits, rights or remedies under or by reason of this Agreement on any persons other than the express parties to it and their respective permitted successors and assigns; (b) relieve or discharge the obligation or liability of any person not an express party to this Agreement; or (c) give any person not an express party to this Agreement any right of subrogation or action against any party to this Agreement.

13. **Definitions**

13.1 **Definitions.** As used in the Loan Documents, the word “shall” is mandatory, the word “may” is permissive, the word “or” is not exclusive, the words “includes” and “including” are not limiting, the singular includes the plural, and numbers denoting amounts that are set off in brackets are negative. As used in this Agreement, the following capitalized terms have the following meanings:

**“Account”** is any “account” as defined in the Code with such additions to such term as may hereafter be made, and includes, without limitation, all accounts receivable and other sums owing to Borrower.

**“Account Debtor”** is any “account debtor” as defined in the Code with such additions to such term as may hereafter be made.

**“Advance”** or “Advances” means an advance (or advances) under the Revolving Line.

**“Affiliate”** is, with respect to any Person, each other Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person’s senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person’s managers and members.

**“Agreement”** is defined in the preamble hereof.
“Availability Amount” is (a) the lesser of (i) the Revolving Line or (ii) the amount available under the Borrowing Base, minus (b) the Dollar Equivalent amount of all outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit), minus (c) the FX Reduction Amount, minus (d) any amounts used for Cash Management Services, and minus (e) the outstanding principal balance of any Advances.

“Bank” is defined in the preamble hereof.

“Bank Expenses” are all audit fees and expenses, costs, and expenses (including reasonable attorneys’ fees and expenses) for preparing, amending, negotiating, administering, defending and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred with respect to Borrower.

“Borrower” is defined in the preamble hereof.

“Borrower’s Books” are all Borrower’s books and records including ledgers, federal and state tax returns, records regarding Borrower’s assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

“Borrowing Base” is eighty percent (80%) of Eligible Accounts as determined by Bank from Borrower’s most recent Transaction Report; provided, however, that Bank may decrease the foregoing percentage in its good faith business judgment based on events, conditions, contingencies, or risks which, as determined by Bank, may adversely affect Collateral.

“Business Day” is any day that is not a Saturday, Sunday or a day on which Bank is closed.

“Cash Equivalents” means (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor’s Ratings Group or Moody’s Investors Service, Inc.; and (c) Bank’s certificates of deposit issued maturing no more than one (1) year after issue.

“Cash Management Services” is defined in Section 2.1.4.

“Code” is the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the State of California; provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of, or remedies with respect to, Bank’s Lien on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the State of California, the term “Code” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions.

“Collateral” is any and all properties, rights and assets of Borrower described on Exhibit A.

“Collateral Account” is any Deposit Account, Securities Account, or Commodity Account.

“Commodity Account” is any “commodity account” as defined in the Code with such additions to such term as may hereafter be made.

“Compliance Certificate” is that certain certificate in the form attached hereto as Exhibit B.

“Contingent Obligation” is, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation, in each case, directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but “Contingent Obligation” does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

“Control Agreement” is any control agreement entered into among the depository institution at which Borrower maintains a Deposit Account or the securities intermediary or commodity intermediary at which Borrower maintains a Securities Account or a Commodity Account, Borrower, and Bank pursuant to which Bank obtains control (within the meaning of the Code) over such Deposit Account, Securities Account, or Commodity Account.

“Copyrights” are any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret.

“Credit Extension” is any Advance, Letter of Credit, FX Forward Contract, amount utilized for Cash Management Services, or any other extension of credit by, Bank for Borrower’s benefit.

“Current Liabilities” are all obligations and liabilities of Borrower to Bank, plus, without duplication, the aggregate amount of Borrower’s Total Liabilities that mature within one (1) year.

“Default Rate” is defined in Section 2.3(b).
“Deferred Revenue” is all amounts received or invoiced in advance of performance under contracts and not yet recognized as revenue.

“Deposit Account” is any “deposit account” as defined in the Code with such additions to such term as may hereafter be made.

“Designated Deposit Account” is Borrower’s deposit account, account number , maintained with Bank.

“Dollar Equivalent” is, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in a Foreign Currency, the equivalent amount therefor in Dollars as determined by Bank at such time on the basis of the then-prevailing rate of exchange in San Francisco, California, for sales of the Foreign Currency for transfer to the country issuing such Foreign Currency.

“Dollars,” “dollars” or use of the sign “$” means only lawful money of the United States and not any other currency, regardless of whether that currency uses the “$” sign to denote its currency or may be readily converted into lawful money of the United States.

“EBITDA” shall mean (a) Net Income, plus (b) Interest Expense, plus (c) to the extent deducted in the calculation of Net Income, depreciation expense and amortization expense, plus (d) income tax expense, plus (e) any change in Deferred Revenue, for the applicable quarter, since December 31, 2008.

“Effective Date” is defined in the preamble hereof.

“Eligible Accounts” means Accounts which arise in the ordinary course of Borrower’s business and which Bank has been granted a valid security interest and that meet all Borrower’s representations and warranties in Section 5.3. Bank reserves the right at any time after the Effective Date to adjust any of the criteria set forth below and to establish new criteria in its good faith business judgment. Unless Bank otherwise agrees in writing, Eligible Accounts shall not include:

(a) Accounts that the Account Debtor has not paid within ninety (90) days of invoice date regardless of invoice payment period terms;
(b) Accounts owing from an Account Debtor, fifty percent (50%) or more of whose Accounts have not been paid within ninety (90) days of invoice date;
(c) Accounts owing from an Account Debtor which does not have its principal place of business in the United States;
(d) Accounts billed and/or payable outside of the United States;
(e) Accounts owing from an Account Debtor to the extent that Borrower is indebted or obligated in any manner to the Account Debtor (as creditor, lessor, supplier or otherwise - sometimes called “contra” accounts, accounts payable, customer deposits or credit accounts), with the exception of customary credits, adjustments and/or discounts given to an Account Debtor by Borrower in the ordinary course of its business;
(f) Accounts for which the Account Debtor is Borrower’s Affiliate, officer, employee, or agent;
(g) Accounts with credit balances over ninety (90) days from invoice date;
(h) Accounts owing from an Account Debtor, including Affiliates, whose total obligations to Borrower exceed thirty five percent (35%) of all Accounts, for the amounts that exceed that percentage, unless Bank approves in writing;
(i) Accounts owing from an Account Debtor which is a United States government entity or any department, agency, or instrumentality thereof unless Borrower has assigned its payment rights to Bank and the assignment has been acknowledged under the Federal Assignment of Claims Act of 1940, as amended;
(j) Accounts for demonstration or promotional equipment, or in which goods are consigned, or sold on a “sale guaranteed”, “sale or return”, “sale on approval”, or other terms if Account Debtor’s payment may be conditional;
(k) Accounts owing from an Account Debtor that has not been invoiced or where goods or services have not yet been rendered to the Account Debtor (sometimes called memo billings or pre-billings);
(l) Accounts subject to contractual arrangements between Borrower and an Account Debtor where payments shall be scheduled or due according to completion or fulfillment requirements where the Account Debtor has a right of offset for damages suffered as a result of Borrower’s failure to perform in accordance with the contract (sometimes called contracts accounts receivable, progress billings, milestone billings, or fulfillment contracts);
(m) Accounts owing from an Account Debtor the amount of which may be subject to withholding based on the Account Debtor’s satisfaction of Borrower’s complete performance (but only to the extent of the amount withheld; sometimes called retainage billings);
(n) Accounts subject to trust provisions, subrogation rights of a bonding company, or a statutory trust;
(o) Accounts owing from an Account Debtor that has been invoiced for goods that have not been shipped to the Account Debtor unless Bank, Borrower, and the Account Debtor have entered into an agreement acceptable to Bank in its sole discretion wherein the Account Debtor acknowledges that (i) it has title to and has ownership of the goods wherever located, (ii) a bona fide sale of the goods has occurred, and (iii) it owes payment for such goods in accordance with invoices from Borrower (sometimes called “bill and hold” accounts);
Accounts owing from an Account Debtor with respect to which Borrower has received Deferred Revenue (but only to the extent of such Deferred Revenue);

Accounts for which the Account Debtor has not been invoiced;

Accounts that represent non-trade receivables or that are derived by means other than in the ordinary course of Borrower’s business;

Accounts for which Borrower has permitted Account Debtor’s payment to extend beyond 90 days;

Accounts subject to chargebacks or others payment deductions taken by an Account Debtor (but only to the extent the chargeback is determined invalid and subsequently collected by Borrower);

Accounts in which the Account Debtor disputes liability or makes any claim (but only up to the disputed or claimed amount), or if the Account Debtor is subject to an Insolvency Proceeding, or becomes insolvent, or goes out of business;

Accounts owing to Borrower under a Restricted License; and

Accounts for which Bank in its good faith business judgment determines collection to be doubtful.

“Equipment” is all “equipment” as defined in the Code with such additions to such term as may hereafter be made, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.


“Foreign Currency” means lawful money of a country other than the United States.

“Funding Date” is any date on which a Credit Extension is made to or for the account of Borrower which shall be a Business Day.

“FX Business Day” is any day when (a) Bank’s Foreign Exchange Department is conducting its normal business and (b) the Foreign Currency being purchased or sold by Borrower is available to Bank from the entity from which Bank shall buy or sell such Foreign Currency.

“FX Forward Contract” is defined in Section 2.1.3.

“FX Reduction Amount” is defined in Section 2.1.3.

“FX Reserve” is defined in Section 2.1.3.

“GAAP” is generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

“Governmental Approval” is any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

“Governmental Authority” is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

“Indebtedness” is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, and (d) Contingent Obligations.

“Indemnified Person” is defined in Section 12.3.

“Insolvency Proceeding” is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

“Intellectual Property” means all of Borrower’s right, title, and interest in and to the following:

(a) its Copyrights, Trademarks and Patents;

(b) any and all trade secrets and trade secret rights, including, without limitation, any rights to unpatented inventions, know-how, operating manuals;

(c) any and all source code;

(d) any and all design rights which may be available to a Borrower;

(e) any and all claims for damages by way of past, present and future infringement of any of the foregoing, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual Property rights identified above; and
(f) all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents.

“Intercreditor Agreement” is that certain Intercreditor Agreement by and between Bank and TriplePoint of even date herewith.

“Interest Expense” means for any fiscal period, interest expense (whether cash or non-cash) determined in accordance with GAAP for the relevant period ending on such date, including, in any event, interest expense with respect to any Credit Extension and other Indebtedness of Borrower, including, without limitation or duplication, all commissions, discounts, or related amortization and other fees and charges with respect to letters of credit and bankers’ acceptance financing and the net costs associated with interest rate swap, cap, and similar arrangements, and the interest portion of any deferred payment obligation (including leases of all types).

“Inventory” is all “inventory” as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of Borrower’s custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

“Investment” is any beneficial ownership interest in any Person (including stock, partnership interest or other securities), and any loan, advance or capital contribution to any Person.

“Letter of Credit” means a standby letter of credit issued by Bank or another institution based upon an application, guarantee, indemnity or similar agreement on the part of Bank as set forth in Section 2.1.2.

“Letter of Credit Application” is defined in Section 2.1.2(b).

“Lien” is a claim, mortgage, deed of trust, levy, charge, pledge, security interest or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

“Loan Documents” are, collectively, this Agreement, the Perfection Certificate, the Intercreditor Agreement, any note, or notes or guaranties executed by Borrower, and any other present or future agreement between Borrower and/or for the benefit of Bank in connection with this Agreement, all as amended, restated, or otherwise modified.

“Material Adverse Change” is (a) a material impairment in the perfection or priority of Bank’s Lien in the Collateral or in the value of such Collateral; (b) a material adverse change in the business, operations, or condition (financial or otherwise) of Borrower; (c) a material impairment of the prospect of repayment of any portion of the Obligations; or (d) Bank determines, based upon information available to it and in its reasonable judgment, that there is a reasonable likelihood that

Borrower shall fail to comply with one or more of the financial covenants in Section 6 during the next succeeding financial reporting period.

“Monthly Financial Statements” is defined in Section 6.2(c).

“Net Income” means, as calculated on a consolidated basis for Borrower and its Subsidiaries for any period as at any date of determination, the net profit (or loss), after provision for taxes, of Borrower and its Subsidiaries for such period taken as a single accounting period.

“Obligations” are Borrower’s obligations to pay when due any debts, principal, interest, Bank Expenses and other amounts Borrower owes Bank now or later, whether under this Agreement, the Loan Documents, or otherwise, including, without limitation, all obligations relating to letters of credit (including reimbursement obligations for drawn and undrawn letters of credit), cash management services, and foreign exchange contracts, if any, and including interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank, and to perform Borrower’s duties under the Loan Documents.

“Operating Documents” are, for any Person, such Person’s formation documents, as certified with the Secretary of State of such Person’s state of formation on a date that is no earlier than thirty (30) days prior to the Effective Date, and, (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

“Overadvance” is defined in Section 2.2.

“Patents” means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

“Payment” means all checks, wire transfers and other items of payment received by Bank (including proceeds of Accounts and payment of the Obligations in full) for credit to Borrower’s outstanding Credit Extensions or, if the balance of the Credit Extensions has been reduced to zero, for credit to its deposit accounts.

“Perfection Certificate” is defined in Section 5.1.

“Permitted Indebtedness” is:

(a) Borrower’s Indebtedness to Bank under this Agreement and the other Loan Documents;

(b) Indebtedness existing on the Effective Date and shown on the Perfection
Certificate;

(c) Subordinated Debt;

(d) unsecured Indebtedness to trade creditors incurred in the ordinary course of business;

(e) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business;

(f) Indebtedness secured by Liens permitted under clauses (a), (b) and (d) of the definition of “Permitted Liens” hereunder;

(g) the TriplePoint Indebtedness; and

(h) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (g) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be.

“Permitted Investments” are:

(a) Investments (including, without limitation, Subsidiaries) existing on the Effective Date and shown on the Perfection Certificate;

(b) Investments consisting of Cash Equivalents;

(c) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrower;

(d) Investments consisting of deposit accounts in which Bank has a perfected security interest;

(e) Investments accepted in connection with Transfers permitted by Section 7.1;

(f) Investments (i) by Borrower in Subsidiaries not to exceed Fifty Thousand Dollars ($50,000) in the aggregate in any fiscal year and (ii) by Subsidiaries in other Subsidiaries not to exceed Fifty Thousand Dollars ($50,000) in the aggregate in any fiscal year or in Borrower;

(g) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers or directors relating to the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee stock purchase plans or agreements approved by Borrower’s Board of Directors;

(h) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business; and

(i) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (i) shall not apply to Investments of Borrower in any Subsidiary.

“Permitted Liens” are:

(a) Liens existing on the Effective Date and shown on the Perfection Certificate or arising under this Agreement and the other Loan Documents;

(b) Liens in favor of TriplePoint on the Collateral to secure the TriplePoint Indebtedness, subject to the priority arrangements and other provisions set forth in the Intercreditor Agreement.

(c) Liens for taxes, fees, assessments or other government charges or levies, either (i) not due and payable or (ii) being contested in good faith and for which Borrower maintains adequate reserves on its Books, provided that no notice of any such Lien has been filed or recorded under the Internal Revenue Code of 1986, as amended, and the Treasury Regulations adopted thereunder;

(d) purchase money Liens (i) on Equipment acquired or held by Borrower incurred for financing the acquisition of the Equipment securing no more than Fifty Thousand Dollars ($50,000) in the aggregate amount outstanding, or (ii) existing on Equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the Equipment;

(e) Liens of carriers, warehousemen, suppliers, or other Persons that are possessory in nature arising in the ordinary course of business so long as such Liens attach only to Inventory, securing liabilities in the aggregate amount not to exceed Fifty Thousand Dollars ($50,000) and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(f) Liens to secure payment of workers’ compensation, employment insurance, old-age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by ERISA);

(g) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (c), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase;
otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such
elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is
interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to
“Subordinated Debt” for purposes of this Agreement.
acceptable to Bank. Notwithstanding anything set forth in the Loan Documents to the contrary, the TriplePoint Indebtedness shall not be deemed to
subordination, intercreditor, or other similar agreement in form and substance satisfactory to Bank entered into between Bank and the other creditor), on terms
constitutes an Event of Default or may, with notice or passage of time or both, constitute an Event of Default.
material respect; or (c) in respect of any state of facts which Bank determines in good faith
(i) non-exclusive license of Intellectual Property granted to third parties in the ordinary course of business;
and
(j) Liens arising from attachments or judgments, orders, or decrees in circumstances not constituting an Event of Default under Sections 8.4 and 8.7; and
(k) Liens in favor of other financial institutions arising in connection with Borrower’s deposit and/or securities accounts held at such
institutions, provided that Bank has a perfected security interest in the amounts held in such deposit and/or securities accounts.

“Person” is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

“Prime Rate” is Bank’s most recently announced “prime rate,” even if it is not Bank’s lowest rate.

“Quick Assets” is, on any date, Borrower’s consolidated, unrestricted cash and Cash Equivalents, net billed accounts receivable and investments with maturities of fewer than twelve (12) months determined according to GAAP.

“Quick Ratio” is a ratio of Quick Assets to Current Liabilities.

“Registered Organization” is any “registered organization” as defined in the Code with such additions to such term as may hereafter be made.

“Requirement of Law” is as to any Person, the organizational or governing documents of such Person, and any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Reserves” means, as of any date of determination, such amounts as Bank may from time to time establish and revise in its good faith business judgment, reducing the amount of Advances and other financial accommodations which would otherwise be available to Borrower (a) to reflect events, conditions, contingencies or risks which, as determined by Bank in its good faith business judgment, do or may adversely affect (i) the Collateral or any other property which is security for the Obligations or its value (including without limitation any increase in delinquencies of Accounts),

(ii) the assets, business or prospects of Borrower, or (iii) the security interests and other rights of Bank in the Collateral (including the enforceability, perfection and priority thereof); or (b) to reflect Bank’s good faith belief that any collateral report or financial information furnished by or on behalf of Borrower to Bank is or may have been incomplete, inaccurate or misleading in any material respect; or (c) in respect of any state of facts which Bank determines in good faith
constitutes an Event of Default or may, with notice or passage of time or both, constitute an Event of Default.

“Responsible Officer” is any of the Chief Executive Officer, President, Chief Financial Officer and Controller of Borrower.

“Restricted License” is any material license or other agreement with respect to which Borrower is the licensee (a) that prohibits or otherwise restricts Borrower from granting a security interest in Borrower’s interest in such license or agreement or any other property, or (b) for which a default under or termination of could interfere with the Bank’s right to sell any Collateral,

“Revolving Line” is an Advance or Advances in an amount equal to Five Million Dollars ($5,000,000).

“Revolving Line Maturity Date” is May 28, 2010.

“SEC” shall mean the Securities and Exchange Commission, any successor thereto, and any analogous Governmental Authority.

“Securities Account” is any “securities account” as defined in the Code with such additions to such term as may hereafter be made.

“Settlement Date” is defined in Section 2.1.3.

“Streamline Period” is defined in Section 2.1.1(b).

“Subordinated Debt” is indebtedness incurred by Borrower subordinated to all of Borrower’s now or hereafter indebtedness to Bank (pursuant to a
subordination, intercreditor, or other similar agreement in form and substance satisfactory to Bank entered into between Bank and the other creditor), on terms acceptable to Bank. Notwithstanding anything set forth in the Loan Documents to the contrary, the TriplePoint Indebtedness shall not be deemed to be “Subordinated Debt” for purposes of this Agreement.

“Subsidiary” is, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such
“Total Contract Value” means the aggregate dollar amount of all payments required to be paid to Borrower under the applicable contract (absent a
default by Borrower under such contract). In the event of any ambiguity in regard to the “dollar amount” required to be paid under any contract, or any ambiguity
in regard to whether any particular payment is “required” to be paid, such determination shall be made by Bank.

“Total Liabilities” is on any day, obligations that should, under GAAP, be classified as liabilities on Borrower’s consolidated balance sheet, including all
Indebtedness, but excluding all Subordinated Debt.

“Trademarks” means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like
protections, and the entire goodwill of the business of Borrower connected with and symbolized by such trademarks.

“Transaction Report” is that certain report of transactions and schedule of collections in the form attached hereto as Exhibit C.

“Transfer” is defined in Section 7.1.

“TriplePoint” is TriplePoint Capital LLC, a Delaware limited liability company.

“TriplePoint Indebtedness” is Indebtedness in an aggregate principal amount not to exceed Five Million Dollars ($5,000,000) under the TriplePoint
Loan Documents.

“TriplePoint Loan Documents” is that certain Plain English Growth Capital Loan and Security Agreement and Plain English Master Lease Agreement
both dated September 10, 2008 by and between Borrower and TriplePoint and any note, or notes or guaranties executed by Borrower, and any other present or
future agreement between Borrower and/or for the benefit of TriplePoint in connection with the TriplePoint Indebtedness, all as amended, restated, or otherwise
modified.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

BORROWER:

SPLUNK INC.

By /s/ Godfrey R. Sullivan
Name: Godfrey R. Sullivan
Title: President & CEO

BANK:

SILICON VALLEY BANK

By /s/ Ryan Edwards
Name: Ryan Edwards
Title: Relationship Manager

EXHIBIT A

The Collateral consists of all of Borrower’s right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements,
franchise agreements, General Intangibles (except as provided below), commercial tort claims, documents, instruments (including any promissory notes), chattel
paper (whether tangible or electronic), cash, deposit accounts, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing),
securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

All Borrower’s Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions,
attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include any of the following, whether now owned or hereafter acquired any copyright rights,
copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents,
patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same,
trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, and the goodwill of the business
of Borrower connected with and symbolized thereby, know-how, operating manuals, trade secret rights, rights to unpatented inventions, and any claims for damage
by way of any past, present, or future infringement of any of the foregoing; provided, however, the Collateral shall include all Accounts, license and royalty fees
and other revenues, proceeds, or income arising out of or relating to any of the foregoing.

Borrower has agreed not to encumber any of its copyright rights, copyright applications, copyright registrations and like protections in each work of
authorship and derivative work, whether published or unpublished, any patents, patent applications and like protections, including improvements, divisions,
EXHIBIT B

COMPLIANCE CERTIFICATE

TO: SILICON VALLEY BANK
FROM: SPLUNK INC.

The undersigned authorized officer of Splunk Inc. (“Borrower”) certifies that under the terms and conditions of the Amended and Restated Loan and Security Agreement between Borrower and Bank (the “Agreement”), (1) Borrower is in complete compliance for the period ending with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, (4) Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.9 of the Agreement, and (5) no Liens have been levied or claims made against Borrower relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank. Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

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

<table>
<thead>
<tr>
<th>Reporting Covenant</th>
<th>Required</th>
<th>Complies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly financial statements with + CC</td>
<td>Monthly within 30 days</td>
<td>Yes No</td>
</tr>
<tr>
<td>Annual financial statement (CPA Audited) + CC</td>
<td>FYE within 180 days</td>
<td>Yes No</td>
</tr>
<tr>
<td>A/R &amp; A/P Agings</td>
<td>Monthly with 15 days</td>
<td>Yes No</td>
</tr>
<tr>
<td>Transaction Report</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Streamline Period</td>
<td>Weekly</td>
<td>Yes No</td>
</tr>
<tr>
<td>Non-Streamline Period</td>
<td>Monthly</td>
<td>Yes No</td>
</tr>
<tr>
<td>Board Projections</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Field Exams</td>
<td>Twice annually or as conditions warrant</td>
<td>Yes No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Covenant</th>
<th>Required</th>
<th>Actual</th>
<th>Complies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain on a Quarterly Basis:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum Bookings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective Date through March 31, 2009</td>
<td>$ 5,000,000</td>
<td>Yes No</td>
<td></td>
</tr>
<tr>
<td>April 1, 2009 through June 30, 2009</td>
<td>$ 6,000,000</td>
<td>Yes No</td>
<td></td>
</tr>
<tr>
<td>July 1, 2009 through September 30, 2009</td>
<td>$ 7,000,000</td>
<td>Yes No</td>
<td></td>
</tr>
<tr>
<td>October 1, 2009 through December 31, 2009</td>
<td>$ 8,500,000</td>
<td>Yes No</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective Date through March 31, 2009</td>
<td>$(3,000,000)</td>
<td>Yes No</td>
<td></td>
</tr>
<tr>
<td>April 1, 2009 through June 30, 2009</td>
<td>$(1,500,000)</td>
<td>Yes No</td>
<td></td>
</tr>
<tr>
<td>July 1, 2009 through September 30, 2009</td>
<td>$(1,000,000)</td>
<td>Yes No</td>
<td></td>
</tr>
<tr>
<td>October 1, 2009 through December 31, 2009</td>
<td>$ 0</td>
<td>Yes No</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Streamline Analysis</th>
<th>Required</th>
<th>Actual</th>
<th>Streamline Eligible?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quick Ratio</td>
<td>1.50:1.00</td>
<td>:1.00</td>
<td>Yes No</td>
</tr>
</tbody>
</table>

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

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

SPLUNK INC.

BANK USE ONLY

Received by:  
Authorized Signer

Name:  
Date:  
Verified:  
Authorized Signer

Title:  
Compliance Status: Yes No
**Schedule I to Compliance Certificate**

**Financial Covenants of Borrower**

Dated:

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

I. **Minimum Bookings** (Section 6.9(a))

**Required:**

<table>
<thead>
<tr>
<th>Period</th>
<th>Minimum Bookings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Date through March 31, 2009</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>April 1, 2009 through June 30, 2009</td>
<td>$6,000,000</td>
</tr>
<tr>
<td>July 1, 2009 through September 30, 2009</td>
<td>$7,000,000</td>
</tr>
<tr>
<td>October 1, 2009 through December 31, 2009</td>
<td>$8,500,000</td>
</tr>
</tbody>
</table>

**Actual:**

<table>
<thead>
<tr>
<th>Period</th>
<th>Minimum Bookings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Date through March 31, 2009</td>
<td>$</td>
</tr>
<tr>
<td>April 1, 2009 through June 30, 2009</td>
<td>$</td>
</tr>
<tr>
<td>July 1, 2009 through September 30, 2009</td>
<td>$</td>
</tr>
<tr>
<td>October 1, 2009 through December 31, 2009</td>
<td>$</td>
</tr>
</tbody>
</table>

Do the actual values above exceed or equal the values projected for their respective periods?

- **No, not in compliance**
- **Yes, in compliance**

II. **EBITDA** (Section 6.9(b))

**Required:**

See chart below

<table>
<thead>
<tr>
<th>Period</th>
<th>Minimum EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Date through March 31, 2009</td>
<td>$(3,000,000)</td>
</tr>
<tr>
<td>April 1, 2009 through June 30, 2009</td>
<td>$(1,500,000)</td>
</tr>
<tr>
<td>July 1, 2009 through September 30, 2009</td>
<td>$(1,000,000)</td>
</tr>
<tr>
<td>October 1, 2009 through December 31, 2009</td>
<td>$0</td>
</tr>
</tbody>
</table>

**Actual:**

A. **Net Income**

B. To the extent included in the determination of Net Income

1. The provision for income taxes

2. Depreciation expense

3. Amortization expense

4. Net Income Expense

5. All other charges which are both non-cash and non-recurring

6. All non-cash income

7. Change in Deferred Revenue, for the applicable quarter, since December 31, 2008

8. The sum of lines line 7)1 through 5 minus line 6, [ ]

C. EBITDA (line A plus line B) [ ]

Is line C equal to or greater than the required amount?

- **No, not in compliance**
- **Yes, in compliance**

III. **Quick Ratio** (not a financial covenant; applicable for Streamline Period and collections)

**Required for Streamline Period:** 1.50:1.00

**Actual:**

A. Aggregate value of the unrestricted cash and cash equivalents of Borrower and its Subsidiaries

B. Aggregate value of the net billed accounts receivable of Borrower and its Subsidiaries

C. Aggregate value of the Investments with maturities of fewer than 12 months of Borrower and its Subsidiaries

D. Quick Assets (the sum of lines A through C)

E. Aggregate value of Obligations to Bank
### ACCOUNTS RECEIVABLE COLLATERAL

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Beginning Accounts Receivable Balance Per Previous Report (Line 7)</td>
<td>$3,055,946.00</td>
</tr>
<tr>
<td>2</td>
<td>Add: Sales for Period (Schedule A)</td>
<td>$</td>
</tr>
<tr>
<td>3</td>
<td>Add: Misc. Customers</td>
<td>$</td>
</tr>
<tr>
<td>4</td>
<td>Less: Credit Memos (Schedule A)</td>
<td>$</td>
</tr>
<tr>
<td>5</td>
<td>Less: Cash Receipts Applied To Accounts Receivable (Direct-Schedule B)</td>
<td>$</td>
</tr>
<tr>
<td>6</td>
<td>Less: Cash - Lockbox</td>
<td>$</td>
</tr>
<tr>
<td>7</td>
<td>Less: Cash - Other (DDA, etc.)</td>
<td>$</td>
</tr>
<tr>
<td>8</td>
<td>Total Cash (Applied to Accounts Receivable)</td>
<td>$</td>
</tr>
<tr>
<td>9</td>
<td>Adjustments: Dr. - Increase Cr. (Decrease)</td>
<td>$</td>
</tr>
<tr>
<td>10</td>
<td>Ending Accounts Receivable Balance (Sum Lines 1-6)</td>
<td>$3,055,946.00</td>
</tr>
</tbody>
</table>

#### COMPUTATION OF BORROWING AVAILABILITY

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Availability from Receivables 80.0%</td>
<td>$1,703,119.20</td>
</tr>
<tr>
<td>10a</td>
<td>Total availability before reserves &amp; loan balance (Up to line limit)</td>
<td>$1,703,119.20</td>
</tr>
</tbody>
</table>

#### COMPUTATION OF LOAN

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Beginning Loan Balance (Line 21 of Previous Report)</td>
<td>$</td>
</tr>
<tr>
<td>14</td>
<td>Add: Returned Checks (NSF, Endorsement, etc.)</td>
<td>$</td>
</tr>
<tr>
<td>15</td>
<td>Add: Amount deposited back into client’s account after paying down loan balance</td>
<td>$</td>
</tr>
<tr>
<td>16</td>
<td>Less: Cash Applied To Loan - Accounts Receivable (Direct) from Schedule B</td>
<td>$</td>
</tr>
<tr>
<td>17</td>
<td>Less: Cash - Other</td>
<td>$</td>
</tr>
<tr>
<td>18</td>
<td>Ending Loan Balance - Before Loan Request (Sum Lines 13-17 all items)</td>
<td>$</td>
</tr>
<tr>
<td>19</td>
<td>UNUSED BORROWING AVAILABILITY BEFORE LOAN REQUEST</td>
<td>$1,703,119.20</td>
</tr>
<tr>
<td>20</td>
<td>AT SILICON VALLEY BANK OFFICE: CFD Advance =</td>
<td>$</td>
</tr>
<tr>
<td>21</td>
<td>NEW LOAN BALANCE - AFTER LOAN ADVANCE</td>
<td>$0.00</td>
</tr>
<tr>
<td>22</td>
<td>REMAINING UNUSED BORROWING AVAILABILITY - After Loan Request</td>
<td>$1,703,119.20</td>
</tr>
</tbody>
</table>

I hereby certify on behalf of Borrower as follows, as of the date set forth above:

---

**BORROWER**

0

<table>
<thead>
<tr>
<th>Auth Signer:</th>
<th>Signature</th>
<th>Name</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
</table>

**SILICON VALLEY BANK**

<table>
<thead>
<tr>
<th>Auth Signer:</th>
<th>Signature</th>
<th>Name</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
</table>

---

**EXHIBIT D**

SVB › Silicon Valley Bank
A Member of SVB Financial Group

### CORPORATE BORROWING CERTIFICATE

<table>
<thead>
<tr>
<th>BORROWER:</th>
<th>Splunk Inc.</th>
<th>DATE: May, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>BANK:</td>
<td>Silicon Valley Bank</td>
<td></td>
</tr>
</tbody>
</table>

I hereby certify on behalf of Borrower as follows, as of the date set forth above:

1. I am the Secretary, Assistant Secretary or other officer of the Borrower. My title is as set forth below.
2. Borrower’s exact legal name is set forth above. Borrower is a corporation existing under the laws of the State of Delaware.

3. Attached hereto are true, correct and complete copies of Borrower’s Articles/Certificate of Incorporation (including amendments), as filed with the Secretary of State of the state in which Borrower is incorporated as set forth in paragraph 1 above. Such Articles/Certificate of Incorporation have not been amended, annulled, rescinded, revoked or supplemented, and remain in full force and effect as of the date hereof.

4. The following resolutions were duly and validly adopted by Borrower’s Board of Directors at a duly held meeting of such directors (or pursuant to a unanimous written consent or other authorized corporate action). Such resolutions are in full force and effect as of the date hereof and have not been in any way modified, repealed, rescinded, amended or revoked, and Bank may rely on them until Bank receives written notice of revocation from Borrower.

WHEREAS, the Board of Directors (“Board”) has determined that it is in the best interests of Splunk Inc. (the “Company”) (to obtain from Silicon Valley Bank (“Lender”) an accounts receivable credit facility (the “Facility”) pursuant to which the Company may obtain loans in a total amount of up to $5,000,000;

WHEREAS, in order to establish the Facility with Lender, the Company must grant Lender a security interest in all of the Company’s assets and properties, excluding intellectual property (as to which the Company will make a negative pledge);

WHEREAS, in order to establish the Facility with Lender, the Company must enter into the following agreements with Lender in substantially the forms attached hereto as Exhibits A – C: (i) a Loan and Security Agreement; (ii) a Securities Account Control Agreement; and (iii) an Intercreditor Agreement (to which Triple Point Capital is also a party) (collectively, the “Loan Agreements”);

NOW THEREFORE, BE IT RESOLVED, that the officers of the Company, each of them with full authority to act without the others, are hereby authorized to establish the Facility with Lender and to cause the Company to execute, deliver, enter into and perform its obligations under the Loan Agreements, each of which are hereby approved, together with such changes thereto (and the schedules and exhibits thereto) as may be approved by such officers, their approval being conclusively established by their execution and delivery of such documents on behalf of the Company;

RESOLVED FURTHER, that any one of the following officers or employees of the Company, whose names, titles and signatures are below, may act on behalf of the Company with respect to the Loan Agreements:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Signature</th>
<th>Authorized to Add or Remove Signatories</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

RESOLVED FURTHER, that any one of the persons designated above with a checked box beside his or her name may, from time to time, add or remove any individuals to and from the above list of persons authorized to act on behalf of Borrower.

RESOLVED FURTHER, that the officers of the Company, each of them with full authority to act without the others, are hereby authorized to take any and all such other actions and to execute and deliver on behalf of the Company any and all such other documents, that they may determine to be necessary or appropriate in connection with the establishment of the Facility, to cause the Company to perform its obligations under the Loan Agreements and to give effect to the intent of the foregoing resolutions.

RESOLVED FURTHER, that prior actions taken by the officers of the Company contemplated by the Loan Agreements are hereby ratified and approved.

5. The persons listed above are Borrower’s officers or employees with their titles and signatures shown next to their names.

By:
Name:__________________________________________
Title:__________________________________________

*** If the Secretary, Assistant Secretary or other certifying officer executing above is designated by the resolutions set forth in paragraph 4 as one of the authorized signing officers, this Certificate must also be signed by a second authorized officer or director of Borrower.

I, the CEO of Borrower, hereby certify on behalf of Borrower as to paragraphs 1 through 5 above, as of the date set forth above.

By:
Name:__________________________________________
Title:__________________________________________
RECITALS

A. Bank and Borrower have entered into that certain Loan and Security Agreement dated as of May 29, 2009 (as the same may from time to time be amended, modified, supplemented or restated, the “Loan Agreement”).

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

C. Borrower has requested that Bank amend the Loan Agreement to (i) increase the amount available to be borrowed under the Revolving Line, (ii) extend the Revolving Line Maturity Date, (iii) lower the interest rate payable on the Advances, and (iv) make certain other revisions to the Loan Agreement as more fully set forth herein.

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

AGREEMENT

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

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

2. Amendments to Loan Agreement.

2.1 Section 2.1.1 (Revolving Advances). The reference to “Quick Ratio” in Section 2.1.1(b) of the Loan Agreement is amended by deleting it in its entirety and replacing it with “Adjusted Quick Ratio”.

2.2 Section 2.1.1 (Revolving Advances). Section 2.1.1(b) of the Loan Agreement is amended by adding the following sentence at the end of such Section:

If Borrower fails to maintain an Adjusted Quick Ratio of greater than 1.50 to 1.00 at all times during any month when a Streamline Period is in effect, then the Streamline Period shall terminate as of the first day of the following month.

2.3 Section 2.1.2 (Letters of Credit Sublimit). The last sentence of Section 2.1.2(a) of the Loan Agreement is amended by deleting it in its entirety and replacing it with the following:

The aggregate Dollar Equivalent of the face amount of outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit) may not exceed the lesser of (A) Three Million Dollars ($3,000,000), minus (i) the sum of all amounts used for Cash Management Services, and minus (ii) the FX Reduction Amount, or (B) the lesser of Revolving Line or the Borrowing Base, minus (i) the sum of all outstanding principal amounts of any Advances (including any amounts used for Cash Management Services), and minus (ii) the FX Reduction Amount.

2.4 Section 2.1.3 (Foreign Exchange Sublimit). The third sentence of Section 2.1.3 of the Loan Agreement is amended by deleting it in its entirety and replacing it with the following:

The aggregate amount of FX Forward Contracts at any one time may not exceed ten (10) times the lesser of (A) Three Million Dollars ($3,000,000), minus (i) the sum of all amounts used for Cash Management Services, and minus (ii) the Dollar Equivalent of the face amount of any outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit), or (B) the lesser of Revolving Line or the Borrowing Base, minus (i) the sum of all outstanding principal amounts of any Advances (including any amounts used for Cash Management Services), and minus (ii) the Dollar Equivalent of the face amount of any outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit).

2.5 Section 2.1.4 (Cash Management Services Sublimit). Section 2.1.4 of the Loan Agreement is amended by deleting it in its entirety and replacing it with the following:

2.1.4 Cash Management Services Sublimit. Borrower may use the Revolving Line for Bank’s cash management services, which may include merchant services, direct deposit of payroll, business credit card, and check cashing services identified in Bank’s various cash management services agreements (collectively, the “Cash Management Services”), in an aggregate amount not to exceed the lesser of (A) Three Million Dollars ($3,000,000), minus (i) the Dollar Equivalent of the face amount of any outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit), and minus (ii) the FX Reduction Amount, or (B) the lesser of Revolving Line or the Borrowing Base, minus (i) the sum of all outstanding principal amounts of any Advances, minus the Dollar Equivalent of the face amount of any outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit), and minus (ii) the FX Reduction Amount. Any amounts Bank pays on behalf of Borrower for any Cash Management Services will be treated as Advances under the Revolving Line and will accrue interest at the interest rate applicable to Advances.

2.6 Section 2.3 (Advances). The first sentence of Section 2.3(a) is amended by deleting it in its entirety and replacing it with the following:

(a) Advances. Subject to Section 2.3(b), the principal amount outstanding under the Revolving Line shall accrue interest at a floating per annum rate equal to the greater of (i) the Prime Rate plus three quarters of one percent (0.75%) or (ii) four and three quarters of one percent (4.75%), which interest shall be payable monthly in accordance with Section 2.3(e) below.

2.7 Section 2.4 (Fees). Section 2.4 of the Loan Agreement is amended by adding the following Sections 2.4(f) immediately after Section 2.4(e):
Supplemental Commitment Fees. A fully-earned, non-refundable commitment fee of Forty Thousand Dollars ($40,000) (the
"Supplemental Commitment Fee") is due upon the execution of the First Amendment to Loan and Security Agreement dated June 2010 between Borrower and Bank (the "First Amendment Closing Date") and an additional commitment fee of Forty Thousand Dollars ($40,000) is fully-earned, non-refundable and due on May 28, 2011. In May 2010 Borrower paid to Bank a good faith deposit of Twenty Thousand Dollars ($20,000) (the "Supplemental Good Faith Deposit") to initiate Bank’s due diligence review process in connection with the First Amendment to Loan and Security Agreement described in the preceding sentence. On the First Amendment Closing Date Bank shall apply the Supplemental Good Faith Deposit to the Supplemental Commitment Fee.

2.8 Section 6.2 (Financial Statements, Reports, Certificates). Section 6.2(a) of the Loan Agreement is amended by deleting it in its entirety and replacing it with the following:

(a) weekly, a Transaction Report (and any schedules related thereto); provided, however, Borrower shall not be required to deliver a Transaction Report to Bank at any time that there are no Advances outstanding;

2.9 Section 6.2 (Financial Statements, Reports, Certificates). The reference to "one hundred eighty (180)" in Section 6.2(f) of the Loan Agreement is amended by deleting it in its entirety and replacing it with "two hundred ten (210)".

2.10 Section 6.2 (Financial Statements, Reports, Certificates). Section 6.2(b) of the Loan Agreement is amended by adding the following at the end of such Section:

; and (D) a Deferred Revenue report, in form acceptable to Bank.

2.11 Section 6.6 (Access to Collateral; Books and Records). The reference to "$750" in Section 6.6 of the Loan Agreement is amended by deleting it in its entirety and replacing it with "$850".

2.12 Section 6.8 (Operating Accounts). Section 6.8(a) of the Loan Agreement is amended in its entirety and replaced with the following:

(a) Maintain its primary domestic and international banking services (including foreign exchange activity) and cash accounts with Bank and Bank’s Affiliates.

2.13 Section 6.9 (Financial Covenants). Section 6.9 of the Loan Agreement is amended by deleting it in its entirety and replacing it with the following:

6.9 Financial Covenants. Maintain at all times, to be tested as of the last day of each month, unless otherwise noted, on a consolidated basis with respect to Borrower:

(a) Adjusted Quick Ratio. An Adjusted Quick Ratio of at least 1.25 to 1.00.

2.14 Section 13 (Definitions). The following terms and their respective definitions are added to Section 13.1:

"Adjusted Quick Ratio" is a ratio of Quick Assets to Current Liabilities, minus Deferred Revenue.

"Eligible Foreign Accounts" are Accounts for which the Account Debtor does not have its principal place of business in the United States but are otherwise Eligible Accounts that Bank approves in writing in Bank’s sole discretion.

2.15 Section 13 (Definitions). The following terms and their respective definitions are deleted in their entirety from Section 13.1, and all references in the Loan Agreement to the following terms are deleted and of no force or effect:

"Intercreditor Agreement"

"Quick Ratio"

"TriplePoint"

"TriplePoint Indebtedness"

"TriplePoint Loan Documents"

2.16 Section 13 (Definitions). Clause (c) of the definition of "Eligible Accounts" in Section 13 of the Loan Agreement is amended by deleting it in its entirety and replacing it with the following:

(c) Accounts owing from an Account Debtor which does not have its principal place of business in the United States, except for Eligible Foreign Accounts;

2.17 Section 13 (Definitions). Clause (b) of the definition of "Eligible Accounts" in Section 13 of the Loan Agreement is amended by deleting the reference to "thirty five percent (35%)" and replacing it with "thirty percent (30%)".

2.18 Section 13 (Definitions). Clause (p) of the definition of "Eligible Accounts" in Section 13 of the Loan Agreement is amended by deleting it in its entirety and replacing it with the following:

(p) Reserved;
2.19 Section 13 (Definitions). The following terms and their respective definitions set forth in Section 13.1 are amended by deleting them in their entirety and replacing them with the following:

“Borrowing Base” is eighty percent (80%) of Eligible Accounts (other than Eligible Foreign Accounts) plus fifty percent (50%) of Eligible Foreign Accounts, as determined by Bank from Borrower’s most recent Transaction Report; provided, however, that Bank may decrease the foregoing percentages in its good faith business judgment based on events, conditions, contingencies, or risks which, as determined by Bank, may adversely affect Collateral.

“Quick Assets” is, on any date, Borrower’s consolidated, unrestricted cash and Cash Equivalents held at Bank or Bank’s Affiliates, net billed accounts receivable and investments at Bank or Bank’s Affiliates with maturities of fewer than twelve (12) months determined according to GAAP.

“Revolving Line” is an Advance or Advances in an aggregate amount of up to Ten Million Dollars ($10,000,000).

“Revolving Line Maturity Date” is May 27, 2012.

2.20 Exhibit B (Compliance Certificate). Exhibit B of the Loan Agreement is amended by deleting it in its entirety and replacing it with Exhibit B attached hereto.

3. Limitation of Amendments.

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

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

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

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

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

4.3 The organizational documents of Borrower most recently delivered to Bank remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

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

4.5 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

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

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

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

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

7. Effectiveness. This Amendment shall be deemed effective as of May 28, 2010 upon (a) the due execution and delivery to Bank of this Amendment by each party hereto, (b) Borrower’s payment of the Supplemental Commitment Fee of $40,000 (the Supplemental Good Faith Deposit of $20,000 shall be applied to the Supplemental Commitment Fee on the date of this Amendment and the remaining $20,000 of the Supplemental Commitment Fee must
IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

BANK

Silicon Valley Bank

By: /s/ Ryan Edwards
Name: Ryan Edwards
Title: Relationship Manager

BORROWER

Splunk, Inc.

By: /s/ Godfrey Sullivan
Name: Godfrey Sullivan
Title: CEO

[signature page of First Amendment to Loan and Security Agreement]

EXHIBIT B

COMPLIANCE CERTIFICATE

TO: SILICON VALLEY BANK
FROM: SPLUNK INC.

The undersigned authorized officer of Splunk Inc. (“Borrower”) certifies that under the terms and conditions of the Amended and Restated Loan and Security Agreement between Borrower and Bank (the “Agreement”), (1) Borrower is in complete compliance for the period ending with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, (4) Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.9 of the Agreement, and (5) no Liens have been levied or claims made against Borrower relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank. Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

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

<table>
<thead>
<tr>
<th>Reporting Covenant</th>
<th>Required</th>
<th>Complies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly financial statements with + CC</td>
<td>Monthly within 30 days</td>
<td>Yes No</td>
</tr>
<tr>
<td>Annual financial statement (CPA Audited) + CC</td>
<td>FYE within 210 days</td>
<td>Yes No</td>
</tr>
<tr>
<td>A/R &amp; A/P Agings, Deferred Revenue Report</td>
<td>Monthly with 15 days</td>
<td>Yes No</td>
</tr>
<tr>
<td>Transaction Report</td>
<td>Weekly (unless there are no Advances outstanding)</td>
<td>Yes No</td>
</tr>
<tr>
<td>Board Projections</td>
<td>Within 30 days of FYE</td>
<td>Yes No</td>
</tr>
<tr>
<td>Field Exams</td>
<td>Twice annually or as conditions warrant</td>
<td>Yes No</td>
</tr>
</tbody>
</table>

Financial Covenant

Maintain on a Monthly Basis:

<table>
<thead>
<tr>
<th>Adjusted Quick Ratio</th>
<th>Required</th>
<th>Actual</th>
<th>Complies</th>
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</thead>
<tbody>
<tr>
<td>1.25:1.00</td>
<td></td>
<td>: 1.00</td>
<td>Yes No</td>
</tr>
</tbody>
</table>

Streamline Analysis

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<tr>
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<th>Required</th>
<th>Actual</th>
<th>Streamline Eligible?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.50:1.00</td>
<td></td>
<td>: 1.00</td>
<td>Yes No</td>
</tr>
</tbody>
</table>

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

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

SPLUNK INC.

By: Received by:
Schedule 1 to Compliance Certificate

Financial Covenants of Borrower

Dated:

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

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

Required under Section 6.9(a): 1.25:1.00
Required for Streamline Period: 1.50:1.00

Actual:

A. Aggregate value of the unrestricted cash and cash equivalents of Borrower and its Subsidiaries at Bank or Bank’s Affiliates $
B. Aggregate value of the net billed accounts receivable of Borrower and its Subsidiaries $
C. Aggregate value of the Investments with maturities of fewer than 12 months of Borrower and its Subsidiaries at Bank or Bank’s Affiliates $
D. Quick Assets (the sum of lines A through C) $
E. Aggregate value of Obligations to Bank $
F. Aggregate value of liabilities that should, under GAAP, be classified as liabilities on Borrower’s consolidated balance sheet, including all Indebtedness, and not otherwise reflected in line E above that matures within one (1) year $
G. Current Liabilities (the sum of lines E and F) $
H. Aggregate value of all amounts received or invoiced by Borrower in advance of performance under contracts and not yet recognized as revenue $
I. Line G minus line H $
J. Adjusted Quick Ratio (line D divided by line I) :1.00

Is line J equal to or greater than 1.25:1.00? Yes o No o
Is line J equal to or greater than 1.50:1.00? Yes o No o

SECOND AMENDMENT TO
LOAN AND SECURITY AGREEMENT

THIS SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT (this “Agreement”) is entered into this 7th day of February, 2011 (the “Closing Date”), by and between SILICON VALLEY BANK (“Bank”) and SPLUNK INC., a Delaware corporation (“Borrower”).

RECITALS

A. Bank and Borrower have entered into that certain Loan and Security Agreement dated as of May 29, 2009 (as the same has been amended, modified, supplemented or restated, the “Loan Agreement”).

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

C. Borrower is currently in default of Sections 6.2(b) and 6.2(d) of the Loan Agreement for failing to deliver monthly accounts receivable and payable agings for the months ended October 31, 2010 and November 30, 2010 (the “Existing Events of Default”).

D. Borrower has requested that Bank amend the Loan Agreement to (i) make a secured term loan available to Borrower, (ii) waive the Existing Events of Default, and (iii) make certain other revisions to the Loan Agreement as more fully set forth herein.

E. Although Bank is under no obligation to do so, Bank is willing to make a secured term loan available to Borrower, waive the Existing Events of Default, and amend certain provisions of the Loan Agreement, all on the terms and conditions set forth in this Agreement, so long as Borrower complies with the terms, covenants and conditions set forth in this Agreement in a timely manner.
AGREEMENT

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

1. Definitions. Capitalized terms used but not defined in this Agreement, including its preamble and recitals, shall have the meanings given to them in the Loan Agreement.

2. Amendments to Loan Agreement. The following amendments to the Loan Agreement are hereby effective as of the Closing Date:

2.1 Section 2.1 (Promise to Pay). Section 2.1 of the Loan Agreement is hereby amended by adding Section 2.1.5 immediately after Section 2.1.4 of the Loan Agreement as follows:

2.1.5 Term Loan.

(a) Availability. Subject to the terms and conditions of this Agreement, during the Draw Period, Bank shall make advances to Borrower (each a “Term Loan Advance” and collectively the “Term Loan Advances”) in an aggregate amount not to exceed the Term Loan Commitment. A maximum of six (6) Term Loan Advances shall be permitted hereunder. Each Term Loan Advance must be in an amount of not less than One Hundred Thousand Dollars ($100,000).

(b) Repayment of Term Loan Advances. For each Term Loan Advance, Borrower shall make thirty-six (36) consecutive equal monthly payments of principal and accrued interest commencing on the first (1st) Business Day of the first (1st) month following a Funding Date, which would fully amortize each Term Loan Advance over the Repayment Period. All unpaid principal and accrued and unpaid interest on the Term Loan Commitment is due and payable in full on the Term Loan Maturity Date.

(c) Voluntary Prepayment. So long as no Event of Default has occurred and is continuing, Borrower shall have the option to prepay all, but not less than all, of the Term Loan Advances, provided Borrower (i) shall provide written notice to Bank of its election to prepay the Term Loan Advances at least thirty (30) days prior to such prepayment and (ii) pays, on the date of such prepayment, (a) all outstanding principal and accrued interest, plus (b) the Make-Whole Premium, and (c) all other sums, including Bank Expenses, if any, that shall have become due and payable, including interest at the Default Rate with respect to any past due amounts.

(d) Mandatory Prepayment Upon an Acceleration. If the Term Loan Advances are accelerated following the occurrence of an Event of Default, Borrower shall immediately pay to Bank an amount equal to the sum of (i) all outstanding principal plus accrued and unpaid interest, (ii) the Make-Whole Premium, and (iii) all other sums, including Bank Expenses, if any, that shall have become due and payable, including interest at the Default Rate with respect to any past due amounts.

2.2 Section 2.3 (Payment of Interest on the Credit Extensions). Section 2.3(a) of the Loan Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

(a) Interest

(i) Advances. Subject to Section 2.3(b), the principal amount outstanding under the Revolving Line shall accrue interest at a floating per annum rate equal to the greater of (i) the Prime Rate plus three quarters of one percent (0.75%) or (ii) four and three quarters of one percent (4.75%), which interest shall be payable monthly in accordance with Section 2.3(e) below.

(ii) Term Loan Advances. Subject to Section 2.3(b), the principal amount outstanding for each Term Loan Advance shall accrue interest at a fixed per annum rate equal to five and one half of one percent (5.50%), which interest shall be payable monthly in accordance with Section 2.3(e) below.

2.3 Section 2.4 (Fees). Section 2.4 of the Loan Agreement is hereby amended by adding Sections 2.4(g) and 2.4(h) immediately after Section 2.4(f) of the Loan Agreement as follows:

(g) Make-Whole Premium. The Make-Whole Premium when due pursuant to the terms of Sections 2.1.5(c) and 2.1.5(d); and

(h) Term Loan Commitment Fee. A fully earned, non refundable term loan commitment fee of Twelve Thousand Dollars ($12,000) (the “Term Loan Commitment Fee”), on the Supplemental Effective Date.

2.4 Section 6.2 (Financial Statements, Reports, Certificates).

(a) Section 6.2(a) of the Loan Agreement is amended by deleting it in its entirety and replacing it with the following:

(a) weekly, a Transaction Report (and any schedules related thereto); provided, however, provided that no Event of Default has occurred and is continuing, (i) if Borrower’s Adjusted Quick Ratio is greater than 1.50 to 1.00, Borrower shall provide the Transaction Report on a monthly basis, within twenty (20) days after the end of each month, and (ii) and if there are no Advances outstanding, Borrower shall not be required to deliver a Transaction Report;

(b) Section 6.2(e) of the Loan Agreement is amended by deleting it in its entirety and replacing it with the following:

(e) within thirty (30) days after the end of each fiscal year of Borrower, (i) annual operating budgets (including income statements, balance sheets and cash flow statements, by month) for the upcoming fiscal year of Borrower, and (ii) annual financial projections for the following
Section 6.3 (Accounts Receivable). Section 6.3 of the Loan Agreement is hereby amended by deleting clause (c) thereof in its entirety and replacing it with the following:

(c) Collection of Accounts. Borrower shall have the right to collect all Accounts, unless and until an Event of Default has occurred and is continuing. Bank shall require that all proceeds of Accounts be deposited by Borrower into a lockbox account, or such other “blocked account” as specified by Bank, pursuant to a blocked account agreement in such form as Bank may specify in its good faith business judgment. During any Streamline Period, provided no Event of Default has occurred and is continuing, funds in the blocked account will be remitted to Borrower’s primary operating account at Bank, but at all other times, such collections shall be applied to reduce the Obligations on a daily basis. For purposes of interest calculations, collections deposited into the blocked account will be deemed applied two (2) days after receipt of such amounts by Bank.

Section 6.9 (Financial Covenants). Section 6.9 of the Loan Agreement is hereby amended by adding Section 6.9(b) immediately after Section 6.9(a) of the Loan Agreement as follows:

(b) EBITDA. Commencing with the quarter ending March 31, 2011, and as of the last day of each quarter thereafter, Borrower’s EBITDA, for the immediately preceding two (2) quarters, shall not be less than the following amounts at the following times:

<table>
<thead>
<tr>
<th>Two Quarters Ending</th>
<th>Minimum EBITDA</th>
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</thead>
<tbody>
<tr>
<td>March 31, 2011</td>
<td>($4,250,000)</td>
</tr>
<tr>
<td>June 30, 2011</td>
<td>($7,750,000)</td>
</tr>
<tr>
<td>September 30, 2011</td>
<td>($4,750,000)</td>
</tr>
<tr>
<td>December 31, 2011</td>
<td>$1</td>
</tr>
<tr>
<td>March 31, 2012 and thereafter</td>
<td>To be determined by Bank after receiving Borrower’s Board approved 2012 fiscal year operating plan</td>
</tr>
</tbody>
</table>

Section 8.1 (Payment Default). Section 8.1 of the Loan Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

8.1 Payment Default.

Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day cure period shall not apply to payments due on the Revolving Line Maturity Date or the Term Loan Maturity Date). During the cure period, the failure to make or pay any payment specified under clause (a) or (b) hereunder is not an Event of Default (but no Credit Extension will be made during the cure period);

Section 8.2 (Covenant Default). Section 8.2(a) of the Loan Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

(a) Borrower fails or neglects to perform any obligation in Sections 6.2, 6.5, 6.6, 6.7, 6.8, 6.9, or violates any covenant in Section 7.

Section 12.1 (Termination Prior to Revolving Line Maturity Date). Section 12.1 of the Loan Agreement is hereby amended by deleting the last sentence thereof in its entirety and replacing it with the following:

If such termination is at Borrower’s election or at Bank’s election due to the occurrence and continuance of an Event of Default, Borrower shall pay to Bank, in addition to the payment of any other expenses or fees then owing, a termination fee in an amount equal to One Hundred Thousand Dollars ($100,000) provided that no termination fee shall be charged if the credit facility hereunder is replaced with a new facility from another division of Bank.

Section 13 (Definitions).

(a) The following terms and their definitions set forth in Section 13.1 of the Loan Agreement are hereby amended by deleting each in its entirety and replacing each with the following:

“Credit Extension” is any Advance, Letter of Credit, FX Forward Contract, amount utilized for Cash Management Services, Term Loan Advance, or any other extension of credit by Bank for Borrower’s benefit.

“Current Liabilities” are (a) all obligations and liabilities of Borrower to Bank that mature within one (1) year, plus (b), without duplication, the aggregate amount of Borrower’s Total Liabilities that mature within one (1) year.

“EBITDA” shall mean (a) Net Income, plus (b) Interest Expense, plus (c) to the extent deducted in the calculation of Net Income, depreciation expense and amortization expense, plus (d) income tax expense, plus (e) an amount equal to the amount of all non-cash charges (including non-cash foreign exchange translation adjustment, non-cash stock compensation expenses, and non-cash warrant liability expenses).

(b) The following terms and their respective definitions are hereby added in alphabetical order to Section 13.1 of the Loan Agreement:
“Draw Period” is the period of time from the Supplemental Effective Date through the earlier to occur of (a) June 30, 2011 or (b) an Event of Default.

“Make-Whole Premium” is, for each Term Loan Advance, an amount equal to (i) one percent (1.00%) of each outstanding Term Loan Advance if the prepayment is made on or before the twelfth (12th) month from the Funding Date of each Term Loan Advance, (ii) one half of one percent (0.50%) of each outstanding Term Loan Advance if the prepayment is made after the twelfth (12th) month from the Funding Date of each Term Loan Advance but on or before the twenty-fourth (24th) month from the Funding Date of each Term Loan Advance, and (iii) Zero Dollars ($0) if the prepayment is made after the twenty-fourth (24th) month from the Funding Date of each Term Loan Advance.

“Quick Assets” is, on any date, Borrower’s consolidated, unrestricted cash and investments held at Bank or Bank’s Affiliates, plus net billed accounts receivable.

“Repayment Period” is a period of time equal to thirty-six (36) consecutive months commencing on the first (1st) Business Day of the first (1st) month following a Term Loan Advance.

“Supplemental Effective Date” is February 7, 2011.

“Term Loan Advance” is defined in Section 2.1.5.

“Term Loan Commitment” is an amount equal to Three Million Dollars ($3,000,000).

“Term Loan Commitment Fee” is defined in Section 2.4(h).

“Term Loan Maturity Date” is, for each Term Loan Advance, a date thirty-six (36) months after the Funding Date for such Term Loan Advance, but in no event later than June 1, 2014.

3. Waiver of Existing Events of Default. Bank hereby waives the Existing Events of Default. Bank’s agreement to waive the Existing Events of Default shall in no way obligate Bank to make any other modifications to the Loan Agreement or to waive Borrower’s compliance with any other terms of the Loan Documents, and shall not limit or impair Bank’s right to demand strict performance of all other terms and covenants as of any date. The waiver set forth above shall not be deemed or otherwise construed to constitute a waiver of any other provisions of the Loan Agreement in connection with any other transaction.

4. Limitation of Amendments.

4.1 The amendments set forth in Section 2, above and the waiver set forth in Section 3 above, are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection with any Loan Document.

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

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

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

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

5.3 The organizational documents of Borrower delivered to Bank on the Closing Date remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

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

5.5 The execution and delivery by Borrower of this Agreement and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Agreement, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

5.6 The execution and delivery by Borrower of this Agreement and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Agreement, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made;
5.7 This Agreement has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors’ rights;

6. Prior Agreement. The Loan Documents are hereby ratified and reaffirmed and shall remain in full force and effect. This Agreement is not a novation and the terms and conditions of this Agreement shall be in addition to and supplemental to all terms and conditions set forth in the Loan Documents. In the event of any conflict or inconsistency between this Agreement and the terms of such documents, the terms of this Agreement shall be controlling, but such document shall not otherwise be affected or the rights therein impaired.

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

8. Effectiveness. This Agreement shall be deemed effective upon (a) the due execution and delivery to Bank of this Agreement by each party hereto, (b) Borrowers’ payment of a non-refundable term loan commitment fee in an amount equal to Twelve Thousand Dollars ($12,000), and (c) payment of Bank’s legal fees and expenses in connection with the negotiation and preparation of this Agreement.

[Signature page follows.]

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

BANK

SILICON VALLEY BANK

By: /s/ Jean Lee
Name: Jean Lee
Title: Deal Team Leader

BORROWER

SPLUNK INC.

By: /s/ Godfrey Sullivan
Name: Godfrey Sullivan
Title: President & CEO

[Signature Page to Second Amendment to Loan and Security Agreement]

EXHIBIT B

COMPLIANCE CERTIFICATE

TO: SILICON VALLEY BANK
FROM: SPLUNK INC.

DATE:

The undersigned authorized officer of Splunk Inc. ("Borrower") certifies that under the terms and conditions of the Loan and Security Agreement between Borrower and Bank (the "Agreement"), (1) Borrower is in complete compliance for the period ending with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, (4) Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.9 of the Agreement, and (5) no Liens have been levied or claims made against Borrower relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank. Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

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

<table>
<thead>
<tr>
<th>Reporting Covenant</th>
<th>Required</th>
<th>Complies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly financial statements with + CC</td>
<td>Monthly within 30 days</td>
<td>Yes</td>
</tr>
<tr>
<td>Annual financial statement (CPA Audited) + CC</td>
<td>FYE within 210 days</td>
<td>Yes</td>
</tr>
</tbody>
</table>
### A/R & A/P Agings

<table>
<thead>
<tr>
<th>Transaction Report</th>
<th>Monthly with 15 days</th>
<th>Yes No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly</td>
<td>Advances outstanding and AQR ≤ 1.50</td>
<td>Yes No</td>
</tr>
<tr>
<td>Monthly Within 20 days</td>
<td>Advances outstanding and AQR &gt; 1.50</td>
<td>Yes No</td>
</tr>
<tr>
<td>Not Required</td>
<td>No Advances outstanding</td>
<td>Yes No</td>
</tr>
</tbody>
</table>

**Board Projections**
- Within 30 days after FYE: Yes No

### Field Exams
- Twice annually or as conditions warrant: Yes No

### Financial Covenant

<table>
<thead>
<tr>
<th>Maintain on a Monthly Basis:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted Quick Ratio</strong></td>
<td>1.25:1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Maintain on a Quarterly Basis:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA</strong></td>
<td>Yes No</td>
<td>Yes No</td>
</tr>
<tr>
<td>March 31, 2011</td>
<td>($4,250,000)</td>
<td>$</td>
</tr>
<tr>
<td>June 30, 2011</td>
<td>($7,750,000)</td>
<td>$</td>
</tr>
<tr>
<td>September 30, 2011</td>
<td>($4,750,000)</td>
<td>$</td>
</tr>
<tr>
<td>December 31, 2011</td>
<td>$1</td>
<td>$</td>
</tr>
</tbody>
</table>

**March 31, 2012 and thereafter** To be determined after receiving Borrower’s Board approved 2012 fiscal year operating plan $ Yes No

### Streamline Analysis

<table>
<thead>
<tr>
<th>Adjusted Quick Ratio</th>
<th>Required</th>
<th>Actual</th>
<th>Streamline Eligible?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.50:1.00</td>
<td>:1.00</td>
<td></td>
<td>Yes No</td>
</tr>
</tbody>
</table>

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

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

**SPLUNK INC.**

**BANK USE ONLY**

Received by: __________________________________________

AUTHORIZED SIGNER

By: ____________________________

Name: ____________________________

Title: ____________________________

Date: ____________________________

Verified: ____________________________

AUTHORIZED SIGNER

Date: ____________________________

2

**Compliance Status:** Yes No

3

### SCHEDULE 1 TO COMPLIANCE CERTIFICATE

**FINANCIAL COVENANTS OF BORROWER**

Dated: ____________________________

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

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

- **Required under Section 6.9(a):** 1.25:1.00
- **Required for Streamline Period:** 1.50:1.00

**Actual:**

| A. Aggregate value of the unrestricted cash of Borrower and its Subsidiaries at Bank or Bank’s Affiliates | $ |
| B. Aggregate value of the Investments at Bank or Bank’s Affiliates | $ |
| C. Aggregate value of the net billed accounts receivable of Borrower and its Subsidiaries | $ |
| D. Quick Assets (the sum of lines A through C) | $ |
E. Aggregate value of liabilities that should, under GAAP, be classified as liabilities on Borrower’s consolidated balance sheet, including all Indebtedness (excluding all Subordinated Debt) that matures within one (1) year

F. Aggregate value of all amounts received or invoiced by Borrower in advance of performance under contracts and not yet recognized as revenue

G. Line E minus line F

H. Adjusted Quick Ratio (line D divided by line G) 

$1.00

Is line H equal to or greater than 1.25:1:00? Yes o No o

Is line H equal to or greater than 1.50:1.00? Yes o No o

II. EBITDA (Section 6.9(b))

Required: See chart below:

<table>
<thead>
<tr>
<th>Quarter Ending</th>
<th>EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2011</td>
<td>($4,250,000)</td>
</tr>
<tr>
<td>June 30, 2011</td>
<td>($7,750,000)</td>
</tr>
<tr>
<td>September 30, 2011</td>
<td>($4,750,000)</td>
</tr>
<tr>
<td>December 31, 2011</td>
<td>$1</td>
</tr>
<tr>
<td>March 31, 2012 and thereafter</td>
<td>To be determined by Bank after receiving Borrower’s Board approved 2012 fiscal year operating plan</td>
</tr>
</tbody>
</table>

Actual:

A. Net Income of Borrower $  
B. To the extent included in the determination of Net Income $  
1. The provision for income taxes $  
2. Depreciation expense $  
3. Amortization expense $  
4. Net Interest Expense $  
5. All non-cash charges (including non-cash foreign exchange translation adjustment, non-cash stock compensation expenses, and non-cash warrant liability expenses) $  
6. The sum of lines 1 through 5 $  
C. EBITDA (line A plus line B.6) 

Is line C equal to or greater than the requirement set forth above for the applicable quarter ending?  
o No, not in compliance  
o Yes, in compliance
Re: Revised Employment Letter with Change in Control Protection

Dear Dave:

This letter agreement (the “Agreement”) is entered into between Splunk, Inc. (“Company” or “we”) and David Conte (“Employee” or “you”). This Agreement is effective as of January 11, 2012 (“Effective Date”). The purpose of this letter is to confirm the current terms and conditions of your employment and to specify your treatment upon certain terminations of employment.

1. **Your Position: Annual Salary; and Variable Compensation.** Your current role is Senior Vice President and Chief Financial Officer, and you will continue to report to Godfrey Sullivan, President and CEO. Your base salary as of the Effective Date will be $275,000 per year and you will be paid semi-monthly at a rate of $11,458.33, less applicable withholdings. In addition, you will be eligible to earn an annual bonus of 40% of your base salary at target (which will increase to 50% of your base salary at target as of February 1, 2012), based on achieving a combination of individual goals and Company financial goal(s).

As of the Effective Date, your annual on target earnings, based on your current annual salary and variable compensation will be $385,000, less applicable withholdings. As of February 1, 2012, your annual on target earnings, based on your annual salary and variable compensation as of February 1, 2012, will be $412,500, less applicable withholdings. Currently, a pro-rated bonus payment is made approximately 45 days after the end of each fiscal quarter and actual achievement against the plan is calculated at year end and any remaining bonus earned is paid 45 days after the completion of the fiscal year.

2. **Benefits.** You will continue to be eligible to participate in regular healthcare, retirement and other employee benefit plans established for our employees. The Company covers 75% of benefit expenses on your behalf. You pay the remaining 25% through a payroll deduction. You will be eligible for healthcare benefits the first day of the month following your start date including retirement benefits. You will also be entitled to 15 days of Personal Time-Off (PTO) per year of employment accrued on a monthly basis.

3. **Confidentiality.** As an employee of the Company, you will continue to have access to certain confidential information of the Company and you may, during the course of your employment, develop certain information or inventions that will be the property of the Company. To protect the interests of the Company, your acceptance of this letter confirms that the terms of the Company’s “Employee Invention Assignment and Confidentiality Agreement” that you signed on July 15, 2011, continue to be in effect and that during the period that you render services to the Company, you agree to 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.

4. **At-Will Employment.** You acknowledge and agree that you continue to 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 our without cause. Your participation in any stock option 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.

5. **Severance.**

   (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) **Severance 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.
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; and

(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 than 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 an additional six (6) months following your separation from service from the Company in which to exercise all vested options that have been granted to you. You shall have six (6) months following your separation from service to exercise each of such options.

6. **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

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(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.

7. **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 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 Good Reason, (b) the Company fails to cure the event constituting Good Reason within thirty (30) days after receipt of such written notice thereof, and (c) the Employee terminates employment within thirty (30) days following expiration of such cure period: (i) a material change, adverse to Employee, in Employee’s position, titles, offices or duties; (ii) an assignment of any significant duties to Employee that are inconsistent with Employee’s positions or offices held under this Agreement; (iii) a decrease in Employee’s then-current annual base salary by more than 10% (other than in connection with a general decrease in the salary of all executives); or (iv) the relocation of the Employee to a facility or a location more than thirty (30) miles from Employee’s then-current residence.
8. **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 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.

(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 had 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, 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.

9. **Acceptance.** To accept the letter, please sign in the space indicated and fax it to Human Resources at (415) 738-5456. Your signature will acknowledge that you have read and understood and agreed 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 & CEO  
Splunk, Inc.

I have read and understood this offer letter and hereby acknowledge, accept and agree to the terms as set forth above and further acknowledge that no other commitments were made to me as part of my employment offer except as specifically set forth herein.

/s/ David Conte  
David Conte  
Date
January 11, 2012

Leonard R. Stein  
c/o Splunk, Inc.  
250 Brannan Street, 2nd Floor  
San Francisco, CA 94107

Re: Revised Employment Letter with Change in Control Protection

Dear Lenny:

This letter agreement (the “Agreement”) is entered into between Splunk, Inc. (“Company” or “we”) and Leonard R. Stein (“Employee” or “you”). This Agreement is effective as of January 11, 2012 (“Effective Date”). The purpose of this letter is to confirm the current terms and conditions of your employment and to specify your treatment upon certain terminations of employment.

1. **Your Position; Annual Salary; and Variable Compensation.** Your role is Senior Vice President, General Counsel, and you will continue to report to Godfrey Sullivan, President and CEO. Your base salary as of the Effective Date will be $225,000 per year and you will be paid semi-monthly at a rate of $9,375, less applicable withholdings. Effective February 1, 2012, your base salary will be $250,000 per year and you will be paid semi-monthly at a rate of $10,416.66, less applicable withholdings. In addition, you will be eligible to earn an annual bonus of 40% of your base salary at target (which will increase to 50% of your base salary at target as of February 1, 2012), based on achieving a combination of individual goals and Company financial goal(s). As of the Effective Date, your annual on target earnings, based on your current annual salary and variable compensation will be $315,000, less applicable withholdings. As of February 1, 2012, your annual on target earnings, based on your annual salary and variable compensation as of February 1, 2012, will be $375,000, less applicable withholdings. Currently, a pro-rated bonus payment is made approximately 45 days after the end of each fiscal quarter and actual achievement against the plan is calculated at year end and any remaining bonus earned is paid 45 days after the completion of the fiscal year.

2. **Benefits.** You will continue to be eligible to participate in regular healthcare, retirement and other employee benefit plans established for our employees. The Company covers 75% of benefit expenses on your behalf. You pay the remaining 25% through a payroll deduction. You will be eligible for healthcare benefits for the first day of the month following your start date including retirement benefits. You will also be entitled to 15 days of Personal Time-Off (PTO) per year of employment accrued on a monthly basis. The Company will continue to reimburse you for your: (i) annual California and Washington, D.C. bar dues, (ii) ABA, American Corporate Counsel, and Bay Area General Counsel Group membership fees, and (iii) reasonable expenses incurred to meet your continuing education requirements.

3. **Confidentiality.** As an employee of the Company, you will continue to have access to certain confidential information of the Company and you may, during the course of your employment, develop certain information or inventions that will be the property of the Company. To protect the interests of the Company, your acceptance of this letter confirms that the terms of the Company’s “Employee Invention Assignment and Confidentiality Agreement” that you signed on April 4, 2011, continue to be in effect and that during the period that you render services to the Company, you agree to 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.

4. **At-Will Employment.** You acknowledge and agree that you continue to 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 our without cause. Your participation in any stock option 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.

5. **Severance.**

(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 than 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) **Severance in Event of Termination Without Cause.** In the event of your involuntary separation from service with the Company without Cause 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 than 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 an additional six (6) months of 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 vested options that have been granted to you.**

6. **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.

7. **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 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 Good Reason, (b) the Company fails to cure the event constituting Good Reason within thirty (30) days after receipt of such written notice thereof, and (c) the Employee terminates employment within thirty (30) days following expiration of such cure period: (i) a material change, adverse to Employee, in Employee’s position, titles, offices or duties; (ii) an assignment of any significant duties to Employee that are inconsistent with Employee’s positions or offices held under this Agreement; (iii) a decrease in Employee’s then-current
8. **Arbitration.**

(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 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.

(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 had 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.

9. **Acceptance.** To accept the letter, please sign in the space indicated and fax it to Human Resources at (415) 738-5456. Your signature will acknowledge that you have read and understood and agreed 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 & CEO
Splunk, Inc.

I have read and understood this offer letter and hereby acknowledge, accept and agree to the terms as set forth above and further acknowledge that no other commitments were made to me as part of my employment offer except as specifically set forth herein.

/s/ Leonard R. Stein

Leonard R. Stein

January 20, 2012

Date
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of Splunk Inc. of our report dated January 12, 2012 relating to the consolidated financial statements of Splunk Inc., which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP
San Jose, California
February 17, 2012
February 17, 2012

CERTAIN PORTIONS OF THIS LETTER HAVE BEEN OMITTED FROM THE VERSION FILED VIA EDGAR. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS. INFORMATION THAT WAS OMITTED IN THE EDGAR VERSION HAS BEEN NOTED IN THIS LETTER WITH A PLACEHOLDER IDENTIFIED BY THE MARK "[***]".

Via EDGAR and Overnight Delivery

Securities and Exchange Commission
Division of Corporation Finance
100 F Street, N.E.
Washington, DC 20549

Attention: Mark P. Shuman
Gabriel Eckstein
Christine Davis
Joyce Sweeney

Re: Splunk Inc.
Registration Statement on Form S-1
Filed January 12, 2012
File No. 333-178988

Ladies and Gentlemen:

On behalf of Splunk Inc. (the "Company"), we submit this letter in response to comments from the staff (the "Staff") of the Securities and Exchange Commission (the "Commission") received by letter dated February 9, 2012, relating to the Company's Registration Statement on Form S-1 (File No. 333-178988) filed with the Commission on January 12, 2012 (the "Registration Statement").

Because of the commercially sensitive nature of information contained herein, this submission is accompanied by a request for confidential treatment for selected portions of this letter. The Company has filed a separate letter with the Office of Freedom of Information and Privacy Act Operations in connection with the confidential treatment request, pursuant to Rule 83 of the Commission's Rules on Information and Requests, 17 C.F.R. § 200.83. For the Staff's reference, we have enclosed a copy of the Company's letter to the Office of Freedom of Information and Privacy Act Operations, as well as a copy of this correspondence, marked to show the portions redacted from the version filed via EDGAR and for which the Company is requesting confidential treatment.

On behalf of the Company, we are concurrently filing via EDGAR Amendment No. 1 to the Registration Statement ("Amendment No. 1"), and for the convenience of the Staff, we are providing to the Staff by overnight delivery copies of this letter and marked copies of Amendment No. 1 (against the Registration Statement filed on January 12, 2012). Amendment No. 1, as filed via EDGAR, is marked as specified in Item 310 of Regulation S-T.

In this letter, we have recited the comments from the Staff in italicized, bold type and have followed each comment with the Company's response. Except as otherwise specifically indicated, page references herein correspond to the page of Amendment No. 1, as applicable.
Prospectus

1. Please confirm that any preliminary prospectus you circulate will include the price range and price-dependant information based on a good faith estimate of the public offering price within that range. We may have further comments when you include pricing information and related disclosure.

   We acknowledge the Staff's comment and confirm that any preliminary prospectus the Company circulates will include the price range and price-dependant information based on a good faith estimate of the public offering price within that range. We acknowledge that the Staff may have further comments when the Company includes pricing information and related disclosure.

Gatefold

2. The graphics in the front and back cover of your prospectus should only include the text necessary to explain the visuals in the presentation, with any necessary text targeted to a prospective investor instead of a customer. In addition, they should not contain a one-sided presentation of the most favorable aspects of your business, such as the number or type of customers or the presentation of revenues without income. Please submit your revisions on a supplemental basis.

   In response to the Staff's comment, we have revised the graphics on the front cover of the prospectus to provide a balanced presentation of the Company's financial results and to better target the graphics to a prospective investor in the offering. We have supplementally provided the Staff with copies of the revised graphics. We respectfully submit to the Staff that the graphics on the back cover of the prospectus only include the text that we believe is necessary to explain to a prospective investor the benefits of the Company's product and its application across an organization's business. The sample product dashboards on the back cover of the prospectus illustrate for a prospective investor the manner in which the Company's software is used by its customers, which we believe prospective investors will want to understand when evaluating the investment opportunity.

Table of Contents

3. Please move the paragraph immediately following the table of contents to a place in your document after the risk factor disclosure as it is not required disclosure under Items 501 and 502 of Regulation S-K.

   In response to the Staff's comment, we have revised the table of contents to move the paragraph immediately following the table of contents to page 37.

Prospectus Summary

Splunk Inc.

4. Regarding the industry data you cite on page 1 and elsewhere in your prospectus, please tell us whether you obtained the information from sources that are generally publicly available for no or a nominal fee and whether any of those reports were prepared for your company or for the offering. Also, provide us with supplemental copies of the reports that you cite and from which the data in the prospectus is extracted. Mark the reports appropriately to designate the portions you rely upon in making the statements in the prospectus.

   We supplementally advise the Staff that the industry data cited in the prospectus were obtained from sources that are generally available for a nominal fee, and such reports were not prepared for the Company or for the offering. We are supplementally providing the Staff under separate cover copies of the reports cited and from which the data in the prospectus is extracted. The reports are marked to designate the portions that the Company relied upon in making the statements in the prospectus.

5. We note your use of abbreviations in your summary. Please consider using short descriptions rather than requiring investors to learn a new vocabulary. Also, in some cases, such as with “PCI,” the abbreviations
6. Please tell us the objective criteria you used to determine the companies to highlight in the second sentence of the penultimate paragraph on page 2 and page 47. Also tell us how you concluded that highlighting these companies provides investors with a balanced presentation of your business.

We supplementally advise the Staff that, in the Registration Statement that the Company filed on January 12, 2012, the Company only included significant customers that, at that time, had provided their consent to being named in the Registration Statement. In response to the Staff's comment, we have revised the list of customers on pages 2 and 48 to include a representative list of customers from various industries, each of which purchased more than $350,000 of the Company's software and services in the seven fiscal quarters ended October 31, 2011. We will update the list of customers as necessary when we include the Company's financial results for fiscal 2012 in a subsequent amendment to the Registration Statement. The Company believes that highlighting these companies provides investors with a balanced presentation of its business because they represent customers from various industries. This variety supports the general applicability, broad customer base and addressable market for the Company's software.

In addition, we supplementally advise the Staff that the Company has included an additional customer list on page 82. The customers included in this list were selected by the Company because they represent customers that have purchased at least $100,000 of the Company's software and services in the seven fiscal quarters ended October 31, 2011.

Risk Factors

We are subject to government export and import controls..., page 18

7. Please tell us whether the potential violations related to Iran, Syria, Sudan and/or Cuba, the countries currently designated as state sponsors of terrorism by the State Department, and which also are subject to U.S. economic sanctions and export controls.

[***]

8. We note your disclosure in the second and third sentence of the second paragraph in this section. Please clarify why you cannot provide unequivocal disclosure regarding whether your no-cost products were downloaded and whether any downloads constitute a violation of U.S. export control and sanctions laws.

[***]

9. In an appropriate place in your document, please provide additional disclosure regarding the status of your inquiries into downloads by persons in countries the subject of U.S. embargoes and by prohibited persons, including the steps that you have taken and the steps that remain to complete the inquiries. Also, given your disclosure in the penultimate sentence of the third paragraph, quantify the total amount of penalties and fines for which you may be liable.

[***]
10. Regarding your disclosure in the second paragraph, please note that under Item 504 of Regulation S-K you must specify the approximate amounts intended for each purpose. Therefore, here and on page 6, please break down the amount of estimated proceeds into each principal use. For example, how much of the offering proceeds are you using for capital expenditures, for sales and marketing, and for product development? In this regard, we note your disclosure on page 58 that you intend to increase your investment in capital expenditures in 2013.

In response to the Staff's comment, we have revised the disclosure on page 39 to discuss the principal purposes of the offering. We have also revised the disclosure on pages 6 and 39 to clarify that the Company cannot specify with certainty all of the particular uses for the net proceeds. We respectfully advise the Staff that the Company has no current specific plan with respect to the allocation of the net proceeds of the offering. In addition, based on the Company's current cash and cash equivalent balances, access to its revolving line of credit facility, and anticipated cash flows from operations, the Company does not expect that it will need to use any of the net proceeds of the offering for any particular purpose for the next 12 months, and the listed purposes are disclosed to provide prospective investors with examples of the general purposes towards which the Company may ultimately apply the net proceeds. Finally, we have revised the disclosure on page 60 to clarify that the increased investment in capital expenditures in fiscal 2013 is consistent with the growing nature of the Company’s business and its operations but does not represent a material change from historical practice.

Selected Consolidated Financial Data, page 43

11. We note that the table provides information for the fiscal year ended December 31, 2006 and the fiscal year ended January 31, 2008 however you have not provided information for fiscal year 2007. Please advise.

We supplementally advise the Staff that in 2010 the Company changed its fiscal year end from December 31 to January 31. In connection with the preparation of the Registration Statement, the Company recast its historical financial statements to present its financial results on the basis of a fiscal year ended January 31. The Company supplementally advises the Staff that it intends to include financial statements for fiscal 2012 in a subsequent amendment to the Registration Statement, at which time the presentation of financial information for fiscal 2007 will no longer be required by Item 301(a) of Regulation S-K. We respectfully advise the Staff that, in light of the planned inclusion of financial information for fiscal 2012, the Company did not wish to incur the additional costs associated with recasting its financial statements for fiscal 2007. The Company included financial information for the fiscal year ended December 31, 2006 because this information was the closest available approximation of financial information for fiscal 2007.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Revenues, page 47

12. You disclose in the risk factor on page 12 that operating results may be significantly impacted from shifts in the ratio between perpetual and term licenses. Please disclose how the mix of perpetual and term licenses affects your operating results and how any known trends may influence future results. Further, and if possible, quantify for each period the amount of license revenues derived from perpetual and term licenses. Refer to Regulation S-K Item 303(a)(3)(ii).

In response to the Staff's comment, we have revised the disclosure on page 48 to describe the impact of the mix between perpetual and term licenses on the Company's operating results. We respectfully advise the Staff that, given the evolving nature of the Company's business and the fact that,
as disclosed in Amendment No. 1, the substantial majority of the Company's license revenues are attributable to sales of perpetual licenses, the Company has not identified any known trends with respect to the actual mix between perpetual and term licenses that would have a material impact on the Company's revenues. Therefore, quantifying the amount of revenues attributable to perpetual and term licenses would not provide any meaningful insight to the Company's results of operations.

13. **With a view to disclosure, please tell us how your Maintenance and Services revenues are affected by customers purchasing term licenses.**

In response to the Staff's comment, we have revised the disclosure on page 48 to indicate how Maintenance and Services revenues are affected by customers purchasing term licenses. We also refer the Staff to our response to comment no. 48 regarding the allocation of revenues from term licenses bundled with maintenance.

14. **Refer to the third paragraph in this section. Please clarify how "professional services and training revenues" differs from "maintenance and services revenues."**

We supplementally advise the Staff that professional services and training revenues are a component of maintenance and services revenues, although, as disclosed on page 48, most of the Company's maintenance and services revenues are comprised of revenues from maintenance agreements.

**First Nine Months of Fiscal 2011 and 2012**

**Revenues, page 50**

15. **You disclose that the growth in License revenues was driven by increases in total customers, sales to existing customers, and number of orders greater than $100,000. Similarly, the increase in Maintenance and Service revenues was as a result of growth in the installed customer base and sales of professional services. Please quantify the effect that each of these factors had in the increase in License and Maintenance and Service revenues. Provide similar disclosure for your other periods. In addition, clarify why the increase in Maintenance and Services revenues from the prior period exceeded the increase in License revenues and describe the effect that any known trends may have on your revenues.**

In response to the Staff's comment, we have revised the disclosure on page 51 to disclose the number of new customers that the Company added during the nine months ended October 31, 2011 and 2010. We supplementally advise the Staff that, as disclosed on page 51, the Company provides the number of orders that exceeded $100,000 for each period. In doing so, the Company meant to provide an appropriate quantitative illustration of the fact that the growth in the number of larger transactions was one driver of revenue growth. The $100,000 threshold was chosen purely for illustrative purpose and does not represent a significant threshold for any other purpose. The Company has revised its disclosure on pages 51 and 54 to clarify this point.

Given the evolving nature of the Company's business and the revenue recognition policies that apply to the Company's license arrangements and services, we respectfully advise the Staff that the Company does not believe that quantifying the revenue contribution of each of these factors is meaningful. Furthermore, quantifying the aggregate contribution of license transactions over $100,000 would be competitively harmful as it would, in conjunction with the number of such orders, imply an average sales price for the Company's software.

Finally, with respect to the relative increases in maintenance and services revenues as compared to license revenues, we respectfully note that for all periods presented, the absolute dollar increase of license revenues as compared to the corresponding prior periods has substantially exceeded the increase in maintenance and services revenues. Nonetheless, as a percent of revenues, maintenance and services revenues in each period has increased, and as disclosed on page 51, the Company expects this
trend to continue in the future as its installed base, which drives maintenance revenues, grows. We respectfully submit that, except in the case of term licenses, in any given period there is no direct relationship between license revenues recognized and maintenance and services revenues recognized, and therefore, describing the growth rates of these items in relative terms in the prospectus would not provide meaningful disclosure to investors.

16. We note that in your discussion of revenue for the periods presented you refer growth in your installed base. Please tell us the extent to which you use this metric as a key indicator in managing your business and indicate whether you believe that this metric contributes meaningfully to understanding and evaluating your company. Also, tell us what consideration you gave to disclosing this metric for the periods presented in your MD&A. See Section III.B.1 of SEC Release No. 33-8350.

In response to the Staff's comment, we have revised the disclosure on pages 51 and 54 to disclose the total number of customers in each of the periods presented in the Company's results of operations. As the Staff notes, the growth in the Company's installed base of customers will drive the growth in the Company's maintenance and services revenues, which, as described on page 49, the Company expects will become a larger portion of its total revenues over time.

Seasonality, Cyclical and Quarterly Trends, page 57

17. Regarding the seasonality you mention in the first paragraph, please describe the business conditions or customer circumstances that contribute to these seasonal impacts on your revenues, including the reason for the increase in the fourth quarter and the flat revenues in the third quarter compared to the second quarter.

In response to the Staff's comment, we have revised the disclosure on page 59 to describe the business conditions and customer circumstances that contribute to the seasonal impacts on the Company's revenues.

Loan and Security Agreement, page 60

18. We note that the terms in the Loan and Security Agreement filed as exhibit 10.8 differ from those you disclose on page 60. Please advise.

We supplementally advise the Staff that we have re-filed the Loan and Security Agreement to include the two amendments to such agreement. The disclosure on page 62 of Amendment No. 1 describes the terms of the Loan and Security Agreement as amended by these two amendments.

Critical Accounting Policies and Estimates

Stock-Based Compensation, page 62

19. We note your disclosure on page 64 that the market-based approach used considers multiples of financial metrics based on acquisitions and trading multiples of a selected peer group of technology companies. Please revise to disclose the following:

- The basis for the selection of the set of peer companies, including a discussion of what makes them comparable and any limitations or uncertainties over that comparability;
- Disclose the significant multiples used for each valuation period;
- Explain changes in the significant assumptions, such as the pool of companies considered or multiples used, over the valuation periods; and
- Clarify whether the same set of comparable companies are used in all the relevant valuation estimates, including stock options, common stock or inputs to other valuations such as the discount rate.
In response to the Staff’s comment, we have revised the disclosure on page 67 to discuss the basis for the selection of the set of peer companies and clarify that the Company used a revenue multiple for each of the valuation periods that applied a market-based approach. Where relevant, we have revised the disclosure to describe changes in the significant assumptions over the valuation period. Finally, we have clarified that, within each valuation period, the same set of peer companies were used in estimating expected volatility.

20. Your disclosures on page 65 indicate that when determining the underlying fair value of your common stock in September and October 2011 you considered recent common stock purchase transactions between existing preferred stockholders and former employees. Please provide us with the details surrounding these transactions including when they occurred and the purchase price of the common stock paid by the preferred shareholders.

In response to the Staff’s comment, we have revised the disclosure on page 68 to disclose further details regarding the common stock purchase transactions described in Amendment No. 1. We supplementally advise the Staff that the Company’s board of directors considered the sale of 46,812 shares of the Company’s common stock by three employees to certain existing preferred stockholders at a price of $5.55 per share on September 9, 2011 in determining the underlying fair value of the Company’s common stock in September and October 2011. We further advise the Staff that such sales were taken into account in a report by an independent valuation firm, which report was also considered by the board of directors in determining the underlying fair value of the Company’s common stock in September and October 2011.

A 25% weighting of the transaction was considered appropriate based on the terms of the transaction, the parties involved in the transaction, and the purchasers’ desire to increase the size of their investments in the company and their belief that the value of the company will appreciate over time. Finally, we supplementally advise the Staff that the Company considered the difference between the $5.55 sale price and the $3.94 common stock fair value on the date of sale to be compensation to the selling employees. Therefore, the Company recorded compensation expense of approximately $75,000 to account for the transaction.

21. Please revise to discuss the significant factors contributing to the difference in the fair value determined between each option grant. This reconciliation should describe significant intervening events within the company and changes in assumptions as well as weighting and selection of valuation methodologies that explain the changes in the fair value of the underlying stock up to the filing of the registration statement. Also, when your estimated IPO price is known and included in your registration statement, please reconcile and explain the difference between the fair value of the underlying stock as of the most recent valuation date and the midpoint of your IPO offering range.

In response to the Staff’s comment, we have revised the disclosure on pages 67-69 to further describe the significant factors that contributed to the differences in the fair value between each valuation period. We have also updated the disclosure to describe the Company's determination of fair value for the stock options granted in December 2011. We acknowledge the Staff's comment that, once the estimated IPO price is available, we will revise the disclosure to describe the significant factors contributing to the difference between the midpoint of the estimated IPO price range and the fair value of the Company’s common stock as of the most recent valuation date.

22. For any options granted or other share-based issuances subsequent to the most recent balance sheet date presented in the registration statement, if material, please revise your disclosure to include the expected impact the additional grants will have on your financial statements. Additionally, continue to provide us with updates to the requested information for all equity related transactions subsequent to this request through the effective date of the registration statement.
In response to the Staff's comment, we have revised the disclosure on page 69 to describe the stock options granted since October 31, 2011, the most recent balance sheet presented in Amendment No. 1. We acknowledge the Staff's comment to update the disclosure to describe all subsequent equity related transactions through the effective date of the Registration Statement. We supplementally advise the Staff that the Company will update the financial statements in a subsequent amendment to disclose the Company's results of operations for fiscal 2012, at which time it will describe the impact of the stock options granted subsequent to October 31, 2011 on the Company's financial statements.

23. We note your disclosure on page 63 that the fair value of your common stock was determined by the board of directors with input by management. However, we also note your disclosure on page 64 that you “engaged an independent valuation firm to determine [your] enterprise value and allocate that value to each element of [your] capital structure (preferred stock, common stock, warrants and options).” Please describe the nature and extent of the independent valuation firm’s involvement in the determination of your enterprise value, the allocation of that value and the fair value of your common stock. Please see Question 141.02 of our Compliance and Disclosure Interpretations related to Securities Act filings at http://www.sec.gov/divisions/corpfin/guidance/sasinterp.htm for guidance.

In response to the Staff's comment, we have revised the disclosure on page 66 to clarify that the independent valuation firm provided an estimate of the Company's enterprise value and allocated that value to each element of the Company's capital structure. We supplementally advise the Staff that, as stated on page 65, the Company's board of directors determined the fair value of the common stock underlying its stock options based on numerous subjective and objective factors, including the contemporaneous independent valuations performed by the independent valuation firm.

24. Please tell us your proposed IPO price range, when you first initiated discussions with underwriters and when the underwriters first communicated their estimated price range and amount for your stock.

We supplementally advise the Staff that the Company first initiated formal discussions with the underwriters regarding the offering on October 6-7, 2011, when the Company met with representatives from each of the underwriters, as well as representatives from other investment banks that are not participating in the offering. The purpose of the meeting was to select underwriters for the offering. While each of the underwriters provided the Company with its analysis of the Company's business, how the underwriter would position the Company for an offering, and valuation methodologies and analyses of comparable companies, the underwriters did not provide the Company with any formal valuation of the Company. We will advise the Staff of the Company's proposed IPO price range when it is available.

Quantitative and Qualitative Disclosures about Market Risk, page 66

25. Although we note your disclosure on page 30 that your sales transactions are denominated in U.S. dollars, in light of your regional offices in Germany, Hong Kong, Singapore, and the United Kingdom, please tell us how you considered the significance of foreign currency risks attributable to operating expenses. Refer to Item 305 of Regulation S-K.

In response to the Staff's comment, we have revised the disclosure on page 70 to describe the foreign currency risks attributable to the Company's foreign operating expenses.

Business

Industry Background, page 69

26. In your bullet points on page 69 you include business application, human-generated, and machine data as the three types of big data. In the following sections, your disclosure only appears to address machine data. Therefore, please clarify the applicability of your products to human-generated and business application data. If your products are only for use on machine data, you should revise the first sentence of the second paragraph in this section to clarify how it is applicable to machine data.
In response to the Staff's comment, we have revised the disclosure on page 75 to clarify that, while the Company's software can be used on human-generated content and business application data, its primary use is helping organizations unlock the value of their machine data.

**Our Opportunity, page 71**

27. *The data you disclose in the second paragraph for IT operations includes application management. Please tell us why you disclose IT operations management and application management as separate uses in the first paragraph.*

We supplementally inform the Staff that IT operations management and application management describe two separate use cases for the Company's software. As a general matter, IT operations focus on the technology infrastructure, including hardware, operating systems and virtualization, that lies below the applications server in a typical organization. On the other hand, application management focuses on the application servers, application databases and application software code itself. Within a typical organization, these two areas are managed by different groups, and oftentimes, each of these groups are responsible for procuring software, including the Company's software, to address their different needs. Therefore, the Company treats IT operations management and application management as separate use cases for its software.

For purposes of its market sizing estimates, Gartner considers application management to be a subset of IT operations in its market study. In response to the Staff's comment, we have revised page 75 to clarify that Gartner combines applications management with IT operations for this limited purpose.

**Key Benefits, page 72**

28. *You disclose in the second paragraph that your software offers compelling return on investment and lower total cost of ownership. Please disclose the basis for this statement, such as which products you compared your software against and why it is appropriate to use those products as a basis for comparison. Also, clarify how you considered the license fees for your software that is paid over time.*

In response to the Staff's comment, we have revised the disclosure on page 76 to clarify that the Company's software offers a low total cost of ownership because it does not require capital intensive IT investments commonly associated with traditional enterprise software.

**Our Growth Strategy, page 73**

29. *For each strategy in this section, please disclose the steps you are taking to implement the strategy. If you have not taken any steps toward the implementation of a strategy, please state so.*

In response to the Staff's comment, we have revised the disclosure under "Our Growth Strategy" on page 77 to more specifically articulate the steps taken by the Company to implement various strategies where applicable.

30. *With a view to disclosure, please provide us with support for your claim of leadership in the second paragraph in this section.*

In response to the Staff's comment, the Company has revised the disclosure on page 77 to remove the reference to the Company's technology leadership position.

**Partner and Developer Ecosystem, page 78**

31. *Please disclose how the amount royalties mentioned in this section are determined.*

In response to the Staff's comment, we have revised the disclosure on page 83 to disclose how the amount of the Company's royalties are determined.
32. *We note the disclosure on page 26 regarding the dispute over your trademark in the European Union. Please disclose the nature of the dispute and the significance to your business.*

In response to the Staff's comment, we have revised the disclosure on page 85 to disclose the nature of the trademark dispute and its significance to the Company's business.

**Competition, page 81**

33. *In the second sentence following the bullet points, you state that you generally complete favorably on all the principal competitive factors in your markets. Please significantly expand to disclose the principal methods of competition and the positive and negative factors pertaining to your competitive position, in accordance with Regulation S-K Item 101(c)(1)(i)(x), to provide meaningful disclosure to an investor. In this regard, we note your disclosure on page 15 and 20 regarding risks from your pricing as the amount of data grows.*

In response to the Staff's comment, we have revised the disclosure on page 86 to provide further disclosure regarding the principal methods of competition and the positive and negative factors pertaining to the Company's competitive position.

**Management**

**Executive Officers, page 83**

34. *Please disclose Mr. Stein's employment from August 2010 to April 2011.*

In response to the Staff's comment, we have revised the disclosure on page 89 to disclose Mr. Stein's employment from August 2010 to April 2011.

**Executive Compensation, page 92**

35. *Update your executive compensation disclosure to add disclosure for the 2012 fiscal year. In this regard, you should note that the Instruction to Item 402(c)(1) in Regulation S-K requires that you also include 2011 compensation in your Summary Compensation Table.*

In response to the Staff's comment, we have revised the disclosure beginning on page 97 to add disclosure for fiscal 2012. We supplementally inform the Staff that the Company has not yet made final decisions with respect to incentive compensation awards for fiscal 2012. Once these decisions are finalized, the Company intends to include a description of such decisions in a subsequent amendment to the Registration Statement.

36. *We note various references throughout your executive compensation disclosure regarding external market data. You also appear to use compensation data for comparable executives when determining the various elements of your compensation. When you revise your disclosure to reflect compensation for the 2012 fiscal year, please disclose any benchmarks used. You should note that the definition of a benchmark is expansive. Refer to Regulation S-K Compliance and Disclosure Interpretations Question 118.5.*

We supplementally advise the Staff that the Company did not use any benchmarks in setting compensation. The Company used external sources, such as third-party survey data, as a source of information to gain a general understanding about market compensation practices, but the Company's board of directors and compensation committee used their judgment as informed by this information when determining elements of compensation. Regulation S-K Compliance and Disclosure Interpretations Question 118.5 provides that benchmarking "would not include a situation in which a company reviews or considers a broad-based third-party survey for a more general purpose, such as to
obtain a general understanding of current compensation practices.” We have revised the disclosure on pages 98-99 to clarify how the Company used external market data in setting compensation.

Compensation Decision Process, page 93

37. Please disclose why the process for determining Mr. Kapur’s compensation differed from that of the other executives for the year ended January 31, 2011.

In response to the Staff's comment, we have revised the disclosure on page 99 to discuss why the process for determining Mr. Kapur's compensation differed from the other executives.

38. Refer to the first sentence of the last paragraph on page 93. We note the use of the word “including.” Please disclose all external sources that were considered.

In response to the Staff's comment, we have revised the disclosure on page 98 to clarify that, for fiscal 2012, the external source considered by the Company's board of directors was the Radford analysis.

Target Incentive Compensation, page 98

39. We note that you have not provided a quantitative discussion of the amount of historical bookings to be achieved in order for your executive officers to earn their incentive compensation. Please provide this disclosure or alternatively tell us why you believe that the disclosure of such historical information would result in competitive harm such that the information could be excluded under Instruction 4 to Item 402(b).

We respectfully advise the Staff that the Company is relying on Instruction 4 to Item 402(b) of Regulation S-K to omit the specifics of the bookings and revenues targets for fiscal 2012 incentive cash compensation. The Company has not disclosed the specific formulae or metrics targets for bookings and revenues for several reasons, including its belief that such disclosure could result in competitive harm to the Company. The specific bookings component related to the Company's sales goals and the specific revenues component related to the achievement of the Company's licenses, maintenance and services goals. These targets were established by the Company's board of directors with input from its Chief Executive Officer. These targets were based on the Company's historical operating results and growth rates, as well as the Company's expected future results, and were designed to require significant effort to achieve. If disclosed, the Company believes the information would provide competitors and others with insights into the Company's operations and compensation programs, which would be competitively harmful to the Company. If the Company were required to disclose the details with respect to the bookings and revenues targets, it would essentially be informing its competitors of the Company's expectations of its business and financial results as well as its financial and operational strategies. The disclosure of such target bookings and revenues would provide significant visibility into, and allow competitors to reach significant conclusions about, the Company's plans and priorities, including its plans for growth, profitability and allocation of resources.

Furthermore, such disclosure could hamper the Company's retention efforts with respect to certain employees. For example, competitors could use such information to recruit Mr. Schodorf and other employees whose jobs directly relate to increasing bookings away from the Company or to retain their own employees by offering similar incentives. Mr. Schodorf is responsible for and critical to the growth of the Company's sales. Retaining Mr. Schodorf as an employee is essential to the Company's ability to compete in the marketplace and achieve long-term success.

In addition, competitors could implement tactics to prevent the Company from achieving its strategies. For example, to the extent that the Company shifts its business, financial or operational strategies from one area of focus to another, such shift would likely be reflected in these bookings and revenues targets. The disclosure of such shift through the disclosure of these targets would give
competitors notice of the Company’s plans. This would place the Company at a strategic disadvantage comparatively to its competitors when attempting to execute the
Company’s strategy. In addition, competitors that are not publicly traded have no comparable reporting requirements. Disclosure of the Company’s bookings and
revenues targets without a corresponding opportunity to access similar information from its private company competitors would place the Company at a strategic and
competitive disadvantage, which would be harmful to the Company’s stockholders. Finally, disclosure of historical target bookings and revenues targets would allow
competitors to forecast or extrapolate the Company’s business model to future periods and subject the Company to similar risks.

Moreover, the disclosure of the Company’s target bookings and revenues is unnecessary and potentially misleading to investors. The Company established the
target bookings and revenues components for its named executive officers to generally be “stretch” goals that are set to be aggressive. Therefore, they are unlikely to
provide a realistic expectation of the Company’s bookings and revenues expectations, and could lead investors to mistaken conclusions about the relative results and
prospects of the Company. The disclosure of the targets would cause confusion in the investment community and may provide stockholders and potential investors
with misleading information regarding the Company’s expectations of its financial performance, which would be harmful to the Company and its stockholders.

Accordingly, for these reasons, we respectfully advise the Staff that it is the Company’s belief that disclosure of the target bookings and revenues would result in
competitive harm to the Company and therefore may be omitted under Instruction 4 to Item 402(b) of Regulation S-K.

40. We note that your discussion for the individuals on pages 98 through 103 sometimes identifies parameters that were evaluated in awarding incentive
compensation but does not explain how each element affected the outcome with respect to each component of compensation. Please ensure that when you
update your compensation discussion, you disclose how each performance criteria affected the outcome with respect to each element of compensation.

We supplementally advise the Staff that the Company has not yet made final decisions with respect to incentive compensation awards for fiscal 2012. Once these
decisions are finalized, the Company intends to include a description of such decisions in a subsequent amendment to the Registration Statement, including how the
determination of incentive compensation was based on the achievement of the Company's financial goals and each named executive officer's individual performance
goals.

2011 Summary Compensation Table, page 106

41. Regarding the individuals in your table, please tell us why you did not include Mr. Conte. In addition, tell us why Mr. Stein does not satisfy the definition of
named executive officer under Regulation S-K Item 402(a)(3)(iii), and if your determination was based on the dollar amount of compensation he received
in 2011, provide a breakdown of his compensation for that period in your response letter.

We supplementally advise the Staff that Messrs. Conte and Stein were not employed by the Company until fiscal 2012. Therefore, neither Messrs. Conte nor Stein
was deemed to be a named executive officer for fiscal 2011. We further advise the Staff that both Messrs. Conte and Stein are named executive officers for fiscal 2012,
and we have provided executive compensation disclosure for each officer beginning on page 97 of Amendment No. 1.

42. We note that you include bonus amounts paid under “All Other Compensation.” Please revise your table to include any bonus paid under the bonus
column, as required by Regulation S-K Item 402(c)(2)(iv).

In response to the Staff's comment, we have revised the Summary Compensation Table on page 112 of Amendment No. 1 to include bonuses paid under the bonus
column.
43. Please disclose the terms of your employment arrangements with Messrs. Stein and Conte.

In response to the Staff's comment, we have revised the disclosure on page 116 of Amendment No. 1 to include a description of the executive employment arrangements for Messrs. Stein and Conte.

Change in Independent Public Accounting Firm, page 142

44. We note your disclosure that in July 2010 your audit committee determined not to renew Armanino McKenna's engagement as the company's independent accountant. Please revise to state whether your former auditor resigned, declined to stand for re-election, or was dismissed and disclose the specific date that your relationship ended. In addition, disclose the specific date you engaged PricewaterhouseCoopers LLP as the company's independent accountant. Refer to Item 304(a)(1)(i) and (a)(2) of Regulation S-K.

In response to the Staff's comment, we have revised the disclosure on page 149 to clarify that the Company's audit committee determined not to renew Armanino McKenna's engagement as the Company's independent accountant on July 22, 2010, when it approved the appointment of PricewaterhouseCoopers LLP as the Company's independent accountant. We respectfully submit to the Staff that describing the termination of the relationship between the Company and Armanino McKenna as a decision by the Company's audit committee not “renew” its engagement with the firm is the equivalent of stating that the firm was “dismissed.”

Where You Can Find More Information, page 143

45. You qualify the completeness of the summaries of exhibits provided in your prospectus "in all respects." to the text of the exhibits. Please remove the phrase "in all respects."

In response to the Staff's comment, we have revised the disclosure on page 150 of Amendment No. 1 to remove the phrase "in all respects" from the qualification of the completeness of the summaries of exhibits provided in the prospectus to the text of the exhibits.

Consolidated Financial Statements

Notes to Consolidated Financial Statements

Note (3) Summary of Significant Accounting Policies

Revenue Recognition, page F-8

46. We note your disclosure on page 20 that you charge your customers for their use of your software based on the customers' estimated daily indexing capacity. Please tell us more about these arrangements and revise to describe your revenue recognition for these arrangements, including whether there are any contingent usage-based fees. In this regard, we note that you refer to “royalties” on page F-8 but you do not describe how and when royalty revenue is recognized.

In response to the Staff's comment, we have updated the disclosure on page F-10 to describe how and when royalty revenue is recognized. We supplementally advise the Staff that substantially all perpetual or time-based software licensing rights sold to customers have a fixed license fee and do not include contingent or usage-based fees. All functionality is delivered to the customer at the onset of the arrangement with a license key that unlocks a specified level of maximum daily indexing capability.

For example, prospective customers can download a trial version of the Company's software, free of charge, which provides a full set of features but limited data indexing capacity of up to 500 megabytes per day. Following the 60-day trial period, prospective customers can purchase a license for the Company's product or continue using the Company's product with reduced features and limited
The "royalty" arrangements referred to on page F-10 refer to arrangements with original-equipment manufacturer ("OEM") and managed service provider ("MSP") customers. These arrangements typically allow the OEM to either sell licenses to the Company's software, or, with respect to the MSP, provide services using the Company's software, to third-party end-user customers. These royalty fees are generally recognized as revenue upon receipt of shipment reports (for OEMs) or usage reports (for MSPs), depending on the arrangement.

47. **We note your disclosure that vendor-specific objective evidence ("VSOE") of maintenance is based on "consistently priced standalone sales." Please describe, in detail, your methodology for establishing VSOE of your maintenance services and provide the volume and range of standalone sales used to establish VSOE.**

We respectfully advise the Staff that VSOE of fair value of maintenance is established by analyzing stand-alone transactions (i.e., renewals) using a bell curve analysis.

The Company updates its bell curve analysis at least annually by examining the most recent 12 months of renewals. During the nine months ended October 31, 2011, the Company began to monitor its VSOE compliance on a quarterly basis. The analysis is performed to determine the percentage of renewals that fall within a compliant range of +/- 15% of the VSOE median of 20%. The Company believes that VSOE is established when at least 70% of renewals fall within the compliant range. The results of the most recent analyses performed are as follows:

<table>
<thead>
<tr>
<th>Period Ended</th>
<th>Total Renewals</th>
<th>Renewals Examined</th>
<th>% Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 31, 2011</td>
<td>342</td>
<td>342</td>
<td>93%</td>
</tr>
<tr>
<td>July 31, 2011</td>
<td>361</td>
<td>361</td>
<td>92%</td>
</tr>
<tr>
<td>April 30, 2011</td>
<td>292</td>
<td>292</td>
<td>95%</td>
</tr>
<tr>
<td>January 31, 2011</td>
<td>968</td>
<td>968</td>
<td>91%</td>
</tr>
<tr>
<td>January 31, 2010</td>
<td>491</td>
<td>246</td>
<td>85%</td>
</tr>
<tr>
<td>January 31, 2009</td>
<td>209</td>
<td>209</td>
<td>73%</td>
</tr>
</tbody>
</table>

For the period ended January 31, 2010, a sampling approach was used in the analysis. As the sample represented more than 50% of the population of renewals and was selected on a random basis, the Company believes it was a representative sample of the renewal population. During the periods presented, no changes were made to the Company's pricing policy, pricing approval process, or sales strategy. Therefore the Company considered a sampling methodology to be appropriate during the fiscal 2010 period.

48. **We note that revenue from term licenses bundled with maintenance is recognized ratably over the term of the license as you do not have VSOE of the maintenance. Please tell us where you classify these revenues and related costs in your Consolidated Statements of Operations. If you classify these revenues and related costs as a single line item or allocate between products and services please explain your basis of presentation or allocation methodology, why you believe such presentation is reasonable and confirm to us that this presentation has been consistently applied. Assuming that your presentation of revenues and cost of revenues is considered reasonable for purposes of complying with Rule 5-03(b)(1) and (2) of Regulation S-X, please ensure that your disclosures include a discussion of your basis of presentation or allocation methodology and discuss the reasons for such presentation or allocation. As part of your response, please quantify, for the periods presented, the amount of revenue recognized for term licenses.**

<table>
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<td>January 31, 2009</td>
<td>209</td>
<td>209</td>
<td>73%</td>
</tr>
</tbody>
</table>
In response to the Staff's comment, we have updated the disclosure on page F-8 to include a discussion of the Company's basis of presentation or allocation methodology. We supplementally advise the Staff that, in the Company's consolidated statements of operations, revenues and costs are categorized as license or maintenance and services. In order to comply with the requirements of Rule 5-03(b)(1) and (2) of SEC Regulation S-X, the Company allocates revenues from arrangements containing multiple elements to each of these categories based on the VSOE of fair value for elements in each revenue arrangement and the application of the residual method for arrangements in which the Company has established VSOE of fair value for all undelivered elements. In arrangements where the Company is not able to establish VSOE of fair value for all undelivered elements (i.e., typically term licenses), the Company first allocates revenues to any undelivered elements for which VSOE of fair value has been established, then allocates revenues to any undelivered elements for which VSOE of fair value has not been established based upon management's best estimate of fair value of those undelivered elements and applies a residual method to determine the license fee. Management's best estimate of fair value of undelivered elements for which VSOE of fair value has not been established is based upon the VSOE of similar offerings and other objective criteria. The Company believes the separate classification by class of revenues is more meaningful to the readers of the financial statements than other alternatives, and therefore, this treatment is consistent with "Remarks before the 2007 AICPA National Conference on Current SEC and PCAOB Developments" by Mark Barrysmith, Professional Accounting Fellow, Office of the Chief Accountant, U.S. Securities and Exchange Commission on December 10, 2007. The Company confirms this methodology has been consistently applied.

The amount of revenues recognized for term licenses during fiscal 2009, 2010 and 2011 was not material to any of the periods. Costs of revenues attributable to license or maintenance and services are charged directly to the appropriate category based on the nature of the cost.

49. We note that you sell your software through distributors and resellers. Please revise to clarify your revenue recognition policies for indirect sales, including whether you recognize revenue when sold to your resellers or only when delivered to the end-users and whether resellers have return rights or other rights and warranties. In addition, disclose the amount of revenue recognized from these third-party sales for the periods presented.

In response to the Staff's comment, we have revised the disclosure on pages 64 and F-10 to clarify the Company's revenue recognition policies for indirect sales. We respectfully submit to the Staff that disclosing the amount of revenues from third-party sales is not a meaningful metric for investors as the Company is still developing its channel relationships outside the United States. For example, in most cases, the Company's sales force accompanies its distributors and resellers on customer sales calls. For these reasons, the Company believes that disclosing the amount of revenues from indirect channels is not a meaningful financial metric for investors, at least until such time as these channel relationships further mature into a more typical leveraged sales model.

50. We note your disclosure that substantially all of your professional services arrangements are billed on a time and materials basis and are recognized as the services are performed. Please revise to clarify your revenue recognition policy for such services when they are included in bundled arrangements that include time-based licenses and maintenance where VSOE of maintenance has not been established. Refer to ASC 985-605-25-10.

In response to the Staff's comment, we have revised the disclosure on pages 64 and F-9 to clarify the Company's revenue recognition policy with respect to professional services arrangements.

Note (9) Commitments and contingencies, page F-23

51. You disclose, with respect to legal proceedings, that the "ultimate amount of liability, if any, for any pending claims (either individually or in the aggregate) will not materially affect the company's financial
We also note your disclosure regarding the potential violations of U.S. sanctions or export control laws. If there is a reasonable possibility that a loss exceeding amounts already recognized may have been incurred and the amount of that additional loss would be material, you must either disclose the estimated additional loss, or state that such an estimate cannot be made. Please tell us whether you believe that it is reasonably possible that additional losses would be material and, if so, how your disclosures comply with paragraphs 50-3 through 50-5 of ASC 450-20-50 and SAB Topic 5Y.

In response to the Staff’s comment, we have revised the disclosure on page F-24 to clarify that, specific to the Export Contingency, there is a reasonable possibility that imposed fines could be material to the Company’s financial statements, although the Company is not able to estimate the potential liability, if any, that will be incurred.

52. We note your disclosure on page 26 that you have received notices of claims regarding possible intellectual property infringement and that you are currently involved in a dispute over the Splunk trademark in the European Union. Please tell us how you considered the disclosure guidance in ASC 450-20-50 with respect to these matters.

[***]

Note (13) Income Taxes, page F-25

53. Considering the amount of revenues attributable to international sales reported and the foreign current income tax provision, please explain to us why you report no income/(loss) before income tax expense attributable to international operations for the periods presented.

In response to the Staff’s comment, we have revised the disclosure on page F-27. We supplementally advise the Staff that, for the periods presented, the Company had not established legal presence in international locations, and therefore, the Company did not present income before income tax expense attributable to international locations. The Company believes that it has since established the appropriate legal presence related to its international operations.

54. We note your disclosure on page 32 that you recently discovered lack of compliance with various tax rules and regulations in certain foreign jurisdictions. Please tell us how you considered the need to disclose potential contingencies or reasonably possible additional tax liabilities related to this lack of compliance.

We respectfully advise the Staff that in considering the disclosed lack of compliance with various tax rules and regulations in certain foreign jurisdictions, the Company has recorded accrued liabilities to account for the related probable and estimable losses. The Company believes that, in considering the potential contingencies related to these matters, it is not reasonably possible that additional potential losses would be material.

* * *
Please direct your questions or comments regarding the Company's responses or Amendment No. 1 to me at (650) 493-9300. Thank you for your assistance.

Sincerely,

WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

/s/ JEFFREY D. SAPER

Jeffrey D. Saper

cc: Leonard R. Stein, Esq.

Splunk Inc.

Jon C. Avina, Esq.

Wilson Sonsini Goodrich & Rosati, P.C.

Martin A. Wellington, Esq.
Sarah K. Solum, Esq.

Davis Polk & Wardwell LLP