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As filed with the Securities and Exchange Commission on March 24, 2014.

Registration No. 333-194258

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

Five9, Inc.

(Exact name of registrant as specified in its charter)

Delaware	7372	94- 3394123
(State or other jurisdiction of incorporation or organization)	(Primary Standard industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Bishop Ranch 8
4000 Executive Parkway, Suite 400
San Ramon, CA 94583
(925) 201-2000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Michael Burkland
Chief Executive Officer
Five9, Inc.
Bishop Ranch 8
4000 Executive Parkway, Suite 400
San Ramon, CA 94583
(925) 201-2000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Timothy R. Curry **Ruben A. Garcia** **Jones Day** **1755 Embarcadero Road** **Palo Alto, CA 94303** **(650) 739-3939**	**Anthony J. McCusker** **Richard A. Kline** **Goodwin Procter LLP** **135 Commonwealth Drive** **Menlo Park, California 94025** **(650) 752-3100**

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

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: ☐

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. ☐

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. ☐

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. ☐

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.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☑ (Do not check if a smaller reporting company)	Smaller reporting company	☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, $0.001 par value per share	11,500,000	$11.00	$126,500,000	$16,294

(1) Estimated pursuant to Rule 457(a) under the Securities Act of 1933, as amended. Includes an additional 1,500,000 shares that the underwriters have the option to purchase.

(2) Estimated solely for the purpose of calculating the registration fee.

(3) The Registrant previously paid $14,812 of this amount in connection with the initial filing of this Registration Statement.

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.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated March 24, 2014

Prospectus

10,000,000 Shares

Common Stock

This is the initial public offering of common stock by Five9, Inc. We are offering 10,000,000 shares of common stock.

The estimated initial public offering price is between $9.00 and $11.00 per share. Currently, no public market exists for the shares. We have applied to list our shares of common stock on The NASDAQ Stock Market under the symbol "FIVN."

We are an "emerging growth company" as defined under the federal securities laws. Investing in our common stock involves risks. See "Risk Factors" beginning on page 11 of this prospectus.

	Per Share	Total
Initial public offering price	$	$
Underwriting discounts(1)	$	$
Proceeds to us (before expenses)	$	$

(1) Please see "Underwriting" for a description of the compensation payable to the underwriters.

We have granted the underwriters a 30-day option to purchase up to an additional 1,500,000 shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of 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 on or about , 2014.

J.P. Morgan **Barclays** **BofA Merrill Lynch**

Pacific Crest Securities **Canaccord Genuity** **Needham & Company**

Prospectus dated , 2014

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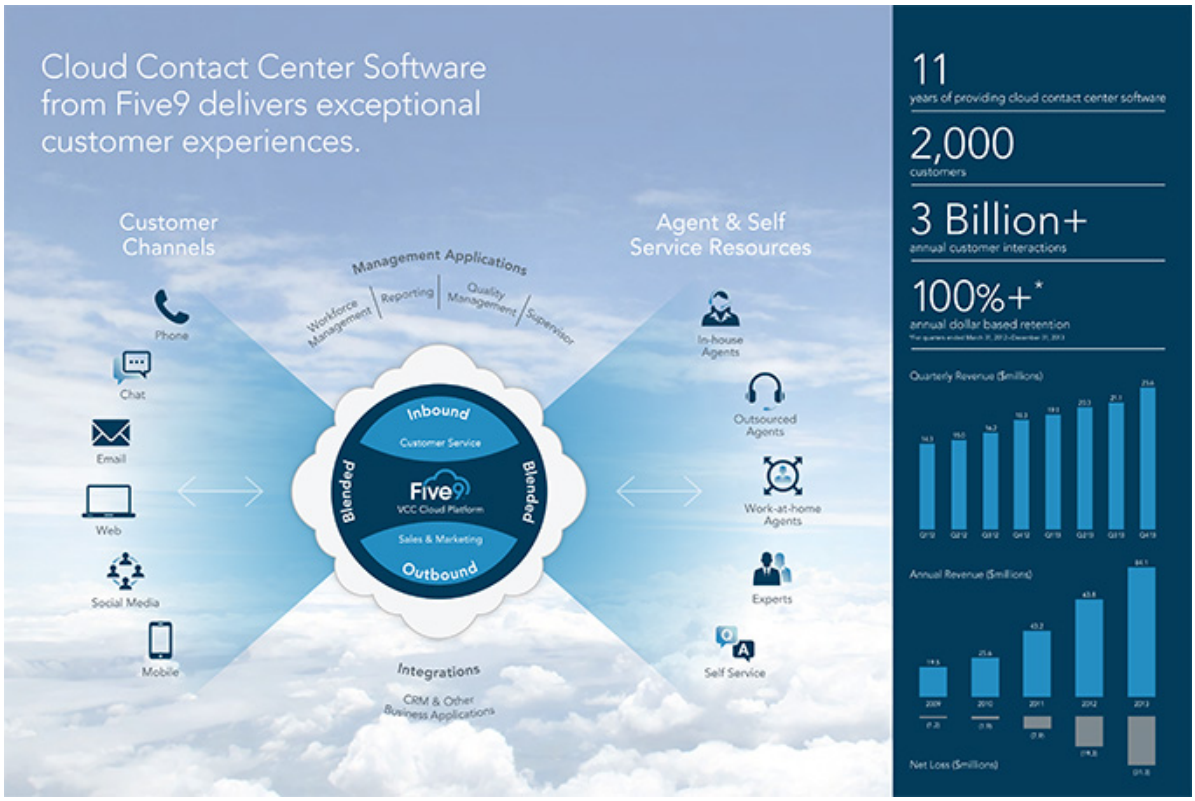

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You should rely only on the information contained in this prospectus and in any related free writing prospectus prepared by or on behalf of us. Neither we nor the underwriters have authorized anyone to provide you with information different from, or in addition to, that contained in this prospectus or any related free writing prospectus. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date. Our business, financial condition, results of operations and prospects may have changed since that date.

Through and including , 2014 (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 nor 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.

PROSPECTUS SUMMARY

The following summary highlights selected information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read the entire prospectus, including the consolidated financial statements and the related notes included in this prospectus and the information set forth under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Unless the context requires otherwise, the words "Five9," "we," "company," "us" and "our" refer to Five9, Inc. and its subsidiaries.

Overview

Five9 is a pioneer and leading provider of cloud software for contact centers. Since our inception, we have exclusively focused on delivering our platform in the cloud and are disrupting a significantly large market by replacing legacy on-premise contact center systems. Our mission is to empower organizations to transform their contact centers into customer engagement centers of excellence, while improving business agility and significantly lowering the cost and complexity of their contact center operations. Our purpose-built, highly scalable and secure Virtual Contact Center, or VCC, cloud platform delivers a comprehensive suite of easy-to-use applications that enable the breadth of contact center-related customer service, sales and marketing functions. We facilitate over three billion interactions between our more than 2,000 clients and their customers per year and believe our ability to combine software and telephony into a single unified platform that is delivered in the cloud creates a significant barrier to entry.

Our solution, which is comprised of our VCC cloud platform and applications, allows simultaneous management and optimization of customer interactions across voice, chat, email, web, social media and mobile channels, either directly or through our application programming interfaces. Our VCC cloud platform matches each customer interaction with an appropriate agent resource and delivers relevant customer data to the agent in real-time through integrations with adjacent enterprise applications, such as customer relationship management software, to optimize the customer experience and improve agent productivity. Delivered on-demand, our solution enables our clients to quickly deploy agent seats in any geographic location with only a computer, headset and broadband internet connection, and rapidly adjust the number of contact center agent seats in response to changing business requirements. Unlike legacy on-premise contact center systems, our solution requires minimal up-front investment, can be rapidly deployed and is maintained by us in the cloud.

Our sales model consists of a field sales team that sells our solution into larger opportunities and a telesales team that sells our solution into smaller opportunities. We have developed a proven, high velocity, metrics-driven sales and marketing strategy designed to effectively identify, qualify and close sales opportunities. We have also developed a large ecosystem of technology and system integrator partners to help increase awareness of our solution in the market and drive incremental sales opportunities with new and existing clients.

We provide our solution through a Software-as-a-Service, or SaaS, business model with recurring subscriptions based primarily on the number of agent seats and minutes of usage of our VCC cloud platform, as well as the specific functionalities and applications our clients deploy. Our recurring revenue model combined with strong revenue retention have enhanced our ability to forecast our financial performance and plan future investments.

We have achieved significant growth in recent periods. For the years ended December 31, 2011, 2012 and 2013, our revenues were $43.2 million, $63.8 million and $84.1 million, respectively, representing year-over-year growth of 48% and 32%, respectively. We incurred net losses of $7.9 million, $19.3 million and $31.3 million for the years ended December 31, 2011, 2012 and 2013, respectively, as a result of increased investment in our growth.

Industry Overview

Contact centers must evolve in today's rapidly changing technology environment

Contact centers are vital hubs of interaction between organizations and their customers and are mission critical to the successful execution of customer service, sales and marketing strategies. Today, customers increasingly expect seamless and personalized communications across multiple channels, including voice, chat, email, web, social media and mobile. In addition, organizations seek to enhance the efficiency of their contact centers by managing agent utilization and unifying geographically dispersed operations. In order to meet these changing demands, contact centers must upgrade their existing on-premise contact center systems or migrate their contact center operations to the cloud.

Legacy on-premise contact center systems are inefficient

The majority of contact center operations today rely on legacy on-premise contact center systems that include business workflows, as well as hardware and software architectures designed more than a decade ago. Key shortcomings of these legacy systems include:

- ***Long and complex implementation and upgrade cycles.*** Implementation and upgrades of legacy on-premise contact center systems require long deployment timelines and complex integrations with other enterprise systems, which frequently result in significant expenditures of time, resources and capital;
- ***Inflexible resource deployment.*** Most legacy on-premise contact center systems do not provide the flexibility to easily manage remote agents and quickly adjust agent seats to accommodate peak call volumes. As a result, organizations are typically unable to quickly scale their contact center operations in response to changing business needs; and
- ***Duplicative technology stacks across multiple sites.*** Organizations must integrate multiple contact center sites to drive efficiency and create a unified customer view. However, the use of legacy on-premise contact center systems often results in dissimilar solutions at each site and integration of these contact center sites requires significant ongoing investment.

Our Opportunity

Based on our current product offerings and historical average annual recurring revenue per seat, we believe that the market for our solution is approximately $22 billion annually worldwide. Gartner estimates that there were 14.5 million contact center agents worldwide in 2012 and forecasts that the cloud penetration of the contact center market in North America will more than double from 5% of total contact center agents in 2012 to 13% in 2016. We believe the adoption of cloud contact center software solutions is increasing rapidly as a result of several distinct trends. The increasing adoption of cloud computing, especially within customer relationship management, or CRM, is creating strong demand for integrated cloud contact center software solutions. Cloud contact center software solutions now offer the functionality required by large, complex enterprise contact centers. Furthermore, we believe organizations typically refresh their on-premise contact center systems every 8-10 years, which provides an ongoing opportunity for cloud solutions to replace legacy on-premise contact center systems when these refresh decisions arise.

Our Solution

We deliver a comprehensive cloud software solution for contact centers. Our solution enables organizations of all sizes to optimize their contact center operations by enhancing agent productivity, improving customer satisfaction and driving cost efficiency. Our solution facilitates inbound customer-initiated interactions and outbound agent-initiated interactions and includes features such as automatic call distribution, interactive voice response, computer-telephony integration, outbound dialers and multi-channel capabilities.

Our cloud contact center software solution includes the following key elements:

- ***Rapid implementation, seamless updates and pre-built integrations.*** Our solution can be deployed and updated quickly with minimal disruption to our clients' contact center operations and provides pre-built integrations with leading CRM and other enterprise applications.
- ***Highly flexible platform.*** Our solution provides easy administration, configuration and role-based functionalities for agents, supervisors and administrators, and enables the rapid adjustment of agent seats to meet changing contact center volumes.
- ***Scalable, secure and reliable multi-tenant architecture.*** Our solution provides organizations of all sizes with the robust contact center functionality, scalability, flexibility and security required in the most sophisticated and distributed environments.

Our solution is designed to provide the following key benefits to our clients:

- ***Higher agent productivity.*** Our solution empowers greater agent productivity and utilization by allowing agents to handle both inbound and outbound calls and interact with customers across multiple other channels, including chat, email, web, social media and mobile.
- ***Improved customer satisfaction.*** Our solution routes each customer interaction to an appropriate agent resource and, through integrations with CRM applications, provides agents with immediate access to the most current, relevant and accurate information about the customer, resulting in increased first contact resolutions and a more satisfying experience for the customer.
- ***Enhanced end-to-end visibility.*** Our VCC cloud platform integrates our clients' deployments across multiple contact center locations, providing an organization-wide view of their contact center operations. Our solution also enables our clients to quickly shift agent resources and adjust agent seats in response to changing business requirements, which results in higher agent utilization.
- ***Greater operational efficiency.*** Our solution provides contact center managers with significant visibility into their agents' productivity and the efficiency and performance of their campaigns.
- ***Compelling value proposition.*** We provide a unified cloud-based software and telephony platform for contact center operations, which enables our clients to simplify their technology infrastructure and streamline IT costs.

Our Competitive Strengths

We believe that our position as a leading provider of cloud contact center software results from several key competitive strengths, including:

- ***Cloud-based, enterprise-grade platform and end-to-end application suite.*** Our highly scalable, secure, multi-tenant architecture enables us to serve large, distributed enterprises with complex contact center requirements, as well as smaller organizations, all from a single cloud platform.
- ***Rapid deployment of our comprehensive solution.*** Our solution enables our clients to quickly deploy and provision agent seats in any geographic location with only a computer, headset and broadband internet connection, and rapidly adjust the number of contact center agent seats in response to changing business requirements.
- ***Proven, repeatable and scalable go-to-market model.*** We engage with our clients through a highly scalable and metrics-driven sales and marketing organization that effectively identifies, qualifies and closes sales opportunities. The deep domain expertise of our field sales team is instrumental in selling to larger opportunities and our highly efficient telesales model enables us to cost-effectively identify, qualify and close a high volume of smaller opportunities.
- ***Established market presence and a large, diverse client base.*** We have a large, diverse client base of over 2,000 organizations across multiple industries. The performance, reliability, ease of use and comprehensive nature of our solution has resulted in high client satisfaction and retention.

- ***Extensive partner ecosystem.*** We have cultivated a robust ecosystem of partners, including a variety of leading CRM software vendors such as Salesforce.com, Inc. and Oracle Corporation, system integrators, analytics, workforce management and performance management software vendors and telephony providers.
- ***Focus on innovation and thought leadership.*** Since our inception, we have been an innovator of cloud contact center software. Our investment in research and development has driven our growth and enabled us to deliver a cloud contact center software solution with the features and functionality to power the most complex contact centers.

Our Growth Strategy

Our objective is to strengthen our position as a leader in cloud contact center software. To accomplish this goal, we are pursuing the following growth strategies:

- ***Capture increased market share.*** We believe there is a substantial opportunity for us to win new clients and increase our market share given the strength and client benefits of our cloud solution.
- ***Continue to increase sales in our existing client base.*** We intend to increase the number of agents using our solution within our existing clients as they experience the benefits of our cloud solution.
- ***Maintain our innovation leadership by strengthening and extending our solution.*** We intend to continue to make significant investments in research and development to strengthen our existing solution and develop additional industry-leading contact center features and applications.
- ***Expand internationally.*** We plan to increase our sales capabilities internationally by expanding our direct sales force and collaborating with strategic partners worldwide to target these markets and grow our international client base.
- ***Further develop our partner ecosystem.*** We have established strong partner relationships with organizations in the contact center ecosystem to further enhance the value of our enterprise-class cloud platform and intend to continue to cultivate new relationships to enhance the value of our solution and drive sales.
- ***Selectively pursue acquisitions.*** In addition to organically developing and strengthening our solution, we intend to actively and selectively explore acquisition opportunities of companies and technologies to expand the functionality of our solution, provide access to new clients or markets, or both.

Risk Factors

Before you invest in our stock, you should carefully consider all of the information in this prospectus, including matters set forth under the heading “Risk Factors.” Risks relating to our business include, among others, that:

- our quarterly and annual results may fluctuate significantly, may not fully reflect the underlying performance of our business and may result in decreases in the price of our common stock;
- if we are unable to attract new clients or sell additional services and functionality to our existing clients, our revenue and revenue growth will be harmed;
- our recent rapid growth may not be indicative of our future growth, and if we continue to grow rapidly, we may fail to manage our growth effectively;
- the markets in which we participate are highly competitive, and if we do not compete effectively, our operating results could be harmed;
- if we fail to manage our technical operations infrastructure, our existing clients may experience service outages, our new clients may experience delays in the deployment of our solution and we could be subject to, among other things, claims for credits or damages;

- if our dollar-based retention rate declines, our revenues, gross margins and net income could decrease and we may be required to spend more money to grow our client base and maintain our revenues;
- we sell our solution to larger organizations that require longer sales and implementation cycles and often demand more configuration and integration services or customized features and functions that we may not offer, any of which could delay or prevent these sales and harm our growth rates, business and operating results;
- because most of our revenue is derived from existing clients, downturns or upturns in new sales will not be immediately reflected in our operating results and may be difficult to discern;
- we rely on third-party telecommunications and internet service providers to provide our clients and their customers with telecommunication services and connectivity to our cloud contact center software and any failure by these service providers to provide reliable services could subject us to, among other things, claims for credits or damages;
- we have a history of losses and we may be unable to achieve or sustain profitability; and
- our directors, executive officers and significant stockholders, who after this offering will hold approximately 87% of the voting power of our outstanding capital stock, will continue to have substantial control over us after this offering and could delay or prevent a change in corporate control.

Company Information

Our principal executive office is located at Bishop Ranch 8, 4000 Executive Parkway, Suite 400, San Ramon, CA 94583 and our telephone number is (925) 201-2000. Our website address is *www.five9.com*. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the registration statement of which it forms a part. We were incorporated in Delaware in 2001.

We own or have rights to trademarks or trade names that we use in connection with the operation of our business, including our corporate names, logos and website names. In addition, we own or have the rights to copyrights, trade secrets and other proprietary rights that protect the content of our products and formulations for such products. Solely for convenience, some of the copyrights, trademarks and trade names referred to in this prospectus are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our copyrights, trademarks and trade names.

THE OFFERING

Common stock offered by us	10,000,000 shares
Option to purchase additional shares offered by us	1,500,000 shares
Common stock to be outstanding after this offering	46,047,510 shares, or 47,547,510 shares if the underwriters exercise their option to purchase additional shares in full.
Use of proceeds	We intend to use the net proceeds from this offering for general corporate purposes, which we expect to include growing our business by expanding our direct sales force and investing to grow our international client base, as well as other working capital, operating expenses and capital expenditures. Additionally, we may use a portion of the net proceeds to acquire complementary businesses, technologies or other assets. However, we do not have agreements or commitments for any acquisitions at this time.
Directed share program	The underwriters have reserved for sale at the initial public offering price up to 5% of the common stock being offered by this prospectus for sale to our employees, executive officers, directors, business associates and related persons who have expressed an interest in purchasing common stock in this offering. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. Please see "Underwriting."
Proposed NASDAQ symbol	"FIVN"

The number of shares of our common stock that will be outstanding after this offering is based on 36,047,510 shares of our common stock (including preferred stock on an as-converted basis) outstanding as of December 31, 2013, and excludes:

- 7,633,399 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock outstanding as of December 31, 2013, with a weighted average exercise price of $3.30 per share;
- 356,485 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock granted subsequent to December 31, 2013, at a weighted average exercise price of $12.14 per share;
- 390,666 shares of our common stock, on an as-converted basis, issuable upon the exercise of warrants outstanding as of December 31, 2013, with a weighted average exercise price of $0.89 per share;
- 177,865 shares of our common stock issuable upon the exercise of warrants with an exercise price of $10.12 per share issued upon the closing of our new loan and security agreement after December 31, 2013; and
- 6,276,135 shares of our common stock reserved for future issuance under our equity incentive plans, consisting of:
  - 96,135 shares of our common stock reserved for future issuance under our Amended and Restated 2004 Equity Incentive Plan, as amended, or our 2004 Plan;
  - 5,300,000 shares of our common stock reserved for future issuance under our 2014 Equity Incentive Plan, or our 2014 Plan; and

¡ 880,000 shares of our common stock reserved for future issuance under our 2014 Employee Stock Purchase Plan, or our ESPP.

Our 2014 Plan and ESPP each provide for annual automatic increases in the number of shares reserved thereunder and our 2014 Plan also provides for increases in the number of shares that may be granted thereunder based on shares under our 2004 Plan that expire, are forfeited or are otherwise repurchased by us, as more fully described in the section titled "Executive Compensation — Employee Benefit and Stock Plans."

Except as otherwise indicated, all information in this prospectus assumes:

- the filing and effectiveness of an amendment to our amended and restated certificate of incorporation in Delaware to give effect to a 4:1 reverse stock split of our outstanding common stock and the effectiveness of our amended and restated certificate of incorporation and bylaws, each of which will occur prior to the completion of this offering;
- the automatic conversion of all outstanding shares of our series A-2 preferred stock, series B-2 preferred stock, series C-2 preferred stock and series D-2 preferred stock into 30,553,921 post-stock split shares of common stock, which will occur in connection with this offering; and
- no exercise of the underwriters' option to purchase additional shares.

SUMMARY HISTORICAL FINANCIAL AND OPERATING DATA

The following table sets forth, for the periods and dates indicated, our summary historical financial and operating data. The following summary consolidated statement of operations data for the years ended December 31, 2011, 2012 and 2013 and the summary consolidated balance sheet as of December 31, 2013 have been derived from our audited 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. You should read this information in conjunction with "Selected Consolidated Historical Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes to those statements included elsewhere in this prospectus.

	Year Ended December 31,		
	2011	2012	2013
	(in thousands, except per share data)		
Consolidated Statements of Operations Data:			
Revenue	$43,188	$ 63,822	$ 84,132
Cost of revenue(1)(2)	24,563	39,306	48,807
Gross profit	18,625	24,516	35,325
Operating expenses:			
Research and development(1)(2)	8,739	13,217	17,529
Sales and marketing(1)(2)	10,207	16,808	28,065
General and administrative(1)(2)	6,990	11,546	18,053
Total operating expenses	25,936	41,571	63,647
Loss from operations	(7,311)	(17,055)	(28,322)
Other expense, net:			
Change in fair value of convertible preferred stock warrant liability	(55)	(1,674)	(1,871)
Interest expense and other, net	(442)	(543)	(1,051)
Total other expense, net	(497)	(2,217)	(2,922)
Loss before provision for income taxes	(7,808)	(19,272)	(31,244)
Provision for income taxes	64	62	70
Net loss	$ (7,872)	$(19,334)	$(31,314)
Net loss per share:			
Basic and diluted	$ (2.99)	$ (5.82)	$ (7.82)
Shares used in computing net loss per share:			
Basic and diluted	2,635	3,321	4,006
Pro forma net loss per share (unaudited):			
Basic and diluted(3)			$ (0.88)
Shares used in computing pro forma net loss per share (unaudited):			
Basic and diluted(3)			33,347
Other Financial Data:			
Adjusted EBITDA(4) (unaudited)	$ (5,415)	$(13,967)	$(21,958)

(1) Stock-based compensation expense is included in our results of operations as follows (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Cost of revenue	$ 17	$ 60	$ 194
Research and development	51	154	499
Sales and marketing	36	112	751
General and administrative	253	138	505
Total stock-based compensation	$ 357	$ 464	$ 1,949

(2) Depreciation and amortization expense is included in our results of operations as follows (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Cost of revenue	$ 1,423	$ 2,439	$ 3,709
Research and development	86	91	214
Sales and marketing	5	21	83
General and administrative	25	73	409
Total depreciation and amortization	$ 1,539	$ 2,624	$ 4,415

(3) See Note 7 to the notes to our consolidated financial statements for an explanation of the method used to calculate the unaudited pro forma basic and diluted net loss per share for the year ended December 31, 2013. All shares to be issued in this offering were excluded from the unaudited pro forma basic and diluted net loss per share calculation.

(4) We calculate Adjusted EBITDA, a non-GAAP financial measure, to analyze our financial results and believe that it is useful to investors, as a supplement to generally accepted accounting principles in the United States, or U.S. GAAP, measures, in evaluating our ongoing operational performance and enhancing an overall understanding of our past financial performance. We believe that Adjusted EBITDA helps illustrate underlying trends in our business that could otherwise be masked by the effect of the income or expenses that we exclude from Adjusted EBITDA. Furthermore, we use this measure to establish budgets and operational goals for managing our business and evaluating our performance. We also believe that Adjusted EBITDA provides an additional tool for investors to use in comparing our recurring core business operating results over multiple periods with other companies in our industry.

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with U.S. GAAP and our calculation of Adjusted EBITDA may differ from that of other companies in our industry. We compensate for the inherent limitations associated with using Adjusted EBITDA through disclosure of these limitations, presentation of our financial statements in accordance with U.S. GAAP and reconciliation of Adjusted EBITDA to the most directly comparable U.S. GAAP measure, net loss. We calculate Adjusted EBITDA as net loss before (1) provision for income taxes, (2) other expense, net, (3) depreciation and amortization and (4) stock-based compensation.

The following provides a reconciliation of net loss to Adjusted EBITDA (unaudited, in thousands):

	Year Ended December 31,		
	2011	2012	2013
Reconciliation of Adjusted EBITDA:			
Net loss	$ (7,872)	$ (19,334)	$ (31,314)
Non-GAAP adjustments:			
Provision for income taxes	64	62	70
Other expense, net	497	2,217	2,922
Depreciation and amortization	1,539	2,624	4,415
Stock-based compensation	357	464	1,949
Adjusted EBITDA	$ (5,415)	$ (13,967)	$ (21,958)

	As of December 31, 2013		
	Actual	Pro Forma(1)	Pro Forma as Adjusted(2)
		(in thousands)	
Consolidated Balance Sheet Data:			
Cash, cash equivalents and short-term investments	$ 17,748	$ 37,309	$ 127,302
Working capital (deficit)	1,076	20,637	111,976
Total assets	56,278	75,839	163,652
Total debt and capital leases(3)	30,332	48,927	48,927
Additional paid-in capital	34,089	92,693	181,843
Total stockholders' equity (deficit)	(2,968)	1,933	91,093

(1) The pro forma consolidated balance sheet data gives effect to the automatic conversion of all outstanding shares of our convertible preferred stock into 30,553,921 shares of our common stock, which conversion will occur in connection with this offering and also gives effect to the additional borrowing as described in footnote (3) below.

(2) The pro forma as adjusted consolidated balance sheet data also give effect to our sale of 10,000,000 shares of our common stock in this offering at an assumed initial public offering price of $10.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We capitalized $2.2 million of our initial public offering expenses as of December 31, 2013 in connection with the preparation of the registration statement of which this prospectus forms a part, of which $1.4 million remained unpaid as of December 31, 2013.

(3) In February 2014, we entered into a loan and security agreement for a term loan of up to $30.0 million. At closing, we borrowed $19.6 million of the term loan net of $0.4 million in debt costs, with the remaining $10.0 million available to be borrowed until February 2015. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations—Loan and Security Agreement."

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this prospectus, including the consolidated financial statements and the related notes included elsewhere in this prospectus, before deciding whether to invest in shares of our common stock. If any of the following risks or other risks actually occur, our business, financial condition, results of operations, and future prospects could be materially harmed. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Industry

Our quarterly and annual results may fluctuate significantly, may not fully reflect the underlying performance of our business and may result in decreases in the price of our common stock.

Our quarterly and annual results of operations, including our revenues, profitability and cash flow may vary significantly in the future and period-to-period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter or period should not be relied upon as an indication of future performance. Our quarterly and annual financial results may fluctuate as a result of a variety of factors, many of which are outside our control and, as a result, may not fully reflect the underlying performance of our business. Fluctuation in quarterly and annual results may negatively impact the value of our common stock. Factors that may cause fluctuations in our quarterly and annual results include, without limitation:

- market acceptance of our solution;
- our ability to attract new clients and grow our business with existing clients;
- client renewal rates;
- changes in strategic and client relationships;
- the timing and success of new product and feature introductions by us or our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, clients or strategic partners;
- network outages or security breaches, which may result in lost clients, client credits and harm to our reputation;
- inaccessibility or failure of our cloud contact center software due to failures in the products or services provided by third parties;
- the timing of recognition of revenues;
- the amount and timing of costs and expenses related to the maintenance and expansion of our business, operations and infrastructure;
- increases or decreases in the elements of our solution or pricing changes upon any renewals of client agreements;
- changes in our pricing policies or those of our competitors;
- the level of professional services and support we provide to clients;
- the components of our revenue;
- the addition or loss of key clients, including through acquisitions or consolidations;
- general economic, industry and market conditions;
- the timing of costs and expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies;
- the regulatory environment;
- the hiring, training and retention of key employees;

- litigation or other claims against us;
- our ability to obtain additional financing; and
- advances and trends in new technologies and industry standards.

If we are unable to attract new clients or sell additional services and functionality to our existing clients, our revenue and revenue growth will be harmed.

To increase our revenue, we must add new clients, encourage existing clients to renew their subscriptions on terms favorable to us and to add additional agent seats and sell additional functionality to existing clients. As our industry matures, or as competitors introduce lower cost and/or differentiated products or services that are perceived to compete favorably with ours, our ability to add new clients and renew or upsell existing clients based on pricing, technology and functionality could be impaired. As a result, we may be unable to renew our agreements with existing clients or attract new clients or new business from existing clients, which could harm our revenue and growth.

A portion of our revenue is generated by acquiring domestic and international telecommunications minutes from wholesale telecommunication service providers and reselling those minutes to our clients. We must resell more minutes if telecommunications rates decrease to maintain our level of usage revenue.

Our recent rapid growth may not be indicative of our future growth, and if we continue to grow rapidly, we may fail to manage our growth effectively.

For the years ended December 31, 2011, 2012 and 2013, our revenue was $43.2 million, $63.8 million and $84.1 million, respectively, representing year-over-year growth of 48% and 32%, respectively. We expect that, in the future, as our revenue increases, our revenue growth rate may decline. We believe growth of our revenue depends on a number of factors, including our ability to:

- capture market share from providers of legacy on-premise contact center systems as contact center systems are refreshed;
- attract new clients, increase our existing clients' use of our solution and further develop our partner ecosystem;
- introduce our solution to new markets outside of the United States and increase global awareness of our brand;
- strengthen and improve our solution through significant investments in research and development; and
- selectively pursue acquisitions.

If we are not successful in achieving these objectives, our revenue may be harmed. In addition, we plan to continue our investment in future growth, including expending substantial financial and other resources on:

- sales and marketing, including a significant expansion of our sales organization;
- our technology infrastructure, including systems architecture, management tools, scalability, availability, performance and security, as well as disaster recovery measures;
- solution development, including investments in our solution development team and the development of new applications and features for existing solutions;
- international expansion; and
- general administration, including legal and accounting expenses related to being a public company.

Moreover, we have recently experienced a period of rapid growth in our headcount and operations. In particular, we grew from 332 employees as of December 31, 2011, to 442 employees as of December 31, 2012, to 533 employees as of December 31, 2013. We have also significantly increased the size of our client base to over

2,000 clients. We anticipate that we will significantly expand our operations and headcount in the near term. This growth has placed, and future growth will place, a significant strain on our management, administrative, operational and financial infrastructure. Our success will depend in part on our ability to manage this growth effectively. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. Failure to effectively manage growth could result in difficulty or delays in adding new clients, declines in quality or client satisfaction, increases in costs, system failures, difficulties in introducing new features or solutions or other operational difficulties, and any of these difficulties could harm our business performance and results of operations.

The expected addition of new employees and the capital investments that we anticipate will be necessary to manage our anticipated growth will make it more difficult for us to generate earnings or offset any future revenue shortfalls by reducing costs and expenses in the short term. If we fail to manage our anticipated growth, we will be unable to execute our business plan successfully.

The markets in which we participate are highly competitive, and if we do not compete effectively, our operating results could be harmed.

The market for contact center solutions is highly competitive. Our clients are not subject to long-term contractual commitments to purchase our solution and can terminate our service and switch to competitors' offerings on short notice.

We currently compete with large legacy technology vendors that offer on-premise enterprise telephony and contact center systems, such as Avaya Inc., or Avaya, and Cisco Systems, Inc., or Cisco, and legacy on-premise software companies that come from a computer telephony integration, or CTI, heritage, such as Aspect Software, Inc., or Aspect, Genesys Telecommunications Laboratories, Inc., or Genesys, and Interactive Intelligence Group, Inc., or Interactive Intelligence. These companies are supplementing their traditional on-premise contact center systems with cloud offerings, either through acquisition or in-house development. Additionally, we compete with vendors that historically provided other contact center services and technologies and expanded to offer cloud contact center software. These companies include inContact, Inc., or inContact, and LiveOps, Inc., or LiveOps. We also face competition from smaller contact center service providers with specialized contact center software offerings. Our actual and potential competitors may enjoy competitive advantages over us, including greater name recognition, longer operating histories and larger marketing budgets, as well as greater financial or technical resources. With the introduction of new technologies and market entrants, we expect competition to intensify in the future.

Some of our competitors can devote significantly greater resources than we can to the development, promotion and sale of their products and services and many have the ability to initiate or withstand substantial price competition. Current or potential competitors may also be acquired by third parties with significantly greater resources. In addition, many of our competitors have stronger name recognition, longer operating histories, established relationships with clients, more comprehensive product offerings, larger installed bases and major distribution agreements with consultants, system integrators and resellers. Our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their product offerings or resources. If our competitors' products, services or technologies become more accepted than our solution, if they are successful in bringing their products or services to market earlier than ours, or if their products or services are less expensive or more technologically capable than ours, then our revenues could be harmed. Pricing pressures and increased competition could result in reduced sales, reduced margins and loss of, or a failure to maintain or improve, our competitive market position, any of which could harm our business.

If we fail to manage our technical operations infrastructure, our existing clients may experience service outages, our new clients may experience delays in the deployment of our solution and we could be subject to, among other things, claims for credits or damages.

Our success depends in large part upon the capacity, stability and performance of our operations infrastructure. From time to time, we have experienced interruptions in service, and may experience such interruptions in the future. For example, on March 20, 2014, we experienced an extended interruption in service due to an issue with third-party equipment that affected our Santa Clara, California colocation facility.

Consistent with prior service interruptions, we anticipate that we will issue client credits and, therefore, revenue for the quarter ending March 31, 2014 will be impacted. While we cannot currently quantify the impact this interruption will have on our revenue, the impact will likely result in our revenue for the quarter ending March 31, 2014 being slightly below our revenue for the quarter ended December 31, 2013. This interruption in service does not impact revenue previously reported for any prior period. These service interruptions may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in client usage and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. Our failure to achieve or maintain expected performance levels, stability and security could harm our relationships with our clients, result in claims for credits or damages, damage our reputation and significantly reduce client demand for our solution and harm our business.

Any future service interruptions could:

- cause our clients to seek credits or damages for losses incurred;
- require us to replace existing equipment;
- affect our reputation as a reliable service provider;
- cause existing clients to cancel or elect not to renew their contracts; or
- make it more difficult for us to attract new clients or expand our business with existing clients.

We have experienced significant growth in the number of agents and interactions that our infrastructure supports. As our client base grows and their use of our service increases, we will be required to make additional investments in our capacity to maintain adequate stability and performance, the availability of which may be limited or the cost of which may be prohibitive. In addition, we need to properly manage our operations infrastructure in order to support version control, changes in hardware and software parameters and the evolution of our solution. If we do not accurately predict or improve our infrastructure requirements to keep pace with growth in our business, our business could be harmed.

If our Dollar-Based Retention Rate declines, our revenues, gross margins and net income could decrease and we may be required to spend more money to grow our client base and maintain our revenues.

We calculate our Dollar-Based Retention Rate by dividing our Retained Net Invoicing by our Retention Base Net Invoicing on a monthly basis, which we then average using the rates for the trailing twelve months for the period being presented. We define Retention Base Net Invoicing as recurring net invoicing from all clients in the comparable prior year period, and we define Retained Net Invoicing as recurring net invoicing from that same group of clients in the current period. We define recurring net invoicing as subscription and related usage revenue excluding the impact of service credits, reserves and deferrals. Historically, recurring net invoicing has been within 10% of our subscription and related usage revenue. We analyze our Dollar-Based Retention Rate data to gain insight into our ability to retain and grow revenue from our clients and measure the long-term value of our client relationships.

We offer both annual and monthly contracts to our clients, with 30 days' notice required for changes in the number of agent seats. Our clients can use this notice period to rapidly adjust the number of agent seats used to meet their changing contact center volume needs, including to reduce the number of agent seats to zero. As a general matter, this means that a client can effectively terminate its agreement with us upon 30 days' notice. As a result, our Dollar-Based Retention Rate could decrease in the future if clients are not satisfied with our service, competition increases from other contact center providers, we experience system outages, alternative technologies emerge, the U.S. or global economy declines or due to many other factors. If our Dollar-Based Retention Rate decreases, we will need to acquire new clients to maintain our existing level of revenues. There can be no assurance that the market for our solution will continue to grow or that we will not lose market share to current or future competitors, either of which would magnify the impact of any decrease in our Dollar-Based Retention Rate. We incur significant costs and expenses, including sales and marketing expenses, to acquire new clients, and those costs and expenses are an important factor in determining our net profitability. Therefore, if we are unsuccessful in maintaining our Dollar-Based Retention Rate or are required to spend significant amounts to acquire new clients, our revenues, gross margins and net income could decrease.

We sell our solution to larger organizations that require longer sales and implementation cycles and often demand more configuration and integration services or customized features and functions that we may not offer, any of which could delay or prevent these sales and harm our growth rates, business and operating results.

As we target our sales efforts at larger organizations, we face greater costs, longer sales and implementation cycles and less predictability in completing our sales. These larger organizations typically require more configuration and integration services, which increases our upfront investment in sales and deployment efforts, with no guarantee that these clients will subscribe to our solution or increase the scope of their subscription. Furthermore, with larger organizations, we must provide greater levels of education regarding the use and benefits of our solution to a broader group of people. As a result of these factors, we must devote a significant amount of sales support and professional services resources to individual clients, thereby increasing the cost and time required to complete sales. Our typical sales cycle for larger organizations is four to five months, but can be significantly longer, and we expect that our average sales cycle may increase as sales to larger organizations continue to grow as a percentage of our business. Longer sales cycles could cause our operating and financial results to be less predictable and to fluctuate from period to period. In addition, many of our clients that are larger organizations initially deploy our solution to support only a portion of their contact center agents. Our success depends on our ability to increase the number of agent seats and the number of applications utilized by larger organizations over time. There is no guarantee that these clients will increase their subscriptions for our solution. If we do not expand our initial relationships with larger organizations, the return on our investments in sales and deployment efforts for these clients will decrease and our business may suffer.

Furthermore, we may not be able to provide the configuration and integration services that larger organizations typically require. For example, our solution does not currently permit clients to add new data fields and functions or modify our code. If prospective clients require customized features or functions that we do not offer, and that would be difficult for them to deploy themselves, then we may lose sales opportunities with larger organizations and our business could suffer.

Because most of our revenue is derived from existing clients, downturns or upturns in new sales will not be immediately reflected in our operating results and may be difficult to discern.

We generally recognize subscription revenue from clients monthly as services are delivered. As a result, most of the subscription revenue we report in each quarter is derived from existing clients. Consequently, a decline in new subscriptions in any single quarter will likely have only a small impact on our revenue results for that quarter. However, the cumulative impact of such declines could harm our revenues in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our solution, and potential changes in our pricing policies or renewal rates, will typically not be reflected in our results of operations until future periods. We also may be unable to adjust our cost structure to reflect the changes in revenue, resulting in lower margins and earnings. In addition, our subscription model makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new clients will be recognized over time as services are delivered. For example, many of our clients initially deploy our solution to support only a portion of their contact center agents. Any increase to our revenue and the value of these existing client relationships will only be reflected in our results of operations as these clients increase the number of agent seats and the number of applications utilized with our solution over time as they experience the benefits of our cloud solution.

We rely on third-party telecommunications and internet service providers to provide our clients and their customers with telecommunication services and connectivity to our cloud contact center software and any failure by these service providers to provide reliable services could subject us to, among other things, claims for credits or damages.

We rely on third-party telecommunication service providers to provide our clients and their customers with telecommunication services. These telephony services include the public switched telephone network, or PSTN, telephone numbers, call termination and origination services, and local number portability for our clients. In addition, we depend on our internet bandwidth suppliers to provide uninterrupted and error-free service through their telecommunications networks. We exercise little control over these third-party providers, which increases our vulnerability to problems with the services they provide. If any of these service providers fail to provide

reliable services, or terminate or increase the cost of the services that we and our clients depend on, we may be required to switch to another service provider. Delays caused by switching our technology to another service provider, if available, and qualifying this new service provider could materially harm our client relationships, business, financial condition and operating results.

Due to our reliance on these service providers, when problems occur, it may be difficult to identify the source of the problem. Service disruption or outages, whether caused by our service, the products or services of our third-party service providers, or our clients' or their customers' equipment and systems, may result in loss of market acceptance of our solution and any necessary repairs or other remedial actions may force us to incur significant costs and expenses. Any failure on the part of third-party service providers to achieve or maintain expected performance levels, stability and security could harm our relationships with our clients, result in claims for credits or damages, damage our reputation, significantly reduce client demand for our solution and seriously harm our financial condition and operating results.

We have a history of losses and we may be unable to achieve or sustain profitability.

We have incurred significant losses in each period since our inception in 2001. We incurred net losses of $7.9 million in the year ended December 31, 2011, $19.3 million in the year ended December 31, 2012 and $31.3 million in the year ended December 31, 2013. As of December 31, 2013, we had an accumulated deficit of $90.8 million. These losses and our accumulated deficit reflect the substantial investments we have made to develop our solution and acquire new clients. We expect our costs and expenses to increase in the future due to anticipated increases in cost of revenues, sales and marketing expenses, research and development expenses and general and administrative expenses and, therefore, we expect our losses to continue for the foreseeable future as we continue to make significant future expenditures to develop and expand our business. Furthermore, to the extent we are successful in increasing our client base, we may also incur increased losses because costs associated with acquiring clients are generally incurred up front, while revenues are recognized over the course of the client relationship. Historically, we also have experienced negative gross margins on our professional services, which are expected to continue in the future. In addition, as a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. You should not consider our recent growth in revenues as necessarily indicative of our future performance. Accordingly, we cannot assure you that we will achieve profitability in the future nor that, if we do become profitable, we will sustain profitability.

If the market for cloud contact center software solutions develops more slowly than we expect or declines, our business could be harmed.

The cloud contact center software solutions market is not as mature as the market for legacy on-premise contact center systems, and it is uncertain whether cloud contact center solutions will achieve and sustain high levels of client demand and market acceptance. Our success will depend to a substantial extent on the widespread adoption of cloud contact center software solutions as a replacement for legacy on-premise systems. Many larger organizations have invested substantial technical, personnel and financial resources to integrate legacy on-premise contact center systems into their businesses and, therefore, may be reluctant or unwilling to migrate to cloud contact center solutions such as ours. It is difficult to predict client adoption rates and demand for our solution, the future growth rate and size of the cloud contact center software market, or the entry of competitive products and services. The expansion of the cloud contact center software solutions market depends on a number of factors, including the refresh rate for legacy on-premise systems, cost, performance and perceived value associated with cloud contact center software solutions, as well as the ability of providers of cloud contact center software solutions to address security, stability and privacy concerns. If other cloud contact center solution providers experience security incidents, loss of client data, disruptions in delivery or other problems, the market for cloud contact center software products, solutions and services as a whole, including our solution, may be harmed. If cloud contact center software solutions do not achieve widespread adoption, or there is a reduction in demand for such solutions caused by a lack of client acceptance, enhanced product offerings from on-premise providers, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, it could result in decreased revenues and our business could be harmed.

Shifts over time or from quarter-to-quarter in the mix of sizes or types of organizations that purchase our solution or changes in the components of our solution purchased by our clients could harm our operating results.

Our strategy is to sell our solution to both smaller and larger organizations. Our gross margins can vary depending on numerous factors related to the implementation and use of our solution, including the features and number of agent seats purchased by our clients and the level of usage and professional services and support required by our clients. For example, our larger clients typically require more professional services and because our professional services offerings typically have negative margins, any increase in sales of professional services could harm our gross margins and operating results. Sales to larger organizations may also entail longer sales cycles and more significant selling efforts. Selling to smaller clients may involve lower Dollar-Based Retention Rates, smaller contract sizes and greater credit risk and uncertainty. If the mix of organizations that purchase our solution changes, or the mix of solution components purchased by our clients, changes, our revenues and gross margins could decrease and our operating results could be harmed.

We depend on data centers operated by third parties and any disruption in the operation of these facilities could harm our business.

We host our solution at data centers located in Santa Clara, California and Atlanta, Georgia. Any failure or downtime in one of our data center facilities could affect a significant percentage of our clients. While we control and have access to our servers and all of the components of our network that are located in our external data centers, we do not control the operation of these facilities. The owners of our data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, or if one of our data center operators is acquired, closes, suffers financial difficulty or is unable to meet our growing capacity needs, we may be required to transfer our servers and other infrastructure to new data center facilities, and we may incur significant costs and service interruptions in connection with doing so.

Our data centers are subject to various points of failure. Problems with cooling equipment, generators, uninterruptible power supply, routers, switches, or other equipment, whether or not within our control, could result in service interruptions for our clients as well as equipment damage. Our data centers are subject to disasters such as earthquakes, floods, fires, hurricanes, acts of terrorism, sabotage, break-ins, acts of vandalism and other events, which could cause service interruptions or the operators of these data centers to close their facilities for an extended period of time or permanently. The destruction or impairment of any of our data center facilities could result in significant downtime for our solution and the loss of client data. Because our ability to attract and retain clients depends on our providing clients with highly reliable service, even minor interruptions in our service could harm our business, revenues and reputation. Additionally, in connection with the continuing expansion of our existing data center facilities, there is an increased risk that service interruptions may occur as a result of server addition, relocation or other issues.

In addition, our data centers are subject to increased costs of power. We may not be able to pass on any increase in costs of energy to our clients, which could reduce our operating margins.

Our limited operating history makes it difficult to evaluate and predict our current business and future prospects.

We have been in existence since 2001, and much of our growth has occurred in recent periods. Our limited operating history and recent growth may make it difficult for you to evaluate our current business and our future prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including increasing and unforeseen expenses as we continue to grow our business.

Our ability to forecast our future operating results is limited and subject 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 rapidly changing industries, such as the risks and uncertainties described herein. If our assumptions regarding these risks and uncertainties, which we use to plan our business, are incorrect or change due to adjustments 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.

If our solution fails to perform properly or if it contains technical defects, our reputation could be harmed, our market share may decline and we could be subject to product liability claims.

Our solution may contain undetected errors or defects that may result in failures or otherwise cause our solution to fail to perform in accordance with client expectations. Because our clients use our solution for mission-critical aspects of their business, any errors or defects in, or other performance problems with, our solution may damage our clients' businesses and could significantly harm our reputation. If that occurs, we could lose future sales, or our existing clients could elect to cancel or not renew our solution, seek payment credits or delay or withhold payment to us, which could result in reduced revenues, an increase in our provision for uncollectible accounts and service credits and an increase in collection cycles for accounts receivable. Clients also may make indemnification or warranty claims against us, which could result in significant expense and risk of litigation. Product performance problems could result in loss of market share, failure to achieve market acceptance and the diversion of development resources.

Any product liability, intellectual property, warranty or other claims against us could damage our reputation and relationships with our clients, and could require us to spend significant time and money in litigation or pay significant settlements or damages. Although we maintain general liability insurance, including coverage for errors and omissions, this coverage may not be sufficient to cover liabilities resulting from such claims. Also, our insurer may disclaim coverage. Our liability insurance also may not continue to be available to us on reasonable terms, in sufficient amounts, or at all. Any contract or product liability claims successfully brought against us would harm our business.

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

Our solution involves the storage and transmission of our clients' information, including information about our clients' customers or other information treated by our clients as confidential. Unauthorized access or other breaches in our security could result in the loss of confidentiality, integrity and availability of information, leading to litigation, indemnity obligations and other liability. While we have security measures in place to protect client information and minimize the probability of security breaches, if these measures fail as a result of third-party action, employee error, malfeasance or otherwise, and someone obtains unauthorized access to our clients' data, our reputation could be damaged, our business may suffer and we could incur significant liability. Because the 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. In addition, any failure on the part of third parties, including our clients, to achieve or maintain security measures for their own systems could harm our relationships with our clients, result in claims against us for credits or damages, damage our reputation and significantly reduce client demand for our solution. Any or all of these issues could harm our ability to attract new clients, cause existing clients to elect not to renew their subscriptions, result in reputational damage or subject us to third-party lawsuits, regulatory fines or other action or liability, all of which could harm our operating results.

The contact center software solutions market is subject to rapid technological change, and we must develop and sell incremental and new products in order to maintain and grow our business.

The contact center software solutions market is characterized by rapid changes in client requirements, frequent introductions of new and enhanced products and continuing and rapid technological advancement. To compete successfully, we must continue to design, develop, manufacture and sell new and enhanced contact center products, applications and features that provide increasingly higher capabilities, performance and stability at lower cost. If we are unable to develop new features for our existing solution or new applications that achieve market acceptance or that keep pace with technological developments, our business would be harmed. For example, we are focused on enhancing the reliability, features and functionality of our contact center solution to enhance its utility to our clients, particularly larger clients with complex, dynamic and global operations. The

success of these enhancements depends on many factors, including timely development, introduction and market acceptance, as well as our ability to transition our existing clients to these new products, applications and features. Failure in this regard may significantly impair our revenue growth. In addition, because our solution is designed to operate on a variety of systems, we will need to continuously modify and enhance our solution to keep pace with changes in hardware, operating systems, the increasing trend toward multi-channel communications and other changes to software technologies. We may not be successful developing these modifications and enhancements or bringing them to market in a timely fashion. Furthermore, uncertainties about the timing and nature of new network platforms or technologies, or modifications to existing platforms or technologies, could delay introduction of our solution and increase our research and development expenses. Any failure of our solution to operate effectively with future network platforms and technologies could reduce the demand for our solution, result in client dissatisfaction and harm our business.

Our ability to continue to enhance our solution is dependent on adequate research and development resources. If we are not able to adequately fund our research and development efforts, we may not be able to compete effectively and our business and operating results may be harmed.

In order to remain competitive, we must continue to develop new solution offerings and enhancements to our existing cloud contact center software. Maintaining adequate research and development personnel and resources to meet the demands of the market is essential. If we are unable to develop products, applications or features internally due to certain constraints, such as high employee turnover, inability to hire sufficient research and development personnel or a lack of other research and development resources, we may miss market opportunities. Furthermore, many of our competitors expend a considerably greater amount of funds on their research and development programs, and those that do not may be acquired by larger companies that would allocate greater resources to our competitors' research and development programs. Our failure to devote adequate research and development resources or compete effectively with the research and development programs of our competitors could harm our business.

Our growth depends in part on the success of our strategic relationships with third parties and our failure to successfully grow and manage these relationships could harm our business.

We leverage strategic relationships with third parties, such as CRM, system integrator, technology and telephony providers. For example, our CRM and system integrator relationships provide significant lead generation for new client opportunities. As we grow our business, we will continue to depend on both existing and new strategic relationships. Our competitors may be more successful than we are in establishing relationships with third parties or may provide incentives to third parties to favor their products over our solution. Furthermore, if our partners are acquired, they may no longer support or promote our solution, or may be less effective in doing so, which could harm our business, financial condition and operations. If we are unsuccessful in establishing or maintaining our strategic relationships with third parties, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased client usage of our solution or increased revenue.

In addition, identifying new partners, and negotiating and documenting relationships with them, requires significant time and resources. As the complexity of our solution and our third-party relationships increases, the management of those relationships and the negotiation of contractual terms sufficient to protect our rights and limit our potential liabilities will become more complicated. We also license technology from certain third-party partners. Certain of these license agreements permit either party to terminate all or a portion of the license without cause at any time. Our inability to successfully manage these complex relationships or negotiate sufficient contractual terms could harm our business.

If we are unable to maintain the compatibility of our software with other products and technologies, our business would be harmed.

Our clients often integrate our solution with their business applications, particularly third-party CRM solutions. These third-party providers or their partners could alter their products so that our solution no longer integrates well with them, or they could delay or deny our access to technology releases that allow us to adapt our

solution to integrate with their products in a timely fashion. If we cannot adapt our solution to changes in complementary technology deployed by our clients, it may significantly impair our ability to compete effectively.

We are subject to many hazards and operational risks that can disrupt our business, some of which may not be insured or fully covered by insurance.

Our operations are subject to many hazards inherent in the cloud contact center software business, including:

- damage to third-party and our infrastructure and data centers, related equipment and surrounding properties caused by earthquakes, hurricanes, tornadoes, floods, fires and other natural disasters, explosions and acts of terrorism;
- inadvertent damage from third parties; and
- other hazards that could also result in suspension of operations, personal injury and even loss of life.

These risks could result in substantial losses and the curtailment or suspension of our operations. For example, in the event of a major earthquake along the west coast (where our corporate headquarters and one of our data centers are located), hurricane or tropical storm in the southeastern United States (where our other data center is located) or catastrophic events such as fire, power loss, telecommunications failure, cyber-attack, war or terrorist attack, we may be unable to continue our operations and may endure system and service interruptions, reputational harm, delays in product development, breaches of data security and loss of critical data, all of which could harm our operating results.

We are not insured against all claims, events or accidents that might occur. If a significant accident or event occurs that is not fully insured, if we fail to recover all anticipated insurance proceeds for significant accidents or events for which we are insured, or if we or our data center providers fail to reopen facilities damaged by such accidents or events, our operations and financial condition could be harmed. In addition to being denied coverage under existing insurance policies, we may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates.

Our business could be harmed if our clients are not satisfied with the professional services and technical support provided by us or our partners.

Our business depends on our ability to satisfy our clients, not only with respect to our solution but also with the professional services and technical support that are performed to enable our clients to implement and use our solution to address their business needs. Professional services and technical support may be performed by our own staff or, with respect to a select subset of our solution, by third parties. We may be unable to respond quickly enough to accommodate short-term increases in client demand for support services. We also may be unable to modify the format of our support services to compete with changes in support services provided by our competitors. Increased client demand for these services, without corresponding revenues, could increase costs and harm our operating results. If a client is not satisfied with the deployment and ongoing services performed by us or a third party, then we could lose clients, miss opportunities to expand our business with these clients, incur additional costs, or lose, or suffer reduced margins on, our service revenue, any of which could damage our ability to grow our business. In addition, negative publicity related to our professional services and technical support, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective clients.

The loss of one or more of our key clients, or a failure to renew our subscription agreements with one or more of our key clients, could harm our ability to market our solution.

We rely on our reputation and recommendations from key clients in order to market and sell our solution. The loss of any of our key clients, or a failure of some of them to renew or to continue to recommend our solution, could have a significant impact on our revenues, reputation and our ability to obtain new clients. In addition, acquisitions of our clients could lead to cancellation of our contracts with those clients or by the acquiring companies, thereby reducing the number of our existing and potential clients.

Our clients may fail to pay us in accordance with the terms of their agreements, necessitating action by us to collect payment, or may terminate their subscriptions for our solution.

If clients fail to pay us under the terms of our agreements, fail to comply with the terms of our agreements, or terminate their subscriptions for our solution, we may lose revenue, be unable to collect amounts due to us, be subject to legal or regulatory action and incur costs in enforcing the terms of our contracts, including litigation. These risks increase the longer the term of our client arrangements. Some of our clients may seek bankruptcy protection or other similar relief and fail to pay amounts due to us, or pay those amounts more slowly, either of which could harm our operating results, financial position and cash flow.

Sales to clients outside the United States or with international operations and our international sales efforts and operations support expose us to risks inherent in international sales and operations.

A key element of our growth strategy is to expand our international sales efforts and develop a worldwide client base. Because of our limited experience with international sales efforts, our international expansion may not be successful and may not produce the return on investment we expect. To date, we have realized only a small portion of our revenues from clients outside the United States.

We currently have full-time employees in the Philippines, who provide technical support, training and other professional services, as well as in Russia, who provide software development services. Operating in international markets requires significant resources and management attention and subjects us to intellectual property, regulatory, economic and political risks that are different from those in the United States. As we increase our international sales efforts and continue our other international operations, we will face risks in doing business internationally that could harm our business, including:

- the need to establish and protect our brand in international markets;
- the need to localize and adapt our solution for specific countries, including translation into foreign languages and associated costs and expenses;
- difficulties in staffing and managing foreign operations, particularly hiring and training qualified sales and service personnel;
- different pricing environments, longer sales and accounts receivable payment cycles and collections issues;
- new and different sources of competition;
- general economic conditions in international markets;
- fluctuations in the value of the U.S. dollar and foreign currencies, which may make our solution more expensive in other countries or may impact our operating results when translated into U.S. dollars;
- compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, tax, telecommunications and telemarketing laws and regulations;
- privacy and data protection laws and regulations that are complex, expensive to comply with and may require that client data be stored and processed in a designated territory;
- weaker protection for intellectual property and other legal rights than in the U.S. and practical difficulties in enforcing intellectual property and other rights outside of the U.S.;
- increased risk of international telecom fraud;
- laws and business practices favoring local competitors;
- 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 solution in certain foreign markets, and the risks and costs of non-compliance;

- increased financial accounting and reporting burdens and complexities;
- restrictions on the transfer of funds;
- adverse tax consequences; and
- unstable economic and political conditions.

The occurrence of any of these risks could harm our international operations, increase our operating costs and hinder our ability to grow our international business and, consequently, our overall business and results of operations.

In addition, compliance with laws and regulations applicable to our international operations increases our cost of doing business outside the United States. We may be unable to keep current with changes in foreign government requirements and laws as they change from time to time. Failure to comply with these regulations could harm our business. In many countries outside the United States 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 have implemented policies and procedures designed to ensure compliance with these laws and policies, there can be no assurance that all of our employees, contractors, strategic partners and agents will comply with these laws and policies. Violations of laws or key control policies by our employees, contractors, strategic partners or agents could result in delays in revenue recognition, financial reporting misstatements, fines, penalties, or prohibitions on selling our solution and could harm our business.

We depend on our senior management team and the loss of one or more key employees or an inability to attract and retain highly skilled employees could harm our business.

Our success largely depends upon the continued services of our key executive officers. We also rely on our leadership team in the areas of research and development, marketing, sales, services and general and administrative functions, and on mission-critical individual contributors. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives, which could disrupt our business. The loss of one or more of our executive officers or key employees could seriously harm our business. We currently do not maintain key person life insurance policies on any of our employees.

To execute our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel is intense, especially for engineers with high levels of experience in designing and developing cloud software and for senior sales executives. We have, from time to time, experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or we have breached legal obligations, resulting in a diversion of our time and resources and, potentially, damages. In addition, job candidates and existing employees, particularly in the San Francisco Bay Area, often consider the value of the stock awards they receive in connection with their employment. If the perceived value of our stock awards declines, either because we are a public company or otherwise, it may harm our ability to recruit and retain highly skilled employees. In addition, we invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects would be harmed.

Failure to adequately expand our sales force will impede our growth.

We will need to continue to expand and optimize our sales infrastructure in order to grow our client base and our business. We plan to aggressively expand our sales force, both domestically and internationally. Identifying and recruiting qualified personnel and training them in the use of our solution requires significant time, expense and attention. It can take several months before our sales representatives are fully trained and productive. Our business may be harmed if our efforts to expand and train our sales force do not generate a corresponding increase in revenues. In particular, if we are unable to hire, develop and retain talented sales personnel or if new sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the expected benefits of this investment or increase our revenues.

If we fail to grow our marketing capabilities and develop widespread brand awareness cost effectively, our business may suffer.

Our ability to increase our client base and achieve broader market acceptance of our cloud contact center software solution will depend to a significant extent on our ability to expand our marketing operations. We plan to dedicate significant resources to our marketing programs, including internet advertising, digital marketing campaigns, social marketing, trade shows, industry events, co-marketing with strategic partners and telemarketing. The effectiveness of our online advertising has varied over time and may vary in the future due to competition for key search terms, changes in search engine use and changes in the search algorithms used by major search engines. All of these efforts will continue to require us to invest significant financial and other resources in our marketing efforts. Our business will be seriously harmed if our efforts and expenditures do not generate a proportionate increase in revenue.

In addition, we believe that developing and maintaining widespread awareness of our brand in a cost-effective manner, both in the United States and internationally, is critical to achieving widespread acceptance of our solution and attracting new clients. Brand promotion activities may not generate client awareness or increase revenues, and even if they do, any increase in revenues may not offset the costs and expenses we incur in building our brand. If we fail to successfully promote, maintain and protect our brand, or incur substantial costs and expenses, we may fail to attract or retain clients necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is critical for broad client adoption of our solution.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

To date, we have financed our operations, primarily through sales of our solution, net proceeds from the issuance of our convertible preferred stock, lease facilities and, more recently, debt financing. We do not know when or if our operations will generate sufficient cash to fund our ongoing operations. In the future, we may require additional capital to respond to business opportunities, challenges, acquisitions, a decline in sales, increased regulatory obligations or unforeseen circumstances and may engage in equity or debt financings or enter into credit facilities.

We have a substantial amount of debt. As of December 31, 2013, we had $17.5 million outstanding under the loan and security agreement governing our revolving line of credit and term loan and $3.7 million outstanding under a promissory note with the Universal Services Administration Company. In February 2014, we entered into a loan and security agreement for a term loan of up to $30.0 million. At closing, we borrowed $19.6 million of the term loan net of $0.4 million in debt costs, with the remaining $10.0 million available to be borrowed until February 2015. Our loan and security agreements are collateralized by substantially all of our assets and contain a number of covenants that limit our ability to, among other things, sell assets, make acquisitions or investments, incur debt, grant liens, pay dividends, enter into transactions with our affiliates and use all of our available cash on hand and may prevent us from engaging in acts that may be in our best long-term interests. The existing collateral pledged under the loan and security agreements and the covenants to which we are bound may prevent us from being able to timely secure additional debt or equity financing on favorable terms, or at all, or to pursue business opportunities, including potential acquisitions. Any debt financing obtained by us in the future would cause us to incur additional debt service expenses and could include 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 pursue business opportunities. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to grow and support our business and to respond to business challenges could be significantly limited.

Adverse economic conditions may harm our business.

Our business depends on the overall demand for cloud contact center software solutions and on the economic health of our current and prospective clients. The recent financial recession resulted in a significant weakening of the economy in the United States and globally, more limited availability of credit, a reduction in business confidence and activity, and other difficulties that affected the industries to which we sell our solution. We plan to market and sell our solution in Europe, Asia and other international markets. If economic conditions

in the United States, Europe and Asia and other key potential markets for our solution continue to remain uncertain or deteriorate further, many clients may delay or reduce their contact center and overall information technology spending. If our clients continue to experience economic hardship, this could reduce the overall demand for our solution, delay and lengthen sales cycles and lead to slower growth or even a decline in our revenues, net income and cash flows.

The forecasts of market growth included in this prospectus may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, our business may not grow at similar rates, if at all.

Growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The forecasts in this prospectus relating to the expected growth in contact centers and contact centers as a service may prove to be inaccurate.

Even if these markets experience the forecasted growth described in this prospectus, we may not grow our business at similar rates, or at all. Our growth is subject to many factors, including whether the market for cloud contact center software solutions continues to grow, the rate of market acceptance of our solution versus those of our competitors and our success in implementing our business strategies, each of which is subject to many risks and uncertainties. Accordingly, the forecasts of market growth included in this prospectus should not be taken as indicative of our future growth.

We may acquire other companies or technologies, which could divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our operating results.

We may in the future seek to acquire or invest in businesses, applications or technologies that we believe could complement or expand our solution, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various costs and expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. We may not be able to identify desirable acquisition targets or be successful in entering into an agreement with any particular target.

To date, the growth in our business has been primarily organic, and we have limited experience in acquiring other businesses, having only completed one small acquisition. In October 2013, we acquired Face It, Corp., which we refer to as SoCoCare, a social engagement and mobile customer care solution provider. In any acquisitions, including SoCoCare, we may not be able to successfully integrate acquired personnel, operations and technologies, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from our acquisition of SoCoCare or future acquired businesses due to a number of factors, including:

- inability to integrate or benefit from acquisitions in a profitable manner;
- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs;
- difficulty converting the clients of the acquired business to our solution and contract terms, including disparities in the revenues, licensing, support or professional services model of the acquired company;
- difficulty integrating the accounting systems, operations and personnel of the acquired business;
- difficulties and additional costs and expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- diversion of management's attention from other business concerns;
- harm to our existing relationships with our partners and clients as a result of the acquisition;
- the loss of our or the acquired business's key employees;
- diversion of resources that could have been more effectively deployed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if

our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could harm our results of operations.

Acquisitions could also result in dilutive issuances of equity securities, the use of our available cash, or the incurrence of debt, which could harm our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial condition may suffer.

If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may decrease.

As a public company, we will be required to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires that we evaluate and determine the effectiveness of our internal control over financial reporting and, beginning with our annual report for the year ending December 31, 2015, provide a management report on our internal control over financial reporting, which must be attested to by our independent registered public accounting firm to the extent we are no longer an "emerging growth company," as defined by The Jumpstart Our Businesses Act of 2012, or the JOBS Act. Two material weaknesses were identified in our internal control over financial reporting in 2010, one of which was remediated in 2011 and the other of which was remediated in 2012. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

If in the future we have material weaknesses in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We are in the process of designing and implementing our internal control over financial reporting, which process will be time consuming, costly and complicated. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, 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 attest that our internal control over financial reporting is effective, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could decrease. We could also become subject to stockholder or other third-party litigation as well as investigations by the stock exchange on which our securities are listed, the Securities and Exchange Commission, or SEC, or other regulatory authorities, which could require additional financial and management resources and could result in fines, trading suspensions or other remedies.

Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported operating results.

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, or FASB, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in accounting standards or practices can have a significant effect on our reported results and may even affect our financial statements completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and will occur in the future. Changes to existing rules or the questioning of current practices may harm our reported financial results or the way we account for or conduct our business.

For example, we recognize subscription revenue in accordance with Accounting Standards Update 2009-13, *Revenue Recognition (Topic 605) — Multiple-Deliverable Revenue Arrangements — a Consensus of the Emerging Issues Task Force* ("ASU 2009-13") (formerly known as EITF 08-01). The FASB and the SEC may issue interpretations and guidance for applying the relevant accounting standards to a wide range of sales contract terms and business arrangements that are prevalent in revenue recognition arrangements. As a result of future interpretations or applications of existing accounting standards, including ASU 2009-13, we could be required to delay revenue recognition into future periods, which would harm our operating results.

In addition, certain factors have in the past and may in the future cause us to defer recognition of subscription revenues. For example, the inclusion in our client contracts of material non-standard terms, such as

acceptance criteria, could require the deferral of subscription revenue. To the extent that such contracts become more prevalent in the future our revenue may be harmed.

Because of these factors and other specific requirements under accounting principles generally accepted in the United States for revenue recognition, we must have very precise terms in our arrangements in order to recognize revenue when we deliver our solution or perform our professional services. Negotiation of mutually acceptable terms and conditions can extend our sales cycle, and we may accept terms and conditions that do not permit revenue recognition at the time of delivery.

We may not be able to utilize a significant portion of our net operating loss or research tax credit carryforwards, which could harm our profitability.

As of December 31, 2013, we had federal and state net operating loss carryforwards due to prior period losses of $68.4 million and $35.8 million, respectively, which if not utilized will begin to expire in 2024 for federal purposes and 2014 for state purposes. We also have federal research tax credit carryforwards, which if not utilized will begin to expire in 2024. If we are unable to generate sufficient taxable income to utilize our net operating loss and research tax credit carryforwards, these carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could harm our profitability.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, our ability to utilize net operating loss carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if we experience an “ownership change.” A Section 382 “ownership change” generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws. This offering or future issuances or sales of our stock (including certain transactions involving our stock that are outside of our control) could cause an “ownership change.” If an “ownership change” occurs, Section 382 would impose an annual limit on the amount of pre-ownership change net operating loss carryforwards and other tax attributes we can use to reduce our taxable income, potentially increasing and accelerating our liability for income taxes, and also potentially causing those tax attributes to expire unused. It is possible that such an ownership change could materially reduce our ability to use our net operating loss carryforwards or other tax attributes to offset taxable income, which could harm our profitability.

Risks Related to Our Intellectual Property

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depend in part upon our intellectual property. We currently have three registered and five pending trademarks and four issued U.S. patents and seventeen pending patent applications. We primarily rely on copyright, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, clients, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. We may not be able to obtain any further patents or trademarks, and our pending applications may not result in the issuance of patents or trademarks. We have pending patent applications and limited trademark registrations outside the U.S., and we may have to expend significant resources to obtain additional protection as we expand our international operations. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in other countries, including Russia, where we have significant research and development operations, are uncertain and may afford little or no effective protection of our proprietary technology. Consequently, we may be unable to prevent our proprietary technology from being exploited abroad, which could affect our ability to expand to international markets or require costly efforts to protect our technology.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with

defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Our failure to secure, protect and enforce our intellectual property rights could substantially harm the value of our technology, solutions, brand and business.

We may continue to be subject to third-party intellectual property infringement claims.

There is considerable patent and other intellectual property development activity and litigation in our industry. Our success depends upon our not infringing upon the intellectual property rights of others. Our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our industry. From time to time, third parties have claimed that we are infringing upon their intellectual property rights. For example, on April 3, 2012, NobelBiz, Inc. filed a patent infringement lawsuit against us alleging that our local caller ID management service infringes United States Patent No. 8,135,122. Subsequently, NobelBiz amended its complaint to add claims related to U.S. Patent No. 8,565,399, which is a continuation in the same family as the prior patent and addresses the same technology. NobelBiz seeks damages in the form of lost profits as well as injunctive relief. See “Business — Legal Proceedings.” If NobelBiz is successful in its request for injunctive relief, we will have to stop providing the accused technology, enter into a license agreement with NobelBiz for the technology or modify our technology, any of which could harm our business. There can be no assurance that we (i) will prevail in this action, (ii) can develop non-infringing technology that is accepted in the market if we are enjoined from using the accused technology or (iii) will be able to negotiate favorable licensing terms with NobelBiz. There can also be no assurance that other actions alleging infringement by us of third-party patents will not be asserted or prosecuted against us.

Certain technology necessary for us to provide our solution may be patented by other parties either now or in the future. If such technology were held under patent by another person, we would have to negotiate a license for the use of that technology. We may not be able to negotiate such a license at a price that is acceptable, or at all. The existence of such a patent, or our inability to negotiate a license for any such technology on acceptable terms, could force us to cease using such technology and offering solutions incorporating such technology.

In the future, others may claim that our solution and underlying technology infringe or violate their intellectual property rights. However, we may be unaware of the intellectual property rights that others may claim cover some or all of our technology or solution. Any claims or litigation could cause us to incur significant costs and expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, require that we refrain from using, manufacturing or selling certain offerings or using certain processes, prevent us from offering our solution, or require that we comply with other unfavorable terms, any of which could harm our business and operating results. We may also be obligated to indemnify our clients or business partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify applications, or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time consuming and divert the attention of our management and key personnel from our business operations.

We employ third-party licensed software for use in or with our solution, and the inability to maintain these licenses or errors in the software we license could result in increased costs, or reduced service levels, which could harm our business.

Our solution incorporates certain third-party software obtained under licenses from other companies. We anticipate that we will continue to rely on such third-party software and development tools from third parties in the future. Although we believe that there are commercially reasonable alternatives to the third-party software we currently license, this may not always be the case, or it may be difficult or costly to transition to other providers. In addition, integration of the software used in our solution with new third-party software may require significant work and require substantial investment of our time and resources. To the extent that our solution depends upon the successful operation of third-party software in conjunction with our software, any undetected errors or defects in this third-party software could prevent the deployment or impair the functionality of our solution, delay new product or solution introductions, result in a failure of our solution and injure our reputation. Our use of additional or alternative third-party software would require us to enter into license agreements with third parties.

There can be no assurance that the technology licensed by us will continue to provide competitive features and functionality or that licenses for technology currently utilized by us or other technology which we may seek to license in the future, will be available to us on commercially reasonable terms or at all. The loss of, or inability to maintain, existing licenses could result in implementation delays or reductions until equivalent technology or suitable alternative solutions could be developed, identified, licensed and integrated, and could harm our business.

Our solution utilizes open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

Our solution includes software covered by open source licenses, which may include, for example, free general public use licenses, open source front-end libraries, open source stand-alone applications and open source applications. The terms of various open source licenses have not been interpreted by United States courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our solution. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software, and to make our proprietary software available under open source licenses, if we combine our proprietary software with open source software in a certain manner. In the event that portions of our proprietary software are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our technologies, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our technologies and solutions. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Given the nature of open source software, there is also a risk that third parties may assert copyright and other intellectual property infringement claims against us based on our use of certain open source software programs. Many of the risks associated with the usage of open source software cannot be eliminated, and could harm our business.

Risks Related to Regulatory Matters

Failure to comply with laws and regulations could harm our business.

Our business is subject to regulation by various federal, state, local and foreign governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, environmental laws, consumer protection laws, anti-bribery laws, import/export controls, federal securities laws and tax laws and regulations. In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States and in other circumstances these requirements may be more stringent in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions. If any governmental sanctions, fines or penalties are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, operating results and financial condition could be harmed. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees. Enforcement actions and sanctions could further harm our business, operating results and financial condition.

Increased taxes on our service may increase our clients' cost of using our service and/or reduce our profit margins to the extent the costs are not passed through to our clients, and we may be subject to liabilities for past sales and other taxes, surcharges and fees.

Prior to 2012, we did not collect or remit state or local sales, use, gross receipts, excise and utility user taxes, fees or surcharges on our solution.

During 2011, we analyzed our activities and determined that we were obligated to collect sales taxes on sales of our subscriptions in certain states. Accordingly, we registered with those states, paid past-due amounts and began collecting sales taxes from our clients and remitting such taxes to the applicable state taxing authorities. During 2013, we analyzed our activities and determined that we may be obligated to collect and remit sales, excise and utility user taxes, as well as surcharges as a communications service provider, and pay gross

receipts taxes, on our usage-based fees in certain states and municipalities. We have neither collected nor remitted state and local taxes or surcharges on usage-based fees in any of the periods presented.

Based on our ongoing assessment, we will register for tax and regulatory purposes in states where we determine such regulations apply to our activities and commence collecting and remitting state and local taxes and surcharges on applicable usage-based fees. We have accrued a contingent liability for our best estimate of the probable amount of taxes and surcharges that may be imposed by various states and municipalities on our activities prior to registration. This contingent liability is based on our analysis of a number of factors, including the source location of our usage-based fees and the rules and regulations in each state. The actual amount of state and local taxes and surcharges paid may differ from our estimates. See Note 10 to the notes to our consolidated financial statements.

While we have accrued for these potential liabilities in each period, such accruals are based on analyses of our business activities, the operation of our solution, applicable statutes, regulations and rules in each state and locality and estimates of revenue subject to sales tax or other charge. State and local taxing and regulatory authorities may challenge our position and may decide to audit our business and operations with respect to state or local sales, use, gross receipts, excise and utility user taxes, fees or surcharges, which could result in tax liabilities, fees or surcharges for us above our recorded accrued liability or additional tax liabilities, fees or surcharges for our clients, which could harm our results of operations and our relationships with our clients. In addition, state or local taxing and regulatory authorities may assess penalties and interest related to our tax and regulatory obligations.

The applicability of state or local taxes, fees or surcharges relative to services such as ours is complex, ambiguous and subject to interpretation and change. If states enact new legislation or if taxing and regulatory authorities promulgate new rules or regulations or expand their interpretations of existing rules and regulations, we could incur additional liabilities. In addition, the collection of additional taxes, fees or surcharges in the future could increase our prices or reduce our profit margins. Compliance with new or existing legislation, rules or regulations may also make us less competitive with those competitors who are not subject to, or choose not to comply with, such legislation, rules or regulations. We have incurred, and will continue to incur, substantial ongoing costs associated with complying with state or local tax, fee or surcharge requirements in the numerous markets in which we conduct or will conduct business.

We are subject to assessments for unpaid Universal Service Fund contributions, as well as interest thereon and potential penalties, due to our late registration and reporting of revenues.

During the third quarter of 2012, we determined that based on our business activities, we are classified as a telecommunications service provider for regulatory purposes and we are required to make direct contributions to the federal Universal Service Fund and related funds, or USF, based on revenue we receive from the resale of interstate and international telecommunications services. Previously, we had been advised that our telecommunications services were an integral part of an information service and accordingly made indirect USF contributions as an end user through payments to our wholesale telecommunications service providers. In order to comply with the obligation to make direct contributions, in November 2012, we made a voluntary self-disclosure to the Federal Communications Commission, or FCC, Enforcement Bureau and have registered with the Universal Service Administrative Company, or USAC, which is charged by the FCC with administering the USF. As of December 31, 2013, we had a promissory note issued to USAC of $3.7 million and accrued liabilities for unpaid USF contributions of $4.2 million, which are included in accrued federal fees in the consolidated balance sheet. Approximately $803,000 of these amounts pertains to periods prior to 2008. In April 2013, we began remitting required contributions on a prospective basis directly to USAC.

Our registration with USAC subjects us to assessments for unpaid USF contributions, as well as interest and penalties thereon, due to our late registration and reporting of revenues. We are required to pay assessments for periods prior to our registration. While we are in discussions with the FCC to limit such back assessments to the period 2008 through 2012, it is possible that we will be required to pay back assessments for the period from 2003 to 2007. We are also in discussions with the FCC to obtain credit for the indirect USF payments we have made since 2003 to our wholesale telecommunications service providers. If we are unsuccessful in obtaining

credit from the FCC for these payments, we will seek reimbursement from our wholesale telecommunication service providers. We will face a regulatory and contractual challenge in seeking recovery or credit for our USF reimbursement payments previously made to our wholesale telecommunication service providers. Finally, we are exposed to the potential assessment by the FCC of monetary penalties (or forfeitures) due to our past failure to recognize our obligation as a USF contributor. In lieu of the actual assessment of monetary forfeitures, due to our current voluntary disclosure proceeding with the FCC, we may be asked to make a voluntary contribution to the U.S. Treasury in order to resolve the FCC's investigation amicably.

Our ongoing obligations to pay federal, state and local telecommunications contributions and taxes may decrease our price advantage over our competitors who have historically paid these contributions and taxes and could also make us less competitive with those competitors who are not subject to, or choose not to comply with, those requirements. In addition, if we are unable to continue to pass some or all of the cost of these contributions and taxes to our clients, our profit margins on the minutes we resell will decrease. Our federal contributions and tax obligations may significantly increase in the future, due to new interpretations by governing authorities, governmental budget pressures, changes in our business model or solutions or other factors. See Note 9 to the notes to our consolidated financial statements.

If we do not comply with FCC rules and regulations, we could be subject to FCC enforcement actions, fines, loss of licenses and possibly restrictions on our ability to operate or offer certain of our services.

Since our business is regulated by the FCC, we are subject to existing or potential FCC regulations relating to privacy, disability access, porting of numbers, USF contributions and other requirements. If we do not comply with FCC rules and regulations, we could be subject to FCC enforcement actions, fines, loss of licenses and possibly restrictions on our ability to operate or offer certain of our services. Any enforcement action by the FCC, which may be a public process, would hurt our reputation in the industry, possibly impair our ability to sell our services to clients and could harm our business and results of operations.

Among the regulations to which we are subject, we must comply (in whole or in part) with:

- the Communications Assistance for Law Enforcement Act, or CALEA, which requires covered entities to assist law enforcement in undertaking electronic surveillance;
- contributions to the USF which requires that we pay a percentage of our revenues to support certain federal programs;
- payment of annual FCC regulatory fees based on our interstate and international revenues;
- rules pertaining to access to our services by people with disabilities and contributions to the Telecommunications Relay Services fund; and
- FCC rules regarding Customer Proprietary Network Information, or CPNI, which prohibit us from using such information without customer approval, subject to certain exceptions.

If we do not comply with any current or future rules or regulations that apply to our business, we could be subject to substantial fines and penalties, we may have to restructure our service offerings, exit certain markets, accept lower margins or raise the price of our services, any of which could ultimately harm our business and results of operations.

Reform of federal and state USF programs could increase the cost of our service to our clients, diminishing or eliminating our pricing advantage.

The FCC and a number of states are considering reform or other modifications to USF programs. The way we calculate our contribution may change if the FCC or certain states engage in reform or adopt other modifications. In April 2012, the FCC released a Further Notice of Proposed Rulemaking to consider reforms to the manner in which companies like us contribute to the federal USF program. In general, the Further Notice of Proposed Rulemaking is considering questions like: what companies should contribute, how contributions should be assessed, and methods to improve the administration of the system. We cannot predict the outcome of this proceeding nor its impact on our business at this time.

Should the FCC or certain states adopt new contribution mechanisms or otherwise modify contribution obligations that increase our contribution burden, we will either need to raise the amount we currently collect from our clients to cover this obligation or absorb the costs, which would reduce our profit margins. Furthermore, the FCC has ruled that states can require us to contribute to state USF programs. A number of states already require us to contribute, while others are actively considering extending their programs to include the solution we provide. We currently pass through USF contributions to our clients which may result in our solution becoming less competitive as compared to those provided by our competitors.

Privacy concerns and domestic or foreign laws and regulations may reduce the demand for our solution, increase our costs and harm our business.

Our clients can use our solution to collect, use and store information, including personally identifiable information or other information treated as confidential, regarding their customers and potential customers. Federal, state and foreign government bodies and agencies have adopted, are considering adopting, or may adopt laws and regulations, including the Health Insurance Portability and Accountability Act of 1996, regarding the collection, use, storage and disclosure of such information obtained from consumers and individuals. The costs of compliance with, and other burdens imposed by, such laws and regulations that are applicable to the businesses of our clients may limit the use and adoption of our solution and reduce overall demand, or lead to significant fines, penalties or liabilities for any noncompliance with such privacy laws. Furthermore, privacy concerns may cause consumers to resist providing the personal data necessary to allow our clients to use our solution effectively. Even the perception of privacy concerns, whether or not valid, may inhibit market adoption of our solution in certain industries or countries.

Domestic and international legislative and regulatory initiatives may harm our clients' ability to process, handle, store, use and transmit information, including demographic and personally identifiable information or other information treated as confidential, regarding their customers, which could reduce demand for our solution. The European Union and many countries in Europe have particularly stringent privacy laws and regulations, which may impact our ability to profitably operate in certain European countries.

In addition to government activity, privacy advocacy groups and the technology and other industries are considering various new, additional or different self-regulatory standards that may place additional burdens on us. If the processing of information were to be curtailed in this manner, our solution may be less attractive, which may reduce demand for our solution and harm our business.

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 substantially 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, may not be sustained.

Our stock price may be volatile or may decline, including due to factors beyond our control, 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 the SaaS industry in particular;
- price and volume fluctuations in the overall stock market, including as a result of trends in the U.S. or global economy;
- any major change in our board of directors or management;
- lawsuits threatened or filed against us;
- legislation or regulation of our business, the internet and/or contact centers;
- loss of key personnel;
- new entrants into the contact center market, including the transition by providers of legacy on-premise contact center systems to cloud solutions, as well as cable and incumbent telephone companies and other well-capitalized competitors;
- new products or new sales by us or our competitors;
- the perceived or real impact of events that harm our direct competitors;
- developments with respect to patents or proprietary rights;
- general market conditions; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events, which could be unrelated to, or outside of, our control.

In addition, stock markets 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 harm our business, results of operations, financial condition, reputation 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 intend to use the net proceeds from this offering for general corporate purposes, which we expect to include growing our business by expanding our direct sales force and investing to grow our international client base, as well as other working capital, operating expenses and capital expenditures. Additionally, we may use a portion of the net proceeds to acquire complementary businesses, technologies or other assets. 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 or to influence our decisions regarding the use of proceeds. The net proceeds may be used for 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 46,047,510 shares of our common stock outstanding, based on the number of shares outstanding as of December 31, 2013. This includes the 10,000,000 shares included in this offering, which may be resold in the public market immediately. The remaining 36,047,510 shares are currently restricted as a result of 180-day market stand-off or lock-up agreements. J.P. Morgan Securities LLC and Barclays Capital Inc. may, in their 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. See “Underwriting.”

After this offering, the holders of an aggregate of 30,553,921 shares of our outstanding common stock as of March 6, 2014 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. 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 market stand-off and/or lock-up agreements.

Purchasers in this offering will experience immediate and substantial dilution.

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 $8.34 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, as amended, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of NASDAQ and other applicable securities laws, rules and regulations. Compliance with these laws, rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly after we are no longer an “emerging growth company.” The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management’s attention may be diverted from other business concerns and our costs and expenses will increase, which could harm 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 harmed.

We will incur additional compensation costs in the event that we decide to pay our executive officers cash compensation closer to that of executive officers of other public cloud and technology companies, which would increase our general and administrative expense and could harm our profitability. Any future equity awards will also increase our compensation expenses. We also expect that being a public company and compliance with applicable 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 executive officers and members of our board of directors, particularly to serve on our audit committee and compensation committee.

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 could be advantageous to our competitors and clients and could 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 harmed, and even if the claims are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business and operating results.

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

We are an "emerging growth company" as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised financial accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not "emerging growth companies."

For as long as we continue to be an emerging growth company, we may also take advantage of certain other exemptions from reporting requirements that are applicable to other public companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile or decline.

We will remain an emerging growth company until the earliest of (i) the end of the fiscal year in which the market value of our common stock that is held by non-affiliates is at least $700 million as of the last business day of our most recently completed second fiscal quarter, (ii) the end of the fiscal year in which we have total annual gross revenues of $1 billion or more during such fiscal year, (iii) the date on which we issue more than $1 billion in non-convertible debt in a three-year period or (iv) the end of the fiscal year in which the fifth anniversary of the date of this prospectus occurs.

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 amended and restated certificate of incorporation and amended and restated bylaws, as amended and restated in connection with this offering, may have the effect of delaying or preventing a change in control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws will include provisions that:

- provide that our board of directors is classified into three classes of directors;
- provide that stockholders may remove directors only for cause and only with the approval of holders of at least 66 2/3% of our then outstanding capital stock;
- provide that the authorized number of directors may be changed only by resolution of the board of directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- provide that our stockholders may not take action by written consent, and may only take action at annual or special meetings of our stockholders;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder's notice;
- restrict the forum for certain litigation against us to Delaware;
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election);
- provide that special meetings of our stockholders may be called only by the chairman of the board, our chief executive officer or the board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors; and
- provide that stockholders will be permitted to amend our amended and restated bylaws only upon receiving at least 66 2/3% of the votes entitled to be cast by holders of all outstanding shares then entitled to vote generally in the election of directors, voting together as a single class.

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 amended and restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation, which we will amend prior to the completion of this offering, and the amended and restated certificate of incorporation that we have adopted, which will become effective prior to the completion of this offering, provide that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or to our stockholders, (3) any action asserting a claim

arising pursuant to the Delaware General Corporation Law or (4) any action asserting a claim governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

We do not intend to pay dividends for the foreseeable future. If our stock price does not appreciate after you purchase our shares, you may lose some or all of your investment.

We have never declared or paid any cash dividends on our common stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions and other factors that our board of directors may deem relevant. In addition, our secured credit agreement prohibits us and our subsidiaries from, among other things, paying any dividends or making any other distribution or payment on account of our common stock. 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.

Our directors, executive officers and significant stockholders, who after this offering will hold approximately 87% of the voting power of our outstanding capital stock, 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, 87% of our outstanding common stock, on a fully diluted basis. As a result, these stockholders, acting together, 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, have the ability to control the management and affairs of our company. Accordingly, this concentration of ownership might decrease 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

Some of the statements under the captions “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” and elsewhere in this prospectus may include forward-looking statements within the meaning of the federal securities laws, which involve substantial risks and uncertainties. These statements reflect the current views of our senior management with respect to future events and our financial performance. These statements include forward-looking statements with respect to our business and our industry in general. Statements that include the words “expect,” “intend,” “plan,” “believe,” “project,” “forecast,” “estimate,” “may,” “should,” “anticipate” and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise.

Forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, the following:

- our quarterly and annual results may fluctuate significantly, may not fully reflect the underlying performance of our business and may result in decreases in the price of our common stock;
- if we are unable to attract new clients or sell additional services and functionality to our existing clients, our revenue and revenue growth will be harmed;
- our recent rapid growth may not be indicative of our future growth, and if we continue to grow rapidly, we may fail to manage our growth effectively;
- the markets in which we participate are highly competitive, and if we do not compete effectively, our operating results could be harmed;
- if we fail to manage our technical operations infrastructure, our existing clients may experience service outages, our new clients may experience delays in the deployment of our solution and we could be subject to, among other things, claims for credits or damages;
- if our dollar-based retention rate declines, our revenues, gross margins and net income could decrease and we may be required to spend more money to grow our client base and maintain our revenues;
- we sell our solution to larger organizations that require longer sales and implementation cycles and often demand more configuration and integration services or customized features and functions that we may not offer, any of which could delay or prevent these sales and harm our growth rates, business and operating results;
- because most of our revenue is derived from existing clients, downturns or upturns in new sales will not be immediately reflected in our operating results and may be difficult to discern;
- we rely on third-party telecommunications and internet service providers to provide our clients and their customers with telecommunication services and connectivity to our cloud contact center software and any failure by these service providers to provide reliable services could subject us to, among other things, claims for credits or damages;
- we have a history of losses and we may be unable to achieve or sustain profitability; and
- other factors discussed under the headings “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.”

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this prospectus. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may differ materially from what we anticipate. You should not place undue reliance on our forward-looking statements. Any forward-looking statements you read in this prospectus reflect our views as of the date of this prospectus with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. We undertake no obligation to update any forward-looking statements made in this prospectus to reflect events or circumstances after the date of this prospectus or to reflect new information or the occurrence of unanticipated events, except as required by law. Before making a decision to purchase our common stock, you should carefully consider all of the factors identified in this prospectus that could cause actual results to differ.

MARKET AND INDUSTRY DATA

In this prospectus, we rely on and refer to information and statistics regarding the industries and the markets in which we compete. We obtained this information and these statistics from various third-party sources. We believe that these sources and the estimates contained therein are reliable, but we have not independently verified them. Such information involves risks and uncertainties and is subject to change based on various factors, including those discussed in the "Risk Factors" section of this prospectus.

Each of the Gartner Reports described herein, Gartner, Inc., Forecast: Contact Centers, Worldwide, 2010-2017, 3Q13 Update, Drew Kraus, September 18, 2013 and Gartner, Inc., Market Trends: Contact Centers as a Service, North America, 2012, Daniel O'Connell, Drew Kraus, Gartner Foundational, June 6, 2012, represents data, research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc., or Gartner, and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this prospectus) and the opinions expressed in the Gartner Reports are subject to change without notice.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of shares of our common stock by us in this offering will be approximately $90.0 million, after deducting underwriting discounts and commissions and estimated fees and expenses payable by us but including $0.8 million of fees and expenses paid by us prior to December 31, 2013, based upon the assumed initial public offering price of $10.00 per share, which is the midpoint of the estimated price range set forth on the cover of this prospectus. If the underwriters exercise their option to purchase additional shares in full, we estimate that our net proceeds would be $103.9 million, after deducting underwriting discounts and commissions and estimated fees and expenses payable by us but including $0.8 million of fees and expenses paid by us prior to December 31, 2013.

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock and enable access to the public equity markets for us and our stockholders. As of the date of this prospectus, we have no specific plans for the use of the net proceeds we receive from this offering. However, we intend to use the net proceeds from this offering for general corporate purposes, which we expect to include growing our business by expanding our direct sales force and investing to grow our international client base, as well as other working capital, operating expenses and capital expenditures. Additionally, we may use a portion of the net proceeds to acquire complementary businesses, technologies or other assets. However, we do not have agreements or commitments for any acquisitions at this time. We cannot specify with certainty the particular uses of the net proceeds that we will receive from this offering. Accordingly, our management will have broad discretion in the application of the net proceeds, and investors will be relying on the judgment of our management regarding the application of the proceeds from this offering. Pending the use of proceeds from this offering as described above, we plan to invest the net proceeds that we receive in this offering in short-term and long-term interest-bearing obligations, including government and investment-grade debt securities and money market funds.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions and other factors that our board of directors may deem relevant. Our loan and security agreements prohibit us and our subsidiaries from, among other things, paying any dividends or making any other distribution or payment on account of our capital stock.

CAPITALIZATION

The following table sets forth our cash, cash equivalents and short-term investments and capitalization as of December 31, 2013:

- on an actual basis after giving retroactive effect to our 4:1 reverse stock split to be effected prior to this offering;
- on a pro forma basis to give effect to (1) the conversion of all of our series of preferred stock into an aggregate of 30,553,921 shares of common stock, which conversion will occur in connection with this offering; (2) the additional borrowing of $19.6 million under our term loan in February 2014 described in footnote (1) below; (3) our 4:1 reverse stock split to be effected prior to this offering; and (4) the filing and effectiveness of our amended and restated certificate of incorporation in Delaware, in each case as if such event had occurred on December 31, 2013; and
- on a pro forma as adjusted basis to give effect to the pro forma adjustments set forth above, the sale of shares of common stock in this offering at the assumed initial public offering price of $10.00 per share, which is the midpoint of the estimated range set forth on the cover of this prospectus, and the application of the net proceeds of this offering after deducting underwriting discounts and commissions and estimated fees and expenses payable by us, as described under "Use of Proceeds."

The pro forma as adjusted information set forth in the table below is illustrative only and will be adjusted based on the actual initial public offering price and other final terms of the offering. You should read this information in conjunction with "Use of Proceeds," "Selected Consolidated Historical Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of December 31, 2013		
	Actual	Pro Forma	Pro Forma as Adjusted(2)
	(in thousands, except per share data) (unaudited)		
Cash, cash equivalents and short-term investments	$ 17,748	$ 37,309	$ 127,302
Notes payable, revolving line of credit, capital lease obligations and convertible preferred stock warrant liability(1)	34,267	48,927	48,927
Stockholders' equity (deficit):			
Convertible Preferred Stock, $0.001 par value, 125,115 authorized shares, 122,216 shares issued and outstanding, actual; aggregate liquidation preference of $54,303, actual; 5,000 shares authorized, no shares issued and outstanding, pro forma; 5,000 shares authorized, no shares issued and outstanding, pro forma as adjusted.	53,734	—	—
Common stock, $0.001 par value: 200,000 shares authorized, 5,494 shares issued and outstanding, actual; 450,000 shares authorized, 36,047 shares issued and outstanding, pro forma; 450,000 shares authorized, 46,047 shares issued and outstanding, pro forma as adjusted.	5	36	46
Additional paid-in capital	34,089	92,693	181,843
Accumulated deficit	(90,796)	(90,796)	(90,796)
Total stockholders' equity (deficit)	(2,968)	1,933	91,093
Total capitalization	$ 31,299	$ 50,860	$ 140,020

(1) In February 2010, we entered into a secured equipment loan agreement with Atel Capital Group to fund up to $1.7 million of our capital equipment needs. We amended this agreement in June 2010 to increase the amount of available funding to a total of $2.2 million. As of December 31, 2013, we had made five draws totaling $2.2 million. As of December 31, 2013, the total principal owed was $16,000 and was paid in January 2014.

In November 2010, we entered into a secured equipment lease agreement with HP Financial Services for a lease line totaling $0.5 million, which was subsequently increased to $2.6 million in November 2011. As of December 31, 2013, we had made 21 draws totaling $2.6 million. As of December 31, 2013, the total principal owed was $1.2 million and monthly payments were $87,000.

In December 2010, we entered into a secured equipment lease agreement with Fountain Leasing Corporation for a lease line totaling $3.4 million. As of December 31, 2013, we had made five draws totaling $2.8 million. As of December 31, 2013, the total principal owed was $0.9 million and monthly payments were $89,000.

In October 2011, we entered into a secured equipment lease agreement with Cisco Systems Capital Corporation for a lease line totaling $7.0 million. As of December 31, 2013, we had made 16 draws totaling $6.0 million. As of December 31, 2013, the total principal owed was $3.2 million and monthly payments were $169,000.

In November 2012, we entered into a secured equipment lease agreement with Winmark Capital Corporation for a lease line, which as of December 31, 2013 totaled $9.4 million. As of December 31, 2013, we had made four draws totaling $4.5 million. As of December 31, 2013, the total principal owed was $4.0 million and monthly payments were $140,000.

In July 2013, we entered into a promissory note with the Universal Services Administration Company (USAC) for $4.1 million. As of December 31, 2013, $3.7 million of this promissory note was outstanding and monthly payments were $121,000.

In February 2014, we entered into a loan and security agreement for a term loan of up to $30.0 million. At closing, we borrowed $19.6 million of the term loan net of $0.4 million in debt costs, with the remaining $10.0 million available to be borrowed until February 2015. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations—Loan and Security Agreement.”

(2) We capitalized $2.2 million of our initial public offering expenses as of December 31, 2013 in connection with the preparation of the registration statement of which this prospectus forms a part, of which $1.4 million remained unpaid as of December 31, 2013.

If the underwriters exercise their option to purchase additional shares of our common stock in full, pro forma as adjusted cash, cash equivalents and short-term investments, additional paid-in capital, total stockholders’ equity and shares outstanding as of December 31, 2013 would be $141.3 million, $195.8 million, $105.0 million and 47,547,510, respectively.

The pro forma and pro forma as adjusted columns in the table above are based on 36,047,510 shares of our common stock (including preferred stock on an as-converted basis) outstanding as of December 31, 2013, and exclude:

- 7,633,399 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock outstanding as of December 31, 2013, with a weighted average exercise price of $3.30 per share;
- 356,485 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock granted subsequent to December 31, 2013, at a weighted average exercise price of $12.14 per share;
- 390,666 shares of our common stock, on an as-converted basis, issuable upon the exercise of warrants outstanding as of December 31, 2013, with a weighted average exercise price of $0.89 per share;
- 177,865 shares of our common stock issuable upon the exercise of warrants with an exercise price of $10.12 per share issued upon the closing of our new loan and security agreement after December 31, 2013; and
- 6,276,135 shares of our common stock reserved for future issuance under our equity incentive plans, consisting of:
    - 96,135 shares of our common stock reserved for future issuance under our 2004 Plan;
    - 5,300,000 shares of our common stock reserved for future issuance under our 2014 Plan; and
    - 880,000 shares of our common stock reserved for future issuance under our ESPP.

DILUTION

If you invest in our common stock, your ownership interest will be immediately diluted to the extent of the difference between the offering price per share and the pro forma as adjusted net tangible book value per share after this offering. Net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock outstanding. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by purchasers of our common stock in this offering and the pro forma as adjusted net tangible book value per share of common stock immediately after the consummation of this offering.

Our historical net tangible book value as of December 31, 2013 was $(17.8) million, or $(3.25) per share, not taking into account the conversion of our outstanding preferred stock. Our pro forma net tangible book value as of December 31, 2013 was approximately $(12.9) million, or $(0.36) per share, after giving effect to the conversion of all outstanding shares of our preferred stock into 30,553,921 shares of our common stock.

After giving effect to the 4:1 reverse stock split, conversion of all of our preferred stock and the sale by us of the 10,000,000 shares of our common stock in this offering at the assumed initial public offering price of $10.00 per share, which is the midpoint of the estimated price range on the cover page of this prospectus, less underwriting discounts and commissions and estimated fees and expenses payable by us but including $0.8 million of fees and expenses paid by us prior to December 31, 2013, our pro forma as adjusted net tangible book value as of December 31, 2013 would have been approximately $76.2 million, or approximately $1.66 per share. This represents an immediate increase in net tangible book value of $2.02 per share to existing stockholders and an immediate dilution in net tangible book value of $8.34 per share to new investors of common stock in this offering. The following table illustrates this per share dilution:

Assumed initial public offering price per share		$10.00
Historical net tangible book value per share as of December 31, 2013	$(3.25)	
Pro forma increase in net tangible book value per share attributable to conversion of preferred stock and additional borrowing in February 2014 of $19.6 million	2.89	
Pro forma net tangible book value per share as of December 31, 2013	(0.36)	
Increase in pro forma net tangible book value per share attributable to new investors in this offering	2.02	
Pro forma as adjusted net tangible book value per share immediately after this offering		$ 1.66
Dilution per share to new investors in this offering		$ 8.34

A $1.00 increase (decrease) in the assumed initial public offering price of $10.00 per share, which is the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value by approximately $9.3 million, or $0.20 per share, and the dilution per share to investors in this offering by approximately $9.14 per share, assuming no change to the number of shares offered by us as set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated fees and expenses payable by us. We may also increase or decrease the number of shares we are offering. A 1.0 million increase (decrease) in the number of shares offered by us would increase (decrease) our pro forma as adjusted net tangible book value by approximately $9.3 million, or $0.16 per share, assuming the initial public offering price of $10.00 per share, which is the midpoint of the estimated price range set forth on the cover of this prospectus, and the dilution per share to investors in this offering by approximately $8.18 per share after deducting underwriting discounts and commissions and estimated fees and expenses payable by us. The pro forma as adjusted information discussed above is illustrative only.

If the underwriters exercise their option to purchase additional shares in this offering in full, our pro forma as adjusted net tangible book value as of December 31, 2013 would be $90.2 million, the increase in as adjusted net tangible book value per share to existing stockholders would be $1.90 per share and the dilution per share to new investors would be $8.10.

The following table sets forth, on a pro forma as adjusted basis, as of December 31, 2013, the differences between the number of shares of common stock purchased from us, the total consideration paid, and the weighted average price per share paid by existing stockholders and new investors purchasing shares of our common stock in this offering, before deducting underwriting discounts and commissions and estimated expenses payable by us at the assumed initial public offering price of $10.00 per share, which is the midpoint of the estimated price range set forth on the cover page of this prospectus.

	Shares Purchased		Total Consideration		Weighted Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	36,047,510	78%	$ 83,348,035	45%	$ 2.31
New investors	10,000,000	22	100,000,000	55	10.00
Totals	46,047,510	100%	$183,348,035	100%	$ 3.98

A $1.00 increase (or decrease) in the assumed initial public offering price of $10.00 per share, which is the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease), respectively, total consideration paid by new investors and total consideration paid by all stockholders by approximately $10.0 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions and estimated expenses payable by us but including $0.8 million of fees and expenses paid by us prior to December 31, 2013.

The discussion and tables above are based on 36,047,510 shares of our common stock (including preferred stock on an as-converted basis) outstanding as of December 31, 2013, and exclude:

- 7,633,399 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock outstanding as of December 31, 2013, with a weighted average exercise price of $3.30 per share;
- 356,485 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock granted subsequent to December 31, 2013, at a weighted average exercise price of $12.14 per share;
- 390,666 shares of our common stock, including on an as-converted basis, issuable upon the exercise of warrants to purchase common stock or convertible preferred stock outstanding as of December 31, 2013, with a weighted average exercise price of $0.89 per share;
- 177,865 shares of our common stock issuable upon the exercise of warrants with an exercise price of $10.12 per share issued upon the closing of our new loan and security agreement after December 31, 2013; and
- 6,276,135 shares of our common stock reserved for future issuance under our equity incentive plans, consisting of:
  - 96,135 shares of our common stock reserved for future issuance under our 2004 Plan;
  - 5,300,000 shares of our common stock reserved for future issuance under our 2014 Plan; and
  - 880,000 shares of our common stock reserved for future issuance under our ESPP.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL AND OPERATING DATA

The following selected consolidated statement of operations data for the years ended December 31, 2011, 2012 and 2013 and the selected consolidated balance sheet data as of December 31, 2013 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated statement of operations data for the years ended December 31, 2009 and 2010 has been derived from our unaudited consolidated financial statements not included in this prospectus. The unaudited consolidated financial statements have been prepared on the same basis as the audited financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future. You should read the following selected consolidated historical financial and operating data below in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,				
	2009	2010	2011	2012	2013
	(unaudited)				
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenue	$ 19,463	$ 25,621	$ 43,188	$ 63,822	$ 84,132
Cost of revenue(1)(2)	9,893	13,104	24,563	39,306	48,807
Gross profit	9,570	12,517	18,625	24,516	35,325
Operating expenses:					
Research and development(1)(2)	4,188	5,696	8,739	13,217	17,529
Sales and marketing(1)(2)	4,230	5,861	10,207	16,808	28,065
General and administrative(1)(2)	2,188	2,547	6,990	11,546	18,053
Total operating expenses	10,606	14,104	25,936	41,571	63,647
Loss from operations	(1,036)	(1,587)	(7,311)	(17,055)	(28,322)
Other expense, net:					
Change in fair value of convertible preferred stock warrant liability	(33)	(73)	(55)	(1,674)	(1,871)
Interest expense and other, net	(76)	(267)	(442)	(543)	(1,051)
Total other expense, net	(109)	(340)	(497)	(2,217)	(2,922)
Loss before provision for income taxes	(1,145)	(1,927)	(7,808)	(19,272)	(31,244)
Provision for income taxes	28	5	64	62	70
Net loss	$ (1,173)	$ (1,932)	$ (7,872)	$(19,334)	$(31,314)
Net loss per share:					
Basic and diluted	$ (66.08)	$ (2.76)	$ (2.99)	$ (5.82)	$ (7.82)
Shares used in computing net loss per share:					
Basic and diluted	18	705	2,635	3,321	4,006
Pro forma net loss per share (unaudited):					
Basic and diluted(3)					$ (0.88)
Shares used in computing pro forma net loss per share (unaudited):					
Basic and diluted(3)					33,347
Other Financial Data:					
Adjusted EBITDA(4) (unaudited)	$ 224	$ 63	$ (5,415)	$(13,967)	$(21,958)

(1) Stock-based compensation expense is included in our results of operations as follows (in thousands):

	Year Ended December 31,				
	2009	2010	2011	2012	2013
	(unaudited)				
Cost of revenue	$ 7	$ 12	$ 17	$ 60	$ 194
Research and development	70	73	51	154	499
Sales and marketing	18	43	36	112	751
General and administrative	109	133	253	138	505
Total stock-based compensation	$ 204	$ 261	$ 357	$ 464	$ 1,949

(2) Depreciation and amortization expense is included in our results of operations as follows (in thousands):

	Year Ended December 31,				
	2009	2010	2011	2012	2013
Cost of Revenue	$ 793	$ 1,166	$ 1,423	$ 2,439	$ 3,709
Research and development	161	186	86	91	214
Sales and marketing	46	—	5	21	83
General and administrative	56	37	25	73	409
Total depreciation and amortization	$ 1,056	$ 1,389	$ 1,539	$ 2,624	$ 4,415

(3) See Note 8 to the notes to our consolidated financial statements for an explanation of the method used to calculate the unaudited pro forma basic and diluted net loss per share for the year ended December 31, 2013. All shares to be issued in this offering were excluded from the unaudited pro forma basic and diluted net loss per share calculation.

(4) We calculate Adjusted EBITDA, a non-GAAP financial measure, to analyze our financial results and believe that it is useful to investors, as a supplement to U.S. GAAP measures, in evaluating our ongoing operational performance and enhancing an overall understanding of our past financial performance. We believe that Adjusted EBITDA helps illustrate underlying trends in our business that could otherwise be masked by the effect of the income or expenses that we exclude from Adjusted EBITDA. Furthermore, we use this measure to establish budgets and operational goals for managing our business and evaluating our performance. We also believe that Adjusted EBITDA provides an additional tool for investors to use in comparing our recurring core business operating results over multiple periods with other companies in our industry.

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with U.S. GAAP and our calculation of Adjusted EBITDA may differ from that of other companies in our industry. We compensate for the inherent limitations associated with using Adjusted EBITDA through disclosure of these limitations, presentation of our financial statements in accordance with U.S. GAAP and reconciliation of Adjusted EBITDA to the most directly comparable U.S. GAAP measure, net loss. We calculate Adjusted EBITDA as net loss before (1) provision for income taxes, (2) other expense, net, (3) depreciation and amortization and (4) stock-based compensation.

The following provides a reconciliation of net loss to Adjusted EBITDA (unaudited):

	Year Ended December 31,				
	2009	2010	2011	2012	2013
			(in thousands)		
Reconciliation of Adjusted EBITDA:					
Net loss	$ (1,173)	$ (1,932)	$ (7,872)	$(19,334)	$(31,314)
Non-GAAP adjustments:					
Provision for income taxes	28	5	64	62	70
Other expense, net	109	340	497	2,217	2,922
Depreciation and amortization	1,056	1,389	1,539	2,624	4,415
Stock-based compensation	204	261	357	464	1,949
Adjusted EBITDA	$ 224	$ 63	$ (5,415)	$(13,967)	(21,958)

	As of December 31, 2013		
	Actual	Pro Forma(1)	Pro Forma as Adjusted(2)
		(in thousands)	
Consolidated Balance Sheet Data:			
Cash, cash equivalents and short-term investments	$17,748	$ 37,309	$ 127,302
Working capital (deficit)	1,076	20,637	111,976
Total assets	56,278	75,839	163,652
Total debt and capital leases(3)	30,332	48,927	48,927
Additional paid-in capital	34,089	92,693	181,843
Total stockholders' equity (deficit)	(2,968)	1,933	91,093

(1) The pro forma consolidated balance sheet data gives effect to the automatic conversion of all outstanding shares of our convertible preferred stock into 30,553,921 shares of our common stock, which conversion will occur in connection with this offering and also gives effect to the additional borrowing as described in footnote (3) below.

(2) The pro forma as adjusted consolidated balance sheet data also give effect to our sale of 10,000,000 shares of our common stock in this offering at an assumed initial public offering price of $10.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We capitalized $2.2 million of our initial public offering expenses as of December 31, 2013 in connection with the preparation of the registration statement of which this prospectus forms a part, of which $1.4 million remained unpaid as of December 31, 2013.

(3) In February 2014, we entered into a loan and security agreement for a term loan of up to $30.0 million. At closing, we borrowed $19.6 million of the term loan net of $0.4 million in debt costs, with the remaining $10.0 million available to be borrowed until February 2015. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations—Loan and Security Agreement."

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

You should read the following discussion in conjunction with the section titled "Selected Consolidated Historical Financial and Operating Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. In addition to historical information, this discussion contains forward-looking statements that involve risks and uncertainties that could cause our actual results to differ materially from our expectations. Factors that could cause such differences include, but are not limited to, those described in the section titled "Risk Factors" and elsewhere in this prospectus.

Overview

We are a pioneer and leading provider of cloud software for contact centers, facilitating over three billion interactions between our more than 2,000 clients and their customers per year. We believe we achieved this leadership position through our expertise and technology, which has empowered us to help organizations of all sizes transition from legacy on-premise contact center systems to our cloud solution. Our solution, which is comprised of our VCC cloud platform and applications, allows simultaneous management and optimization of customer interactions across voice, chat, email, web, social media and mobile channels, either directly or through our application programming interfaces. Our VCC cloud platform routes each customer interaction to an appropriate agent resource, and delivers relevant customer data to the agent in real-time to optimize the customer experience. Unlike legacy on-premise contact center systems, our solution requires minimal up-front investment and can be rapidly deployed and adjusted depending on our client's requirements.

Since founding our business in 2001, we have focused exclusively on delivering cloud contact center software. We initially targeted smaller contact center opportunities with our telesales team and, over time, invested in expanding the breadth and depth of the functionality of our cloud platform to meet the evolving requirements of our clients. In 2009, we made a strategic decision to expand our market opportunity to include larger contact centers. This decision drove further investments in research and development and the establishment of our field sales team to meet the requirements of these larger contact centers. We believe this shift has helped us diversify our client base while significantly enhancing our opportunity for future revenue growth. To complement these efforts, we also have focused on building client awareness and driving adoption of our solution through marketing activities, which include internet advertising, digital marketing campaigns, social marketing, trade shows, industry events and telemarketing.

We provide our solution through a SaaS business model that drives recurring and predictable revenue. We offer a comprehensive suite of applications delivered on our VCC cloud platform that are designed to enable our clients to manage and optimize interactions across inbound and outbound contact centers. We primarily generate revenue by selling subscriptions and related usage of our VCC cloud platform. We charge our clients monthly subscription fees for access to our solution, primarily based on the number of agent seats, as well as the specific functionalities and applications our clients deploy. We define agent seats as the maximum number of named agents allowed to concurrently access our solution. Our clients typically have more named agents than agent seats, and multiple named agents may use an agent seat, though not simultaneously. Substantially all of our clients purchase both subscriptions and related usage from us. A small percentage of our clients subscribe to our platform but purchase telephony usage directly from a wholesale telecommunications service provider. We do not sell telephony usage on a stand-alone basis to any client. The related usage fees are based on the volume of minutes for inbound and outbound interactions. We also offer bundled plans, generally for smaller deployments whereby the client is charged a single monthly fixed fee per agent seat that includes both subscription and unlimited usage in the contiguous 48 states and, in some cases, Canada. We offer both annual and monthly contracts to our clients, with 30 days' notice required for changes in the number of agent seats. Our clients can use this notice period to rapidly adjust the number of agent seats used to meet their changing contact center volume needs, including to reduce the number of agent seats to zero. As a general matter, this means that a client can effectively terminate its agreement with us upon 30 days' notice. Our larger clients typically choose annual contracts, which generally include an implementation and ramp period of several months. Fixed subscription fees (including bundled plans) are billed monthly in advance, while related usage fees are billed in arrears. For the years ended December 31, 2011, 2012 and 2013, subscription and related usage fees accounted for 96%, 97%

and 98% of our revenue, respectively. The remainder is comprised of professional services revenue from the implementation and optimization of our solution.

Our revenue growth over the last three years has primarily been driven by new clients choosing to use our solution and to a lesser extent, existing clients gradually increasing the number of agent seats under subscription. For the years ended December 31, 2011, 2012 and 2013, no single client accounted for more than 10% of our total revenue. As of December 31, 2013, we had over 2,000 clients across multiple industries, with subscriptions ranging in size from fewer than 10 agent seats to approximately 1,000 agent seats.

We have achieved significant growth in a relatively short period of time. For the years ended December 31, 2011, 2012 and 2013, our revenue was $43.2 million, $63.8 million and $84.1 million, respectively, representing year-over-year growth of 48% and 32%, respectively. We have continued to make significant expenditures and investments, including in research and development, sales and marketing and infrastructure. We have incurred net losses of $7.9 million, $19.3 million and $31.3 million for the years ended December 31, 2011, 2012 and 2013, respectively. We primarily evaluate the success of our business based on revenue growth and the efficiency and effectiveness of our investments.

On March 20, 2014, we experienced an extended interruption in service due to an issue with third-party equipment that affected our Santa Clara, California colocation facility. Many of our larger clients utilize our geographic-redundancy option and were successfully switched over to our Atlanta, Georgia colocation facility. However, our clients that remained in our Santa Clara, California colocation facility continued to be affected. Consistent with prior service interruptions, we anticipate that we will issue client credits and, therefore, revenue for the quarter ending March 31, 2014 will be impacted. While we cannot currently quantify the impact this interruption will have on our revenue, the impact will likely result in our revenue for the quarter ending March 31, 2014 being slightly below our revenue for the quarter ended December 31, 2013. This interruption in service does not impact revenue previously reported for any prior period.

The growth of our business and our future success depend on many factors, including our ability to continue to expand our client base to include larger opportunities, grow revenue from our existing client base, innovate and expand internationally. While these areas represent significant opportunities for us, they also pose risks and challenges that we must successfully address in order to sustain the growth of our business and improve our operating results. In order to pursue these opportunities, we anticipate that we will expand our operations and headcount in the near term. The expected addition of new employees and the investments that we anticipate will be necessary to manage our anticipated growth will make it more difficult for us to generate earnings. As we grow our business, we expect our cost of revenue and operating expenses to increase in future periods. For example, (i) sales and marketing expenses are expected to increase in absolute dollars as we continue to expand our sales and marketing teams, increase our marketing activities and grow our international operations; (ii) research and development expenses are expected to increase in absolute dollars to support the enhancement of our existing solution and development of additional industry-leading contact center features and applications; and (iii) general and administrative expenses are expected to increase in absolute dollars as a result of both our growth and the infrastructure required to be a public company. In order to support future client growth, we also intend to invest in maintaining a high level of client service and support and to continue investing in our data center infrastructure and services capabilities. Due to our continuing investments to scale our business, increase our sales and marketing efforts, pursue new opportunities, enhance our solution and build our technology, we will incur expenses in the future for which we may not realize benefit.

Key Operating and Financial Performance Metrics

In addition to measures of financial performance presented in our consolidated financial statements, we monitor the key metrics set forth below to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts, and assess operational efficiencies.

Dollar-Based Retention Rate

We believe that our Dollar-Based Retention Rate provides insight into our ability to retain and grow revenue from our clients, and is a measure of the long-term value of our client relationships. Our Dollar-Based Retention Rate is calculated by dividing our Retained Net Invoicing by our Retention Base Net Invoicing on a monthly basis, which we then average using the rates for the trailing twelve months for the period being presented. We

define Retention Base Net Invoicing as recurring net invoicing from all clients in the comparable prior year period, and we define Retained Net Invoicing as recurring net invoicing from that same group of clients in the current period. We define recurring net invoicing as subscription and related usage revenue excluding the impact of service credits, reserves and deferrals. Historically, recurring net invoicing has been within 10% of our subscription and related usage revenue. Our Dollar-Based Retention Rate was at or above 100% in each of the periods presented. Although our Dollar-Based Retention Rate is an indicator of the stability of our revenues, as indicated below, it has fluctuated, primarily as a result of significant occasional increases in recurring net invoicing due to large clients increasing their subscriptions as they add agent seats.

The following table shows our Dollar-Based Retention Rate for the periods presented (unaudited):

	Year Ended December 31,		
	2011	2012	2013
Dollar-Based Retention Rate	102%	107%	100%

Adjusted EBITDA

We monitor Adjusted EBITDA, a non-GAAP financial measure, to analyze our financial results and believe that it is useful to investors, as a supplement to U.S. GAAP measures, in evaluating our ongoing operational performance and enhancing an overall understanding of our past financial performance. We believe that Adjusted EBITDA helps illustrate underlying trends in our business that could otherwise be masked by the effect of the income or expenses that we exclude from Adjusted EBITDA. Furthermore, we use this measure to establish budgets and operational goals for managing our business and evaluating our performance. We also believe that Adjusted EBITDA provides an additional tool for investors to use in comparing our recurring core business operating results over multiple periods with other companies in our industry.

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with U.S. GAAP and our calculation of Adjusted EBITDA may differ from that of other companies in our industry. We compensate for the inherent limitations associated with using Adjusted EBITDA through disclosure of these limitations, presentation of our financial statements in accordance with U.S. GAAP and reconciliation of Adjusted EBITDA to the most directly comparable U.S. GAAP measure, net loss. We calculate Adjusted EBITDA as net loss before (1) provision for income taxes, (2) other expense, net, (3) depreciation and amortization and (4) stock-based compensation. See “Selected Consolidated Historical Financial and Operating Data” for a reconciliation of net loss to Adjusted EBITDA.

The following table shows our Adjusted EBITDA for the periods presented (unaudited, in thousands):

	Year Ended December 31,		
	2011	2012	2013
Adjusted EBITDA	$ (5,415)	$(13,967)	$(21,958)

Key Components of Our Results of Operations

Revenue

Our revenue consists of subscription and related usage as well as professional services. We consider our subscription and related usage to be recurring. This recurring revenue includes fixed subscription fees for the delivery and support of our VCC cloud platform as well as related usage fees. The related fees for usage are based on the volume of minutes for inbound and outbound customer interactions. We also offer bundled plans, generally for smaller deployments, whereby the client is charged a single monthly fixed fee per agent seat that includes both subscription and unlimited usage in the contiguous 48 states, and, in some cases, Canada. We offer both annual and monthly contracts for our clients, with 30 days’ notice required for changes in the number of agent seats. Our clients can use this notice period to rapidly adjust the number of agent seats used to meet their changing contact center volume needs, including to reduce the number of agent seats to zero. As a general matter, this means that a client can effectively terminate its agreement with us upon 30 days’ notice.

Fixed subscription fees, including plans with bundled usage, are billed monthly in advance while variable usage fees are billed in arrears. Fixed subscription fees are recognized on a straight-line basis over the applicable

term, predominantly the monthly contractual billing period. Support activities include technical assistance for our solution and upgrades and enhancements on a when and if available basis, which are not billed separately. Variable subscription related usage fees for non-bundled plans are billed in arrears based on client specific per minute rate plans and are recognized as actual usage occurs. We generally require advance deposits from clients based on estimated usage. All fees, except usage deposits, are non-refundable.

In addition, we generate professional services revenue from assisting clients in implementing our solution and optimizing use. These services include application configuration, system integration and education and training services. Professional services are primarily billed on a fixed-fee basis and are typically performed by us directly. In limited cases, our clients may choose to perform these services themselves or engage their own third-party service providers to perform such services. Professional services are recognized as the services are performed using the proportional performance method, with performance measured based on hours of work performed provided all other criteria for revenue recognition are met.

Cost of Revenue

Our cost of revenue consists primarily of fees that we pay to telecommunications providers for usage, personnel costs (including stock-based compensation), taxes due to federal agencies on usage fees, costs to build out and maintain data centers, depreciation and related expenses of the servers and equipment, amortization of acquired developed technology, state taxes paid to telecommunication providers and allocated facility costs. Personnel costs included as part of cost of revenue include those associated with support of our solution, clients and data center operations, as well as providing professional services. Cost of revenue can fluctuate based on a number of factors, including the fees we pay to telecommunications providers, which vary depending on our clients' usage of our VCC cloud platform, the timing of capital expenditures and related depreciation charges and changes in headcount. We expect to continue investing in our network infrastructure and client support function to maintain high quality and availability of service. As our business grows, we expect to realize economies of scale in network infrastructure, personnel and client support.

Operating Expenses

We classify our operating expenses as research and development, sales and marketing and general and administrative expenses.

Research and Development. Our research and development expenses consist primarily of salary and related expenses (including stock-based compensation) for personnel related to the development of improvements and expanded features for our services, as well as quality assurance, testing, product management and allocated overhead. We expense research and development expenses as they are incurred due to our relatively short development cycle. We believe that continued investment in our solution is important for our future growth, and we expect research and development expenses to increase in absolute dollars in the foreseeable future, although these expenses may fluctuate as a percentage of our revenue from period to period.

Sales and Marketing. Sales and marketing expenses consist primarily of salaries and related expenses (including stock-based compensation) for employees in sales and marketing, including commissions and bonuses, as well as advertising, marketing events, corporate communications, travel costs and allocated overhead. We expense the costs of sales commissions associated with the acquisition or renewal of client contracts as incurred in the period the contract is acquired or the renewal occurs. We believe it is important to continue investing in sales and marketing to continue to generate revenue growth. Accordingly, we expect sales and marketing expenses to increase in absolute dollars as we continue to support our growth initiatives, although these expenses may fluctuate as a percentage of our revenue from period to period.

General and Administrative. General and administrative expenses consist primarily of salary and related expenses (including stock-based compensation) for management, finance and accounting, legal, information systems and human resources personnel, professional fees, compliance costs, other corporate expenses and allocated overhead. We anticipate that we will incur increased expenses for personnel and professional services, including auditing and legal services, insurance and other corporate governance expenses related to operating as a public company. We expect that general and administrative expenses will increase in absolute dollars, especially in the near term, as we continue to add personnel to support our growth and operate as a public company, although these expenses may fluctuate as a percentage of our revenue from period to period.

Other Expense, Net

Our other expense, net consists primarily of interest expense associated with our capital leases, notes payable and revolving line of credit. As a result of our additional term loan borrowed in October 2013 to acquire SoCoCare and our drawdown of $12.5 million under the revolving line of credit in December 2013, we expect that interest expense will increase in absolute dollars.

Change in Fair Value of Convertible Preferred Stock Warrant Liability. We have outstanding warrants to purchase shares of our convertible preferred stock which are classified as liabilities. The convertible preferred stock warrants are subject to re-measurement at each balance sheet date, and any change in fair value is recognized as a component of other expense, net. In connection with this offering, the warrants will automatically be converted into warrants for common stock and the liability amount reclassified to stockholders' equity. We will no longer be required to re-measure the value of the warrants once they are converted to warrants for common stock after this offering and, therefore, no further charges or credits related to such warrants will be made to other expense, net.

Provision for Income Taxes

Our provision for income taxes consists primarily of corporate income taxes resulting from profits generated in foreign jurisdictions by wholly-owned subsidiaries, along with state income taxes payable in the United States.

The following table sets forth selected consolidated statements of operations data for each of the periods presented (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Consolidated Statements of Operations Data:			
Revenue	$ 43,188	$ 63,822	$ 84,132
Cost of revenue(1)(2)	24,563	39,306	48,807
Gross profit	18,625	24,516	35,325
Operating expenses:			
Research and development(1)(2)	8,739	13,217	17,529
Sales and marketing(1)(2)	10,207	16,808	28,065
General and administrative(1)(2)	6,990	11,546	18,053
Total operating expenses	25,936	41,571	63,647
Loss from operations	(7,311)	(17,055)	(28,322)
Other expense, net:			
Change in fair value of convertible preferred stock warrant liability	(55)	(1,674)	(1,871)
Interest expense and other, net	(442)	(543)	(1,051)
Total other expense, net	(497)	(2,217)	(2,922)
Loss before provision for income taxes	(7,808)	(19,272)	(31,244)
Provision for income taxes	64	62	70
Net loss	$ (7,872)	$ (19,334)	$ (31,314)

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

	Year Ended December 31,		
	2011	2012	2013
Cost of revenue	$ 17	$ 60	$ 194
Research and development	51	154	499
Sales and marketing	36	112	751
General and administrative	253	138	505
Total stock-based compensation	$ 357	$ 464	$ 1,949

(2) Depreciation and amortization expense is included in our results of operations as follows (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Cost of Revenue	$ 1,423	$ 2,439	$ 3,709
Research and development	86	91	214
Sales and marketing	5	21	83
General and administrative	25	73	409
Total depreciation and amortization	$ 1,539	$ 2,624	$ 4,415

The following table sets forth selected consolidated statements of operations data for each of the periods presented as a percentage of revenue:

	Year Ended December 31,		
	2011	2012	2013
Consolidated Statements of Operations Data:			
Revenue	100%	100%	100%
Cost of revenue	57	62	58
Gross profit	43	38	42
Operating expenses:			
Research and development	20	21	21
Sales and marketing	24	26	33
General and administrative	16	18	22
Total operating expenses	60	65	76
Loss from operations	(17)	(27)	(34)
Other expense, net:			
Change in fair value of convertible preferred stock warrant liability	(0)	(2)	(2)
Interest expense and other, net	(1)	(1)	(1)
Total other expense, net	(1)	(3)	(3)
Loss before provision for income taxes	(18)	(30)	(37)
Provision for income taxes	0	0	0
Net loss	(18)%	(30)%	(37)%

Comparison of Years Ended December 31, 2012 and 2013

Revenue

	Year Ended December 31,			
	2012	2013	Change	% Change
	(in thousands, except percentages)			
Revenue	$63,822	$84,132	$20,310	32%

Revenue increased by $20.3 million, or 32%, for the year ended December 31, 2013 compared to the year ended December 31, 2012. Approximately $10.5 million of the increase was due to a 17% increase in the number of new clients from December 31, 2012 to December 31, 2013. The increase in the number of new clients was primarily driven by an increase in sales and marketing activities for the year ended December 31, 2013 as compared to the year ended December 31, 2012. The remaining $9.8 million of the increase was due to revenue

growth from existing clients as of December 31, 2012. Our average pricing remained relatively consistent between these periods.

Cost of Revenue and Gross Profit

	Year Ended December 31,					
	2012	% of Revenue	2013	% of Revenue	Change	% Change
	(in thousands, except percentages)					
Cost of revenue	$39,306	62%	$48,807	58%	$9,501	24%

Cost of revenue increased by $9.5 million, or 24%, for the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to increases in personnel costs of $4.1 million, telecommunications services costs of $1.6 million, depreciation and amortization costs of $1.3 million, colocation facility costs of $1.1 million, hosted software costs of $0.7 million and equipment-related expenses and facility overhead costs of $0.4 million. The increase in telecommunications services costs was partially offset by a decrease of $1.1 million in expenses related to USF contributions. This $1.1 million decrease was due to the fact that in the year ended December 31, 2012 we incurred duplicate expenses for USF contributions payable to both our wholesale telecommunications service providers and USAC, while in the year ended December 31, 2013, we solely incurred expenses for USF contributions payable to USAC. The increases in personnel costs were primarily driven by increased headcount. The increases in the other expense categories were primarily driven by investments in technical infrastructure to support current and expected future client growth.

	Year Ended December 31,					
	2012	% of Revenue	2013	% of Revenue	Change	% Change
	(in thousands, except percentages)					
Gross profit	$24,516	38%	$35,325	42%	$10,809	44%

Overall gross margin increased by 4% from 38% to 42% for the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to a reduction in the costs for telecommunication services as a result of carrier changes and improved cost management systems and processes and elimination of duplicate USF contribution assessments. These decreases were partially offset by colocation and related equipment depreciation costs, which increased due to infrastructure investment as well as higher personnel costs driven by increased headcount to support growth.

Operating Expenses

	Year Ended December 31,					
	2012	% of Revenue	2013	% of Revenue	Change	% Change
	(in thousands, except percentages)					
Research and development	$13,217	21%	$17,529	21%	$ 4,312	33%
Sales and marketing	16,808	26	28,065	33	11,257	67
General and administrative	11,546	18	18,053	22	6,507	56
Total operating expenses	$41,571	65%	$63,647	76%	$22,076	53%

Research and development expenses increased $4.3 million, or 33%, for the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to increases in personnel costs of $3.8 million and facilities and equipment-related expenses of $0.5 million. The increase in personnel costs was primarily due to an increase in average employee and related costs as we increased compensation for our non-U.S. workforce, while also hiring senior level employees to invest in future growth.

Sales and marketing expenses increased $11.3 million, or 67%, for the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to increases in personnel costs of $6.1 million, marketing-related activities of $2.6 million, commissions paid to sales personnel of $1.3 million, and allocated facility costs of $0.5 million. The increase in personnel costs was primarily due to headcount additions, while the

increase in commissions was primarily due to growth in sales of our solution. We increased marketing efforts to raise brand awareness and lead generation efforts, which led to increased marketing, travel and related expenses. The increases in headcount and other expense categories described above supported our growth strategy to acquire new clients, increase the number of agent seats within our existing client base and establish brand awareness.

General and administrative expenses increased $6.5 million, or 56%, for the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to increases in personnel costs of $2.6 million, fees for outside professional services of $2.3 million, third-party software costs of $0.5 million and equipment and facility costs of $0.4 million. The increase in personnel and equipment and facility costs was primarily due to increases in headcount and average salary and related costs due to senior-level hires as we built our management team in preparation for future growth. Outside professional services fees increased primarily due to legal and accounting costs as we prepared to become a public company, and the increase in third-party software costs was due primarily to upgrading existing software and purchasing new software to support our growth.

Other Expense, net

	Year Ended December 31,					
	2012	% of Revenue	2013	% of Revenue	Change	% Change
	(in thousands, except percentages)					
Change in fair value of convertible preferred stock warrant liability	$(1,674)	(2)%	$(1,871)	(2)%	$ (197)	12%
Interest expense and other, net	(543)	(1)	(1,051)	(1)	(508)	94
Total other expense, net	$(2,217)	(3)%	$(2,922)	(3)%	$ (705)	32%

Other expense, net increased by $0.7 million to net expense of $2.9 million for the year ended December 31, 2013 compared to a net expense of $2.2 million for the year ended December 31, 2012, primarily due to an increase in interest and other, net expenses of $0.5 million due to increases in interest expense driven by additions of equipment financed by capital leases and outstanding debt.

Comparison of Years Ended December 31, 2011 and 2012

Revenue

	Year Ended December 31,			
	2011	2012	Change	% Change
	(in thousands, except percentages)			
Revenue	$43,188	$63,822	$20,634	48%

Revenue increased by $20.6 million, or 48%, for the year ended December 31, 2012 compared to the year ended December 31, 2011. Approximately $9.7 million of the increase was due to a 32% increase in the number of clients from December 31, 2011 to December 31, 2012. The increase in the number of new clients was primarily driven by an increase in sales and marketing activities for the year ended December 31, 2012 as compared to the year ended December 31, 2011. The additional $10.9 million of the increase was due to revenue growth from existing clients as of December 31, 2011, as reflected in our Dollar Based Retention Rate, and additional revenue generated from existing clients added in 2011. Our average pricing remained relatively consistent between these periods.

Cost of Revenue and Gross Profit

	Year Ended December 31,					
	2011	% of Revenue	2012	% of Revenue	Change	% Change
	(in thousands, except percentages)					
Cost of revenue	$24,563	57%	$39,306	62%	$14,743	60%

Cost of revenue increased by $14.7 million, or 60%, for the year ended December 31, 2012 compared to the year ended December 31, 2011, primarily due to increases in telecommunications services costs of $7.1 million,

personnel costs of $3.9 million, colocation facility cost of $1.7 million, depreciation and amortization costs of $1.0 million and an increase in equipment-related expenses and facility overhead costs of $0.9 million. The increase in personnel costs was primarily driven by increased headcount. The increases in the other expense categories were primarily driven by investments in our technical infrastructure to support current and future client growth.

	Year Ended December 31,					
	2011	% of Revenue	2012	% of Revenue	Change	% Change
	(in thousands, except percentages)					
Gross profit	$18,625	43%	$24,516	38%	$5,891	32%

Overall gross margin decreased by 5% from 43% to 38% for the year ended December 31, 2012 compared to the year ended December 31, 2011, primarily due to increases in colocation and related equipment depreciation costs as a percentage of revenue as we continued to invest in infrastructure to support current and future clients, increases in costs for telecommunication services due to usage mix, and increases in employee and related costs due to headcount growth.

Operating Expenses

	Year Ended December 31,					
	2011	% of Revenue	2012	% of Revenue	Change	% Change
	(in thousands, except percentages)					
Research and development	$ 8,739	20%	$13,217	21%	$ 4,478	51%
Sales and marketing	10,207	24	16,808	26	6,601	65
General and administrative	6,990	16	11,546	18	4,556	65
Total operating expenses	$25,936	60%	$41,571	65%	$15,635	60%

Research and development expenses increased $4.5 million, or 51%, for the year ended December 31, 2012 compared to the year ended December 31, 2011, primarily due to increases in personnel costs of $4.0 million and consulting and other third-party related services of $0.5 million. The increase in personnel costs was primarily due to an increase in headcount and average employee and related costs as we hired senior level employees to invest in future growth. The increase in consulting and other third-party services was related to our investment in improving our solution.

Sales and marketing expenses increased $6.6 million, or 65%, for the year ended December 31, 2012 compared to the year ended December 31, 2011, primarily due to increases in personnel costs of $3.4 million, marketing-related activities of $1.7 million, commissions paid to sales personnel of $0.9 million, and allocated facility costs of $0.3 million. The increase in personnel costs was primarily due to an increase in headcount and the increase in commissions was primarily due to growth in sales of our solution. We increased marketing activities to raise brand awareness and lead generation, which led to increased marketing, travel and related expenses. Headcount growth drove the increase in allocated facility costs. The increases in headcount and other expense categories supported our growth strategy to acquire new clients, increase the number of agent seats within our existing client base and establish brand awareness.

General and administrative expenses increased $4.6 million, or 65%, for the year ended December 31, 2012 compared to the year ended December 31, 2011, primarily due to increases in personnel costs of $2.3 million, fees for outside professional services of $1.5 million, merchant fees of $0.3 million, and equipment, facility, and hosted software costs of $0.3 million. The increase in personnel costs was primarily due to an increase in headcount as we built our management team to support our growth. Increases in outside professional fees were primarily related to legal and accounting costs, increases in merchant fees were driven by increased transaction volume, and increases in equipment, facility and software costs related to headcount and business growth.

Other Expense, net

	Year Ended December 31,					
	2011	% of Revenue	2012	% of Revenue	Change	% Change
	(in thousands, except percentages)					
Change in fair value of convertible preferred stock warrant liability	$ (55)	(0)%	$(1,674)	(2)%	$(1,619)	(2,944)%
Interest expense and other, net	(442)	(1)	(543)	(1)	(101)	(23)
Total other expense, net	$(497)	(1)%	$(2,217)	(3)%	$(1,720)	(346)%

Other expense, net increased by $1.7 million to net expense of $2.2 million for the year ended December 31, 2012 compared to a net expense of $0.5 million for the year ended December 31, 2011, primarily due to the increase in fair value of our convertible preferred stock warrant liability of $1.6 million in 2012 attributable to the increase in the value of our underlying convertible preferred stock.

Quarterly Results of Operations

The following table sets forth our unaudited consolidated statements of operations data for each of the eight quarters through and including the period ended December 31, 2013. The unaudited quarterly consolidated statements of operations data set forth below have been prepared on the same basis as the audited consolidated financial statements included elsewhere in this prospectus and, in the opinion of management, reflect all necessary adjustments, which consist only of normal recurring adjustments, necessary for a fair presentation of such data. Our historical results are not necessarily indicative of the results for the full year or any other period. This data should be read together with our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Three Months Ended							
	Mar 31, 2012	Jun 30, 2012	Sep 30, 2012	Dec 31, 2012	Mar 31, 2013	Jun 30, 2013	Sep 30, 2013	Dec 31, 2013
	(unaudited) (in thousands)							
Consolidated Statements of Operations Data:								
Revenue	$14,321	$15,028	$16,202	$18,271	$19,115	$20,283	$21,091	$23,643
Cost of revenue[1][2]	8,972	9,240	9,908	11,186	11,681	12,215	12,265	12,646
Gross profit	5,349	5,788	6,294	7,085	7,434	8,068	8,826	10,997
Operating expenses:								
Research and development[1][2]	2,867	3,019	3,484	3,847	4,154	4,106	4,419	4,850
Sales and marketing[1][2]	3,301	4,004	4,324	5,179	6,147	7,227	6,964	7,727
General and administrative[1][2]	2,396	2,570	2,988	3,592	3,825	4,052	4,223	5,953
Total operating expenses	8,564	9,593	10,796	12,618	14,126	15,385	15,606	18,530
Loss from operations	(3,215)	(3,805)	(4,502)	(5,533)	(6,692)	(7,317)	(6,780)	(7,533)
Other expense, net:								
Change in fair value of convertible preferred stock warrant liability	(120)	(707)	(730)	(117)	230	(785)	(622)	(694)
Interest expense and other, net	(151)	(118)	(151)	(123)	(176)	(183)	(288)	(404)
Total other expense, net	(271)	(825)	(881)	(240)	54	(968)	(910)	(1,098)
Loss before provision for income taxes	(3,486)	(4,630)	(5,383)	(5,773)	(6,638)	(8,285)	(7,690)	(8,631)
Provision for income taxes	21	10	22	9	19	5	45	1
Net loss	$ (3,507)	$ (4,640)	$ (5,405)	$ (5,782)	$ (6,657)	$ (8,290)	$ (7,735)	$ (8,632)

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

	Three Months Ended							
	Mar 31, 2012	Jun 30, 2012	Sep 30, 2012	Dec 31, 2012	Mar 31, 2013	Jun 30, 2013	Sep 30, 2013	Dec 31, 2013
Cost of revenue	$ 13	$ 16	$ 21	$ 10	$ 32	$ 44	$ 51	$ 67
Research and development	21	17	44	72	53	49	136	261
Sales and marketing	12	11	15	74	105	134	182	330
General and administrative	32	27	39	40	74	77	89	265
Total stock-based compensation	$ 78	$ 71	$ 119	$ 196	$ 264	$ 304	$ 458	$ 923

(2) Depreciation and amortization expense is included in our results of operations as follows (in thousands):

	Three Months Ended							
	Mar 31, 2012	Jun 30, 2012	Sep 30, 2012	Dec 31, 2012	Mar 31, 2013	Jun 30, 2013	Sep 30, 2013	Dec 31, 2013
Cost of revenue	$ 476	$ 504	$ 619	$ 840	$ 857	$ 752	$ 900	$1,200
Research and development	23	21	21	26	44	54	57	59
Sales and marketing	3	5	6	7	11	14	17	41
General and administrative	7	18	22	26	46	61	89	213
Total depreciation and amortization	$ 509	$ 548	$ 668	$ 899	$ 958	$ 881	$1,063	$1,513

The following table presents our unaudited consolidated statement of operations data as a percentage of revenue:

	Three Months Ended							
	Mar 31, 2012	Jun 30, 2012	Sep 30, 2012	Dec 31, 2012	Mar 31, 2013	Jun 30, 2013	Sep 30, 2013	Dec 31, 2013
	(unaudited)							
Revenue	100%	100%	100%	100%	100%	100%	100%	100%
Cost of revenue	63	61	61	61	61	60	58	53
Gross profit	37	39	39	39	39	40	42	47
Operating expenses:								
Research and development	20	20	22	21	22	20	21	21
Sales and marketing	23	27	27	28	32	36	33	33
General and administrative	17	17	18	20	20	20	20	25
Total operating expenses	60	64	67	69	74	76	74	79
Loss from operations	(23)	(25)	(28)	(30)	(35)	(36)	(32)	(32)
Other expense, net:								
Change in fair value of convertible preferred stock warrant liability	(1)	(5)	(5)	(1)	1	(4)	(3)	(3)
Interest expense and other, net	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(2)
Total other expense, net	(2)	(6)	(6)	(2)	0	(5)	(4)	(5)
Loss before provision for income taxes	(25)	(31)	(34)	(32)	(35)	(41)	(36)	(37)
Provision for income taxes	0	0	0	0	0	0	0	0
Net loss	(25)%	(31)%	(34)%	(32)%	(35)%	(41)%	(36)%	(37)%

The following table presents our key performance metrics for the periods presented:

	Three Months Ended							
	Mar 31, 2012	Jun 30, 2012	Sep 30, 2012	Dec 31, 2012	Mar 31, 2013	Jun 30, 2013	Sep 30, 2013	Dec 31, 2013
	(unaudited) (in thousands, except percentages)							
Dollar-Based Retention Rate	111%	112%	112%	107%	103%	103%	102%	100%
Reconciliation of Adjusted EBITDA:								
Net loss	$(3,507)	$(4,640)	$(5,405)	$(5,782)	$(6,657)	$(8,290)	$(7,735)	$(8,632)
Non-GAAP adjustments:								
Provision for income taxes	21	10	22	9	19	5	45	1
Other expense, net	271	825	881	240	(54)	968	910	1,098
Depreciation and amortization	509	548	668	899	958	881	1,063	1,513
Stock-based compensation	78	71	119	196	264	304	458	923
Adjusted EBITDA	$(2,628)	$(3,186)	$(3,715)	$(4,438)	$(5,470)	$(6,132)	$(5,259)	$(5,097)

Quarterly Trends

In general, our revenue has increased sequentially, primarily as a result of an increase in clients and, to a lesser extent, increases in the number of agent seats within existing clients. Our average client size has also grown during this period as we have developed our field sales team and improved our solution to target larger opportunities. On March 20, 2014, we experienced an extended interruption in service due to an issue with third-party equipment that affected our Santa Clara, California colocation facility. Many of our larger clients utilize our geographic-redundancy option and were successfully switched over to our Atlanta, Georgia colocation facility. However, our clients that remained in our Santa Clara, California colocation facility continued to be affected. Consistent with prior service interruptions, we anticipate that we will issue client credits and, therefore, revenue for the quarter ending March 31, 2014 will be impacted. While we cannot currently quantify the impact this interruption will have on our revenue, the impact will likely result in our revenue for the quarter ending March 31, 2014 being slightly below our revenue for the quarter ended December 31, 2013. This interruption in service does not impact revenue previously reported for any prior period.

Gross margin improved progressively during 2013 resulting primarily from the reduction in costs of telecommunication services as a result of carrier changes and improved cost management systems and processes. Gross margin improvement for the fourth quarter was further driven by data center relocation projects completed in the third quarter.

Operating expenses are primarily driven by headcount and headcount-related expenses. Specifically, research and development expenses generally increased in absolute dollars quarter-over-quarter as we continued to hire additional personnel to update and enhance our solution. Sales and marketing expenses have increased sequentially from quarter-to-quarter as we continued to expand our sales organization and increase our marketing efforts to support our overall business growth. In 2013, our sales and marketing costs increased as a percentage of revenue, primarily as a result of expanding our marketing organization and continuing to increase our field sales personnel. General and administrative expenses have increased sequentially from quarter-to-quarter due to increased headcount costs and increases in professional services, such as audit and legal fees.

Other expense, net has fluctuated quarter-to-quarter due to interest expense based on our outstanding debt and equipment financing lines, and based on changes in the fair value of our convertible preferred stock warrant liability, which fluctuates primarily based on the value of our convertible preferred stock and proximity to a liquidation event.

Our Dollar-Based Retention Rate has fluctuated as we increased the number of larger clients beginning in 2011, which caused our Dollar-Based Retention Rate to be higher in 2012 as these larger clients ramped up their agent seat subscriptions. Over time, as the number of larger clients within our client base has grown, our Dollar-Based Retention Rate has stabilized.

Liquidity and Capital Resources

To date, we have financed our operations primarily through sales of our solution, net proceeds from the issuance of our convertible preferred stock, lease facilities and, more recently, debt financing. As of December 31, 2012 and 2013, we had $6.0 million and $17.7 million, respectively, of cash and cash equivalents. Our cash equivalents were comprised of money market funds.

In April 2012, we received net proceeds of $11.9 million from the issuance of series C-2 convertible preferred stock, and in April 2013, we received net proceeds of $21.8 million from the issuance of series D-2 convertible preferred stock.

In March 2013, we entered into a loan and security agreement with a lender for a revolving line of credit for up to $12.5 million. The revolving line of credit bears monthly interest at a variable annual rate of prime plus 1.25%, and matures in March 2015. Interest is due and payable on the last business day of each month during the term of the loan, and all amounts outstanding under the revolving line of credit are due and payable in March 2015. In December 2013, we drew the full available amount of our revolving line of credit of $12.5 million, all of which remained outstanding as of December 31, 2013. In October 2013, this loan and security agreement was amended to provide for an additional $5.0 million term loan in connection with our acquisition of SoCoCare. Monthly interest-only payments are due on the term loan in equal monthly installments through September 2014, at which point

principal and interest payments are due in equal monthly installments through the maturity of the term loan in March 2017. The term loan carries a variable annual interest rate of prime plus 1.50%. This loan and security agreement, as amended, contains certain covenants, including the requirement that we maintain $5.5 million of cash deposited with the lender for the term of the agreement. The loan and security agreement includes the occurrence of a material adverse effect, as defined in the agreement and determined by the lender, as an event of default.

In February 2014, we entered into a loan and security agreement with two lenders in a syndicate for a term loan of up to $30.0 million. At closing, we borrowed $19.6 million of the term loan net of $0.4 million in debt costs, with the remaining $10.0 million available to be borrowed until February 2015. The term loan bears interest at a variable per annum rate equal to the greater of 10% or LIBOR plus 9%. Interest is due and payable on the last business day of each month during the term of the loan. Monthly principal payments will be due beginning in February 2016 based on 1/60th of the outstanding balance at that time and continue until all remaining principal outstanding under the term loan are due and payable in February 2019. The loan and security agreement includes the occurrence of a material adverse event, as defined in the agreement and determined by the lender, as an event of default.

We believe our existing cash and cash equivalents, together with the $19.6 million we borrowed under our term loan, will be sufficient to meet our working capital and capital expenditure needs at least through December 31, 2014. Our longer term liquidity requirements will require us to raise additional capital, such as through this offering, or refinance our debt obligations, including our line of credit with City National Bank, which matures on March 15, 2015. Our future capital requirements will depend on many factors including our growth rate, continuing market acceptance of our solution, client retention, ability to gain new clients, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities and the introduction of new and enhanced offerings. We may in the future enter into arrangements to acquire or invest in complementary businesses, technologies and intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results, and financial condition would be harmed.

If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional funds by the incurrence of indebtedness, we will be subject to increased debt service obligations and could also be subject to restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business.

There can be no assurance that we will be able to raise additional capital on acceptable terms or at all, which would harm our ability to achieve our business objectives. In addition, if our operating performance during the next twelve months is below our expectations, our liquidity and ability to operate our business could be harmed.

Cash Flows

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

	Year Ended December 31,		
	2011	2012	2013
Consolidated Statement of Cash Flows Data:			
Cash flows used in operating activities	$ (699)	$ (8,301)	$ (20,959)
Cash flows (used in) provided by investing activities	(7,423)	(1,589)	(1,021)
Cash flows provided by financing activities	9,843	10,473	33,767
Increase in cash and cash equivalents	$ 1,721	$ 583	$ 11,787

Cash Flows from Operating Activities

Cash used in operating activities is significantly influenced by the amount of cash we invest in personnel and infrastructure to support the anticipated growth of our business and the amount and timing of customer payments. For the periods presented, we have continued to experience increases in investments in personnel and infrastructure that have exceeded the growth in our revenue and increased our net losses. As we continue to invest in personnel

and infrastructure to support the anticipated growth of our business, we expect net uses of cash by operations to continue. Our largest source of operating cash inflows is cash collections from our customers for subscription and related usage services. Payments from customers for these services are typically received monthly. As of December 31, 2011, 2012 and 2013 our day's sales outstanding were 20, 24 and 25 days, respectively.

During the year ended December 31, 2013, we used $21.0 million in cash in operating activities due to a net loss of $31.3 million, and increases in accounts receivable of $1.6 million, and prepaid expenses and other current assets of $0.3 million, offset by non-cash items such as depreciation and amortization of $4.4 million, stock-based compensation of $1.9 million, change in fair value of convertible preferred stock warrant liability of $1.9 million, and cash positive changes in accounts payable and accrued liabilities of $3.9 million. The increase in our net loss for the year ended December 31, 2013 was driven by a significant increase in investments in our infrastructure and personnel to support our current business growth.

During the year ended December 31, 2012, we used $8.3 million in cash in operating activities as a result of a net loss of $19.3 million, a $2.1 million increase in accounts receivable, and a $0.4 million increase in prepaid expenses and other current assets related to long-term maintenance contracts and annual subscription fees on third-party licensed technology. These decreases in cash were partially offset by non-cash items, including depreciation and amortization of $2.6 million, change in the fair value of our convertible preferred stock warrant liability of $1.7 million, and stock-based compensation of $0.5 million, as well as positive cash changes in deferred revenue of $1.4 million attributable to increased collections from clients, a net increase in accounts payable and accrued liabilities of $6.6 million primarily related to increased headcount, operations growth and increases in federal fees and sales taxes due, and a $0.5 million increase in other liabilities, primarily resulting from deferred rent. The increase in our net loss for the year ended December 31, 2012 was driven by increases in investment in our infrastructure and personnel in anticipation of future business growth. Accounts receivable increased primarily due to the overall growth of sales of our solution outpacing collections of existing receivables, and an increase in our day's sales outstanding from 20 for the year ended December 31, 2011 to 24 for the year ended December 31, 2012.

During the year ended December 31, 2011, we used $0.7 million in cash in operating activities as a result of a net loss of $7.9 million, adjusted by non-cash items, including depreciation and amortization of $1.5 million, and stock-based compensation of $0.4 million. Working capital sources of cash were related to an increase of $6.2 million in accounts payable and accrued liabilities, primarily related to increased headcount, increases in telecommunication taxes due, and overall operations growth, and an increase of $1.1 million in deferred revenue, attributable to increased collections from clients. These sources of cash were partially offset by an increase of $1.9 million in accounts receivable due to the overall growth of our business. The increase in our net loss for the year ended December 31, 2012 was driven by increases in investment in our infrastructure and personnel in anticipation of future business growth. Accounts receivable increased due to the overall growth of sales of our solution outpacing collections of existing receivables.

Cash Flows from Investing Activities

During the year ended December 31, 2013, cash used for investing activities was $1.0 million, due to $2.8 million of cash used in the acquisition of Face It, Corp. and in the purchase of property and equipment of $0.6 million, partially offset by the proceeds from the sale of certificates of deposit of $2.5 million.

During the years ended December 31, 2011 and 2012, we used $7.4 million and $1.6 million in cash for investing activities, respectively. We used $3.1 million and $2.7 million, respectively, of cash for capital expenditures, including investment in computer hardware and software for our data centers to support our growth. Additionally, in 2011 and 2012, we used $3.6 million and received $1.1 million, net, respectively, of cash for purchases and sales of short-term investments, composed primarily of twelve-month certificates of deposit.

Cash Flows from Financing Activities

During the year ended December 31, 2013, cash provided by financing activities of $33.8 million was primarily attributable to our series D-2 convertible preferred stock issuance which provided $21.8 million in net proceeds, net proceeds from debt issuances of $17.5 million, and cash received from stock exercises of $0.7 million.

This increase was partially offset by $5.4 million in repayments on our capital lease and notes payable obligations and $0.8 million paid in deferred offering costs.

During the year ended December 31, 2012, cash provided by financing activities of $10.5 million was primarily attributable to our issuance of series C-2 convertible preferred stock which provided $11.9 million in net proceeds and $1.4 million in proceeds from equipment financing related to reimbursements for purchased fixed assets. These amounts were partially offset by repayments on our capital lease and notes payable obligations of $2.9 million.

During the year ended December 31, 2011, cash provided by financing activities of $9.8 million was primarily attributable to our issuance of series B-2 convertible preferred stock which provided $7.9 million in net proceeds and $3.0 million in proceeds from equipment financing related to reimbursements for purchased fixed assets. These amounts were partially offset by $1.2 million in payments on our notes payable and capital lease obligations.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies, which are described in the notes to our consolidated financial statements, the following accounting policies involve the greatest degree of judgment and complexity and have the greatest potential impact on our consolidated financial statements. A critical accounting policy is one that is material to the presentation of our consolidated financial statements and requires us to make difficult, subjective or complex judgments for uncertain matters that could have a material effect on our financial condition and results of operations. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our financial condition and results of operations.

Revenue Recognition

Our revenue consists of subscription services and related usage as well as professional services. We charge clients monthly subscription fees for access to our solution. Monthly subscription fees are primarily based on the number of agent seats, as well as the specific VCC functionalities and applications deployed by the client. Agent seats are defined as the maximum number of named agents allowed to concurrently access the VCC cloud platform. Clients typically have more named agents than agent seats. Multiple named agents may use an agent seat, though not simultaneously. Substantially all of our clients purchase both subscriptions and related usage. A small percentage of our clients subscribe to our platform but purchase telephony usage directly from a wholesale telecommunications service provider. We do not sell telephony usage on a stand-alone basis to any client. The related usage fees are based on the volume of minutes used for inbound and outbound customer interactions. We also offer bundled plans, generally for smaller deployments whereby the client is charged a single monthly fixed fee per agent seat that includes both subscription and unlimited usage in the contiguous 48 states and, in some cases, Canada. Professional services revenue is derived primarily from implementations, including application configuration, system integration, optimization, education and training services. Clients are not permitted to take possession of our software.

We offer both annual and monthly contracts to clients, with 30 days' notice required for changes in the number of agent seats. Our clients can use this notice period to rapidly adjust the number of agent seats used to meet their changing contact center volume needs, including to reduce the number of agent seats to zero. As a general matter, this means that a client can effectively terminate its agreement with us upon 30 days' notice. Larger clients typically choose annual contracts, which generally include an implementation and ramp period of several months. Fixed subscription fees, including plans bundled with usage, are billed monthly in advance, while related usage fees are billed in arrears. Support activities include technical assistance and upgrades and enhancements to our solution on a when-and-if-available basis, which are not billed separately.

We generally require advance deposits from our clients based on estimated usage. Fees for usage are applied against the advance deposit resulting in continuous consumption and requiring frequent replenishment of the deposit. Any unused portion of the deposit is refundable to the client upon termination of the arrangement, provided all amounts due have been paid. All fees, except usage deposits, are non-refundable.

Professional services are primarily billed on a fixed-fee basis and are performed by us directly, or clients may also choose to perform these services themselves or engage their own third-party service providers.

Our sales arrangements generally involve multiple deliverables, including subscription services and related usage as well as professional services, all of which have standalone value to the client. We allocate arrangement consideration to these deliverables based on the relative standalone selling price method in accordance with the selling price hierarchy, which includes: (i) Vendor Specific Objective Evidence ("VSOE") if available; (ii) Third Party Evidence ("TPE") if VSOE is not available; and (iii) Best Estimate of Selling Price ("BESP") if neither VSOE nor TPE is available.

VSOE. We determine VSOE based on our historical pricing and discounting practices for the specific service when sold separately. In determining VSOE, we require that a substantial majority of the selling prices for these services fall within a reasonably narrow pricing range. We limit our assessment of VSOE for each element to either the price charged when the same element is sold separately or the price established by management, having the relevant authority to do so, for an element not yet sold separately. We have not met the criteria to establish selling prices based on VSOE.

TPE. When VSOE cannot be established for deliverables in multiple element arrangements, we apply judgment with respect to whether we can establish a selling price based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. Our services are significantly differentiated such that the comparable pricing of deliverables with similar functionality cannot be obtained. Furthermore, we are unable to reliably determine the standalone selling prices of similar deliverables sold by competitors. As a result, we have not met the criteria to establish selling prices based on TPE.

BESP. Since we are unable to establish a selling price using VSOE or TPE, we use BESP in our allocation of arrangement consideration. The objective of BESP is to determine the price at which we would transact a sale if the product or service were sold on a stand-alone basis. We determine BESP for deliverables by considering multiple factors including, but not limited to, prices we charge for similar offerings, market conditions, and competitive landscape. We limit the amount of allocable arrangement consideration to amounts that are fixed or determinable and that are not contingent on future performance or future deliverables.

We recognize revenue for each unit of accounting when all of the following criteria have been met:

- persuasive evidence of an arrangement exists;
- delivery has occurred;
- the fee is fixed or determinable; and
- collection is reasonably assured.

Revenue allocated to the separate accounting units is recognized as follows:

- fixed subscription revenue is recognized on a straight-line basis over the applicable term, predominantly the monthly contractual billing period;
- variable usage-based revenue is recognized as actual usage occurs. Usage revenue in subscription arrangements that include bundled usage is recognized on a straight-line basis over the applicable term as we cannot reliably estimate client usage patterns; and
- professional services revenue is recognized as the services are performed using the proportional performance method, with performance measured based on labor hours, assuming all other revenue recognition criteria have been met.

At the time of each revenue transaction, we assesses whether fees under the arrangement are fixed or determinable and whether collection is reasonably assured. For arrangements where the fee is not fixed or determinable, we recognize revenue as these amounts become due and payable. We assess collection based on a number of factors, including past transaction history and the creditworthiness of the client. If we determine that collection of fees is not reasonably assured, we defer the revenue and recognize revenue at the time collection becomes reasonably assured, which is generally upon receipt of payment. We maintain a revenue reserve for potential credits to be issued in accordance with service level agreements or for other revenue adjustments. The revenue recognition standards include guidance relating to any tax assessed by a governmental authority that is directly imposed on a

revenue-producing transaction between a seller and a customer which may include, but is not limited to, sales, use, value added and excise taxes. We record amounts billed to our clients for USF contributions and other regulatory costs on a gross basis in our consolidated statement of operations and comprehensive loss and record surcharges and sales, use and excise taxes billed to our clients on a net basis. The cost of gross USF contributions payable to USAC and suppliers is presented as a cost of revenue in the consolidated statement of operations and comprehensive loss. Surcharges and sales, use and excise taxes incurred in excess of amounts billed to our clients are presented in general and administrative expense in the consolidated statement of operations and comprehensive loss.

Income Taxes

We account for income taxes using an asset and liability approach. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Operating loss and tax credit carryforwards are measured by applying currently enacted tax laws. Valuation allowances are provided when necessary to reduce net deferred tax assets to an amount that is more likely than not to be realized. As of December 31, 2012 and 2013, we provided a full valuation allowance against our net deferred tax assets.

We recognize the tax effects of an uncertain tax position only if it is more likely than not to be sustained based solely on its technical merits as of the reporting date and only in an amount more likely than not to be sustained upon review by the tax authorities. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately reflect actual outcomes.

As of December 31, 2013, we had net operating loss carryforwards of approximately $68.4 million for federal income taxes and $35.8 million for state income taxes. If not utilized, these carryforwards will begin to expire in 2024 for federal purposes and 2014 for state purposes. As of December 31, 2013, we had research credit carryforwards of $1.0 million and $0.8 million for federal and state income taxes, respectively. If not utilized, these federal research carryforwards will begin to expire in 2024. The state tax credit can be carried forward indefinitely.

Internal Revenue Code Section 382 limits the use of net operating loss and tax credit carryforwards in certain situations where changes occur in the stock ownership of a company. In the event that we have a change of ownership, utilization of the net operating loss and tax credit carryforwards may be restricted.

Stock-Based Compensation

Compensation expense related to stock-based transactions, including employee, consultant and non-employee director stock option awards, is measured and recognized in the financial statements based on fair value. The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model. The stock-based compensation expense, net of forfeitures, is recognized on a straight-line basis over the requisite service periods of the awards, which is generally four years.

Our option-pricing model requires the input of highly subjective assumptions, including the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates and the expected dividend yield of our common stock. The assumptions used in our option-pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

These assumptions are estimated as follows:

- *Fair Value of Common Stock*. Because our common stock is not publicly traded, we must estimate the fair value of common stock, as discussed in "—Common Stock Valuations" below;
- *Risk-Free Interest Rate*. We base the risk-free interest rate on the implied yield available on U.S. Treasury zero-coupon issues with a remaining term equivalent to that of the options for each option group;
- *Expected Term*. The expected term represents the period that our stock-based awards are expected to be outstanding. Since we did not have sufficient historical information to develop reasonable expectations about future exercise behavior, the expected term for options issued to employees was calculated as the average of the option vesting period and the options' contractual term. The expected term for options issued to non-employees is the contractual term;

- *Volatility*. We determine the price volatility factor based on the historical volatilities of our peer group as we do not have a trading history for our common stock. To determine our peer group of companies, we consider public enterprise cloud-based application providers and select those that are similar to us in size, stage of life cycle, and financial leverage. For each period, a similar peer group of publicly traded companies was used to determine expected volatility and to determine the fair value of our common stock. 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, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation; and
- *Dividend Yield*. We have not paid and do not expect to pay dividends.

In addition to assumptions used in the Black-Scholes option-pricing model, we must also estimate a forfeiture rate to calculate the stock-based compensation for our option awards. Our forfeiture rate is based on an analysis of our actual forfeitures. We will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover and other factors. Changes in the estimated forfeiture rate can have a significant impact on our stock-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate is changed. If a revised forfeiture rate is higher than the previously estimated forfeiture rate, an adjustment is made that will result in a decrease to the stock-based compensation expense recognized in the financial statements. If a revised forfeiture rate is lower than the previously estimated forfeiture rate, an adjustment is made that will result in an increase to the stock-based compensation expense recognized in the financial statements.

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may refine our estimates, which could materially impact our future stock-based compensation expense.

For the years ended December 31, 2011, 2012 and 2013, we used the following assumptions in our Black-Scholes option-pricing model computation to determine fair values of option grants and related compensation expense for employees and non-employees:

	Year Ended December 31,		
	2011	2012	2013
Expected term — employees (years)	6.1	5.0 to 6.1	5.0 to 6.1
Contractual life — non-employees (years)	10.0	10.0	10.0
Volatility	66%	59% to 60%	59% to 60%
Risk-free interest rate	1.2% to 2.5%	0.7% to 1.7%	1.0% to 3.0%
Dividend yield	—	—	—

Stock-based non-employee compensation is recognized over the vesting periods of the options. The value of options granted to non-employees is periodically re-measured as they vest over a performance period.

Our stock-based compensation expense was as follows (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Cost of revenue	$ 17	$ 60	$ 194
Research and development	51	154	499
Sales and marketing	36	112	751
General and administrative	253	138	505
Total stock-based compensation	$ 357	$ 464	$ 1,949

Common Stock Valuations

We are required to estimate the fair value of the common stock underlying our stock option awards when performing the fair value calculations with the Black-Scholes option-pricing model. The fair value of the common stock underlying our stock option awards was determined by our board of directors, with input from management and review of third-party valuations. We believe that our board of directors has the relevant experience and expertise to determine the fair value of our common stock. As described below, the exercise price of our stock option awards was determined by our board of directors based on the most recent valuation as of the grant date. As shown below, the valuations of common stock were determined in accordance with the guidance provided by the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. The assumptions that we used in these valuation models are 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 for financial reporting purposes as of the grant date of each stock option award, including the following factors:

- valuations of our common stock performed by unrelated third parties;
- the nature of our services and our competitive position in the marketplace;
- the prices, rights, preferences and privileges of our convertible preferred stock relative to our common stock;
- the prices of our convertible preferred stock and common stock sold to outside investors in arms-length transactions;
- our results of operations, financial condition and future financial projections;
- current business conditions and projections;
- 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;
- the value of companies that we consider peers based on a number of factors, including similarity to us with respect to industry and business model; and
- the lack of marketability for our common stock.

The dates of our valuations were contemporaneous with the grant dates of our stock option awards. There were significant judgments and estimates inherent in these valuations, which included assumptions regarding our future operating performance, the time to completing an initial public offering or other liquidity event, and the determinations of the appropriate valuation methods to be applied. If we had made different estimates or assumptions, our stock-based compensation expense, net loss and net loss per common share could have been significantly different from those reported in this prospectus.

In valuing our common stock, our board of directors determined the equity value of our business generally using a weighting of the market comparable approach (and within the market-comparable approach, at certain times, the merger and acquisition, or M&A, transaction method) and the income approach valuation methods. When applicable due to a recent convertible preferred stock offering, the prior sale of company stock method was also utilized.

The market comparable approach estimates value based on a comparison of the company to comparable firms in similar lines of business that are publicly traded. Based both on trading multiples and acquisitions of the comparable companies, a representative market value multiple is determined which is applied to the subject company's operating results to estimate the value of the subject company. The estimated value is then discounted by a non-marketability factor due to the fact that stockholders of private companies do not have access to trading markets similar to those used by stockholders of public companies, which impacts liquidity. We review the comparable companies with each valuation to ensure that the companies continue to best reflect our industry and business model. We also review the M&A transactions examined to ensure that the transactions best reflect recent comparable transactions.

In our valuations, we selected our comparable publicly-traded companies by analyzing various factors, including, but not limited to, industry similarity, financial risk and company size. We focused on companies that

either compete in the contact center software industry or deliver services using a SaaS business model, are generally growing at levels similar to us (greater than 15% revenue growth), and have last-twelve months revenue below $500 million. While a number of the comparable companies used are larger than us in terms of total revenue and assets, several of the companies, like us, are in the investment and growth stage and have experienced operating losses while growing their businesses. While no two companies are perfectly comparable, we believe that the companies we have selected are a representative group for purposes of performing valuations.

We used the same comparable companies for the October 16, 2012, January 16, 2013, July 15, 2013, October 15, 2013, December 11, 2013 and January 28, 2014 valuations, except that we did not use one company for the July 15, 2013, October 15, 2013, December 11, 2013 and January 28, 2014 valuations that we had used in the October 16, 2012 and January 16, 2013 valuations because this company had been acquired and was no longer a stand-alone, public company. Starting with the October 15, 2013 valuation, we added one company in the SaaS industry that had recently completed its initial public offering. The newly added company provided additional publicly available financial data from which valuation multiples could be derived.

We used an average of the last twelve-month and forward twelve-month revenue multiples from our comparable publicly-traded companies and applied these multiples to our latest twelve-month revenue and our forward twelve-month revenue projections as of the valuation date to arrive at an estimate of our enterprise value. We deemed multiples of revenue to be the most relevant metric as we are still in a growth phase. Since we have not generated positive historical profit, profit-based multiples are not relevant for us.

The M&A transaction method estimates fair value based on exchange prices in actual transactions and on asking prices for controlling interests in companies offered for sale in the private market. The process involves comparison and correlation of the subject company with other similar companies. Adjustments for differences in various factors, including, but not limited to, size, growth, profitability, risk, and return on investment, are also considered. In selecting transactions, we reviewed transactions involving acquired companies in the software industry, specifically software companies with SaaS business models, and selected the median of the last twelve months revenue multiples and applied this multiple to our last twelve months of revenue to estimate our enterprise value. We used the M&A transaction method for option grants in and prior to January 2013. We stopped using the M&A transaction method in 2013 given the greater likelihood that we would complete an initial public offering rather than an M&A exit event.

We began incorporating the income approach in our weighting for stock option grants made in 2013 as our ability to forecast became more consistent. The income approach is an estimate of the present value of the future monetary benefits generated by an investment in an asset. Specifically, debt free cash flows and the estimated terminal value are discounted at an appropriate risk-adjusted discount rate to estimate the total invested capital value of the entity. In addition, we also considered an appropriate discount adjustment to recognize the lack of marketability due to being a privately-held entity.

In instances where we had a recent convertible preferred stock offering, as was the case for our convertible preferred stock series D-2 issuance in April 2013, we used this as an arms-length market transaction to derive our enterprise value for our April 2013 valuation.

For grants made in or prior to January 2013, our indicated business enterprise value at each valuation date was allocated to the shares of convertible preferred stock, common stock, warrants and options using an option pricing method, or OPM. An OPM treats common stock and convertible preferred stock as call options on a business, with exercise prices based on the liquidation preference of the convertible preferred stock. The common stock has value only if the funds available for distribution to the stockholders exceed the value of the combined liquidation preference for all preferred stock at the time of a liquidity event, such as a merger, sale or IPO. Therefore, common stock is modeled as a call option with a claim on the total equity value at an exercise price equal to the preferred stock’s liquidation preference. The OPM uses the Black-Scholes option-pricing model to price the call option. For options granted after January 2013, we used hybrid methods. The change to a hybrid method was made because it was deemed a more appropriate method when the time to our potential IPO was expected to be short. Under the hybrid method, multiple valuation approaches were used and then combined into a single probability weighted valuation. Our approaches included the use of an IPO scenario, a scenario assuming continued operation as a private entity, and a scenario assuming an acquisition of the company.

The following table summarizes, by grant date, the number of shares of common stock subject to stock option awards granted from October 1, 2012 through the date of this prospectus, as well as the associated per share exercise price and the estimated fair value per share of our common stock on the grant date:

Period	Number of shares subject to Options Granted	Per share Exercise Price of Option	Common Stock Fair Value Per Share at Grant Date	Aggregate Estimated Fair Value of Options
October 2012	610,865	$ 4.12	$ 4.12	$ 1,395,000
January 2013	581,104	4.84	4.84	1,534,000
May 2013	320,078	4.76	4.76	844,000
August 2013	526,078	6.68	6.68	1,987,000
October 2013	17,213	4.60	8.48	96,000
October 2013	362,294	8.48	8.48	1,694,000
November 2013	547,998	9.48	9.48	2,929,000
December 2013	470,735	10.12	10.12	2,703,000
February 2014	106,561	11.92	11.92	681,000
March 2014	249,924	12.24	12.24	1,640,000

The aggregate intrinsic value of vested and unvested stock options as of December 31, 2013, based on an assumed initial public offering price of $10.00 per share, the midpoint of the price range on the cover page of this prospectus, was $33.4 million and $17.8 million, respectively.

The following discussion relates primarily to our determination of the fair value per share of our common stock for purposes of calculating stock-based compensation expense since October 2012. No single event caused the valuation of our common stock to increase or decrease through February 2014. Instead, a combination of the factors described below in each period led to the changes in the fair value of our common stock.

Significant factors considered by our board of directors in determining the fair value of our common stock for each of the grant dates set forth above include:

October 2012

Our board of directors set an exercise price of $4.12 per share for option awards granted in October 2012 based in part on a contemporaneous third-party valuation prepared as of October 16, 2012. The valuation took into account that our revenue for the nine months ended September 30, 2012 grew 54% from the same period in the previous year. The valuation used an equal weighting of the market comparable and M&A transactional approaches to determine our enterprise value. The OPM was used to estimate the common stock fair value, with an 18-month estimate to a liquidity event and a non-marketability discount of 15%. Based on these considerations, our board of directors concluded that the fair value of common stock for financial reporting purposes was $4.12 per share for stock option awards granted in October 2012.

January 2013

Our board of directors set an exercise price of $4.84 per share for option awards granted in January 2013 based in part on a contemporaneous third-party valuation prepared as of January 16, 2013. The valuation took into account that our revenue for the year ended December 31, 2012 grew 48% from the previous year. The valuation used a weighting of 40%, 40%, and 20% for the market comparable, income, and M&A transactional approaches, respectively, to determine our enterprise value. The discount rate applied to our cash flows was 15%. The OPM was used to estimate the common stock fair value, with a 10-month estimate to a liquidity event and a non-marketability discount of 7%. Based on these considerations, our board of directors concluded that the fair value of common stock for financial reporting purposes was $4.84 per share for stock option awards granted in January 2013.

May 2013

Our board of directors set an exercise price of $4.76 per share for option awards granted in May 2013 based in part on a contemporaneous third-party valuation prepared as of April 15, 2013. The valuation took into account that our revenue for the three months ended March 31, 2013 grew 33% from the same period in the previous year, as well as our continued steps towards an initial public offering, including our plans to file a registration statement towards the end of 2013. The valuation used our recent series D-2 preferred round of financing, which occurred in April 2013 at a price per share of $5.76, to estimate our enterprise value. The OPM was used to estimate the common stock fair value, assuming a 10-month period to a liquidity event. The final valuation blended the output of the OPM allocation and an IPO scenario that assumed all shares of preferred stock are converted to shares of common stock and a non-marketability discount of 8%. Based on these considerations, our board of directors concluded that the fair value of common stock for financial reporting purposes was $4.76 per share for stock option awards granted in May 2013.

August 2013

Our board of directors set an exercise price of $6.68 per share for option awards granted in August 2013 based in part on a contemporaneous third-party valuation prepared as of July 15, 2013. The valuation took into account that our revenue for the six months ended June 30, 2013 grew 34% from the same period in the previous year, as well as our continued steps towards an initial public offering, including our plans to file a registration statement towards the end of 2013. The valuation used an equal weighting of the market comparable and income approaches to determine our enterprise value. The discount rate applied to our cash flows was 15%. The OPM was used to estimate the common stock fair value, assuming an 8-month period to a liquidity event. The final valuation blended the output of the OPM allocation and an IPO scenario that assumed all shares of preferred stock are converted to shares of common stock and a non-marketability discount of 8%. Based on these considerations, our board of directors concluded that the fair value of common stock for financial reporting purposes was $6.68 per share for stock option awards granted in August 2013.

October 2013

Our board of directors set an exercise price of $8.48 per share for option awards granted in October 2013 based in part on a contemporaneous third-party valuation prepared as of October 15, 2013. The valuation took into account that our revenue for the nine months ended September 30, 2013 grew 33% from the same period in the previous year, as well as our continued steps towards an initial public offering, including our plans to submit a registration statement towards the end of 2013. The valuation used a 45% weighting of both the market comparable and income approaches and a 10% weighting of the IPO method to determine our enterprise value. The discount rate applied to our cash flows was 15%. The hybrid method was used to estimate the common stock fair value, assuming a 6-month period to a liquidity event and a non-marketability discount of 5%. Based on these considerations, our board of directors concluded that the fair value of common stock for financial reporting purposes was $8.48 per share for stock option awards granted in October 2013.

November 2013

Our board of directors set an exercise price of $9.48 per share for option awards granted in November 2013 based in part on a contemporaneous third-party valuation prepared as of November 18, 2013. The valuation took into account that our revenue for the ten months ended October 31, 2013 grew 31% from the same period in the previous year, as well as our continued steps towards an initial public offering, including our plans to submit a registration statement in early December 2013. The valuation used a 37.5% weighting of both the market comparable and income approaches and a 25% weighting of the IPO method to determine our enterprise value. The discount rate applied to our cash flows was 15%. The hybrid method was used to estimate the common stock fair value, assuming a 6-month period to a liquidity event and a non-marketability discount of 5%. Based on these considerations, our board of directors concluded that the fair value of common stock for financial reporting purposes was $9.48 per share for stock option awards granted in November 2013.

December 2013

Our board of directors set an exercise price of $10.12 per share for option awards granted in December 2013 based in part on a contemporaneous third-party valuation prepared as of December 11, 2013. The valuation took into account that our revenue for the eleven months ended November 30, 2013 grew 31% from the same period in the previous year, as well as our continued steps towards an initial public offering, including our submission of a registration statement in early December 2013. The valuation used a 32.5% weighting of both the market comparable and income approaches and a 35% weighting of the IPO method to determine our enterprise value. The discount rate applied to our cash flows was 15%. The hybrid method was used to estimate the common stock fair value, assuming a 6-month period to a liquidity event and a non-marketability discount of 5%. Based on these considerations, our board of directors concluded that the fair value of common stock for financial reporting purposes was $10.12 per share for stock option awards granted in December 2013.

February 2014

Our board of directors set an exercise price of $11.92 per share for option awards granted in February 2014 based in part on a contemporaneous third-party valuation prepared as of January 28, 2014. The valuation took into account that our revenue for the year ended December 31, 2013 grew 32% from the previous year, as well as our continued steps towards an initial public offering, including our submission of a registration statement in early December 2013. The valuation used a 25% weighting of both the market comparable and income approaches and a 50% weighting of the IPO method to determine our enterprise value. The discount rate applied to our cash flows was 15%. The hybrid method was used to estimate the common stock fair value, assuming a 2-month period to a liquidity event and a non-marketability discount of 4%. Based on these considerations, our board of directors concluded that the fair value of common stock for financial reporting purposes was $11.92 per share for stock option awards granted in February 2014.

March 2014

Our board of directors set an exercise price of $12.24 per share for option awards granted in March 2014 based in part on a contemporaneous third-party valuation prepared as of February 25, 2014. The valuation took into account our consistent strong revenue growth, as well as our continued steps towards an initial public offering. The valuation used a 15% weighting of both the market comparable and income approaches and an 85% weighting of the IPO method to determine our enterprise value. The discount rate applied to our cash flows was 14%. The IPO method was used to estimate the common stock fair value, assuming conversion of all preferred stock to common stock in connection with the IPO and a non-marketability discount of 6%. Based on these considerations, our board of directors concluded that the fair value of common stock for financial reporting purposes was $12.24 per share for stock option awards granted in March 2014.

Off Balance Sheet Arrangements

We did not have any off balance sheet arrangements as of December 31, 2012 or 2013.

Contractual Obligations

Commitments

Our principal commitments consist of obligations under our outstanding leases for office space and third-party data centers, guaranteed telecommunication usage services, capital leases, notes payable, and our revolving line of credit. The following table summarizes our contractual obligations as of December 31, 2013 (in thousands):

	Payment Due by Period				
Contractual Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Operating lease obligations(1)	$ 7,946	$ 2,416	$ 3,564	$ 1,966	$ —
Capital lease obligations(2)	10,235	5,505	4,693	37	—
Revolving line of credit(3)	12,500	—	12,500	—	—
Notes payable(4)	8,695	1,556	6,520	619	—
Telecommunication usage(5)	6,184	4,024	2,160	—	—
Hosting services(6)	5,712	2,013	3,095	604	—
Total	$51,272	$ 15,514	$32,532	$ 3,226	$ —

(1) Operating lease obligations represent our obligations to make payments under the lease agreements for our facilities and office equipment leases. In January 2014, we modified our corporate office lease to expand its existing space for an additional commitment of $615,000 over the term of the original lease.

(2) Capital lease obligations represent financing on computer equipment and software purchases.

(3) Revolving line of credit obligations represent an outstanding line of credit with a lender.

(4) Notes payable represent (1) a term loan with a lender, (2) a note with a governmental agency and (3) an equipment loan with a lender. In February 2014, we entered into a loan and security agreement for a term loan of up to $30.0 million. At closing, we borrowed $19.6 million of the term loan net of $0.4 million in debt costs, with the remaining $10.0 million available to be borrowed until February 2015. Monthly principal payments will be due beginning in February 2016 based on 1/60th of the outstanding balance at that time and continue until all remaining principal outstanding under the term loan is due and payable in February 2019.

(5) Telecommunication usage represents guaranteed minimum payments for telecommunication services.

(6) Hosting services represent rental agreements for colocation facilities.

The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.

Loan and Security Agreement

In February 2014, we entered into a loan and security agreement with two lenders in a syndicate for a term loan of up to $30.0 million. At closing, we borrowed $19.6 million of the term loan net of $0.4 million in debt costs, with the remaining $10.0 million available to be borrowed until February 2015. The term loan bears interest at a variable per annum rate equal to the greater of 10% or LIBOR plus 9%. Interest is due and payable on the last business day of each month during the term of the loan and monthly principal payments will be due beginning in February 2016 based on 1/60th of the outstanding balance at that time and continue until all remaining principal outstanding under the term loan are due and payable in February 2019.

Indemnification Agreements

In the ordinary course of business, we enter into agreements of varying scope and terms pursuant to which we agree to indemnify clients, vendors, lessors, business partners and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by

us or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon us to provide indemnification under such agreements and there are no claims that we are aware of that could have a material effect on our consolidated balance sheet, consolidated statement of operations and comprehensive loss, or consolidated statements of cash flows.

Operating Leases

We lease office space, including our corporate headquarters in San Ramon, California, and third-party data centers, under operating lease agreements that expire through February 2018. The terms of the lease agreements provide for rental payments on a graduated basis. We recognize rent expense on a straight-line basis over the lease periods.

Contingencies — Legal and Regulatory

We are subject to certain legal and regulatory proceedings described below, and from time to time may be involved in a variety of claims, lawsuits, investigations, and proceedings relating to contractual disputes, intellectual property rights, employment matters, regulatory compliance matters, and other litigation matters relating to various claims that arise in the normal course of business. We determine whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. We assess our potential liability by analyzing specific litigation and regulatory matters using reasonably available information. We develop our views on estimated losses in consultation with inside and outside counsel, which involves a subjective analysis of potential results and outcomes, assuming various combinations of appropriate litigation and settlement strategies. Legal fees are expensed in the period in which they are incurred.

Universal Services Fund Liability

During the third quarter of 2012, we determined that based on our business activities, we are classified as a telecommunications service provider for regulatory purposes and we are required to make direct contributions to the USF based on revenue we receive from the resale of interstate and international telecommunications services. Previously, we had been advised that our telecommunications services were an integral part of an information service and accordingly made indirect USF contributions as an end user through payments to our wholesale telecommunications service providers. In order to comply with the obligation to make direct contributions, in November 2012, we made a voluntary self-disclosure to the FCC Enforcement Bureau and have registered with USAC, which is charged by the FCC with administering the USF. We have filed exemption certificates with our wholesale telecommunications service providers in order to eliminate their obligation to pay USF contributions calculated on services sold to us, and our obligation to reimburse them for such contributions. We have accrued for past due contributions dating back to 2003 and, in April 2013, began remitting required contributions on a prospective basis directly to USAC.

Our registration with USAC subjects us to assessments for unpaid USF contributions, as well as interest and penalties thereon, due to our late registration and reporting of revenue. We are required to pay assessments for periods prior to our registration. While we are in discussions with the FCC to limit such back assessments to the period 2008 through 2012, it is possible that we will be required to pay back assessments for the period from 2003 to 2007. We are also in discussions with the FCC to obtain credit for the indirect USF payments we have made since 2003 to our wholesale telecommunications service providers. If we are unsuccessful in obtaining credit from the FCC for these payments, we will seek reimbursement from our wholesale telecommunications service providers. We will face a regulatory and contractual challenge in seeking recovery or credit for our USF reimbursement payments previously made to our wholesale telecommunications service providers of up to $3.1 million as of December 31, 2012 and 2013. Finally, we are exposed to the potential assessment by the FCC of monetary penalties (or forfeitures) due to our past failure to recognize our obligation as a USF contributor. In lieu of the actual assessment of monetary forfeitures, due to our current voluntary disclosure proceeding with the FCC, we may be asked to make a voluntary contribution to the U.S. Treasury in order to resolve the FCC’s investigation amicably. We believe we may be able to reduce such penalties as a result of our voluntary self-disclosure.

In July 2013, we and USAC agreed to a financing arrangement for the undisputed portion of the unpaid USF contributions and related interest for the periods 2008 through 2012 whereby we issued to USAC a promissory note for $4.1 million. The promissory note is repayable in 42 equal monthly installments with a fixed annual interest rate of 12.75%. As of December 31, 2013, the balance of the promissory note payable was $3.7 million, which is included in the notes payable amounts on the consolidated balance sheets. In addition to the promissory note payable, we had an accrued liability for USF contributions and related interest and penalties of $8.1 million and $4.2 million included in accrued federal fees on the consolidated balance sheets as of December 31, 2012 and 2013, respectively, of which $0.8 million pertains to periods prior to 2008. For the years ended December 31, 2011, 2012 and 2013, we incurred expenses of $2.0 million, $3.2 million, and $3.9 million, respectively, which was recorded as a charge to cost of revenue. No amounts related to the potential recovery or credit of USF contributions paid by us to our wholesale telecommunications service providers have been recognized in the consolidated financial statements.

Taxes and Surcharges on Usage

The applicability of state and local taxes, fees or surcharges relative to services such as ours is complex, ambiguous and subject to interpretation and change. During 2013, we analyzed our activities and determined that we may be obligated to collect and remit sales, excise and utility user taxes, as well as surcharges as a communications service provider, and pay gross receipts taxes, on our usage-based fees in certain states and municipalities. We have neither collected nor remitted state and local taxes or surcharges on usage-based fees in any of the periods presented.

Based on our ongoing assessment, we will register for tax and regulatory purposes in states where we determine such regulations apply to our activities and commence collecting and remitting state and local taxes and surcharges on applicable usage-based fees. We have accrued a contingent liability for our best estimate of the probable amount of taxes and surcharges that may be imposed by various states and municipalities on our activities prior to registration. This contingent liability is based on our analysis of a number of factors, including the source location of our usage-based fees and the rules and regulations in each state. The actual amount of state and local taxes and surcharges paid may differ from our estimates. As of December 31, 2012 and 2013, we had an accrued sales tax liability related to our contingency for state and local taxes on usage-based fees of $3.2 million and $5.4 million, respectively.

NobelBiz Litigation

In April 2012, NobelBiz, Inc., or NobelBiz, filed a complaint against us in the U.S. District Court for the Eastern District of Texas, Case No. 6:12-cv-00243-LED, alleging infringement of U.S. Patent No. 8,135,122, and seeking a permanent injunction, damages and attorneys' fees should judgment be found against us. Subsequently, NobelBiz amended its complaint to add claims related to U.S. Patent No. 8,565,399, which is a continuation in the same family as the prior patent and addresses the same technology. This complaint is one of six complaints currently known to have been brought by NobelBiz regarding the same patent. On March 28, 2013, the court granted our motion to transfer the case to the U.S. District Court for the Northern District of California. We intend to vigorously defend ourselves against NobelBiz's claims to the extent necessary. The result of this litigation is inherently uncertain. Please see "Business—Legal Proceedings."

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates, and to a lesser extent, foreign currency exchange rates. We do not hold or issue financial instruments for trading purposes.

Interest Rate Sensitivity

We had cash and cash equivalents of $17.7 million as of December 31, 2013. We hold our cash and cash equivalents for working capital purposes. Our cash and cash equivalents are held in cash and short-term money market funds. Due to the short-term nature of these instruments, we believe that we do not have any material

exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, would reduce future interest income. During the year ended December 31, 2013, the effect of a hypothetical 10% increase or decrease in overall interest rates would not have had a material impact on our interest income. As of December 31, 2013, we had a term loan outstanding, which bears interest at a variable annual rate that is equal to the prime rate (3.25% as of December 31, 2013) plus 1.50%. A hypothetical 10% increase would have had a $0.1 million impact on our interest expense.

Foreign Currency Risk

Our functional currency of our foreign subsidiaries is generally the local currency. All of our sales are denominated in U.S. dollars, and therefore our net revenue is not currently subject to foreign currency risk. Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily in the U.S., the Philippines, and Russia. Our consolidated 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. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments. During the year ended December 31, 2012 and the nine months ended September 30, 2013, the effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our consolidated financial statements.

Recent Accounting Pronouncements

In March 2013, the Financial Accounting Standards Board, or FASB, issued an accounting standards update on foreign currency matters that provides additional guidance with respect to the reclassification into income of the cumulative translation adjustment, or CTA, recorded in accumulated other comprehensive income associated with a parent company's ownership interest in a foreign entity. The standard differentiates between transactions occurring within a foreign entity and transactions affecting an investment in a foreign entity. For transactions within a foreign entity, the full CTA associated with the foreign entity would be reclassified into income only when the sale of a subsidiary or group of net assets within the foreign entity represents the substantially complete liquidation of that foreign entity. For transactions affecting an investment in a foreign entity, the full CTA associated with the foreign entity would be reclassified into income only if the parent no longer has a controlling interest in that foreign entity as a result of the transaction. In addition, acquisitions of a foreign entity completed in stages will trigger release of the CTA associated with an equity method investment in that entity at the point a controlling interest in the foreign entity is obtained. We are required to adopt this standard for our interim and annual periods beginning after December 15, 2013. This standard would impact our consolidated financial condition or results of operations only in the instance a transaction described above occurs.

In July 2013, the FASB issued an accounting standards update on presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. The standard requires that unrecognized tax benefits should be presented as a reduction to deferred tax assets for net operating loss carry forwards, a similar tax loss or a tax credit carry forward, or collectively, a carryforward, if such carryforward is required or expected to settle the additional income taxes in the event the uncertain tax position is disallowed. The standard also requires in situations that a carryforward cannot be used or the deferred tax asset is not intended to be used for such purpose, the unrecognized tax benefit should be recorded as a liability and should not offset deferred tax assets. We are required to adopt this standard for interim and annual periods beginning after December 15, 2013. We are currently evaluating the impact of adopting this guidance, but do not expect it to have a material impact on our consolidated financial condition or results of operations.

BUSINESS

Overview

Five9 is a pioneer and leading provider of cloud software for contact centers. Since our inception, we have exclusively focused on delivering our platform in the cloud and are disrupting a significantly large market by replacing legacy on-premise contact center systems. Contact centers are vital hubs of interaction between organizations and their customers and, therefore, are essential to delivering successful customer service, sales and marketing strategies. Our mission is to empower organizations to transform their contact centers into customer engagement centers of excellence, while improving business agility and significantly lowering the cost and complexity of their contact center operations. Our purpose-built, highly scalable and secure Virtual Contact Center, or VCC, cloud platform delivers a comprehensive suite of easy-to-use applications that enable the breadth of contact center-related customer service, sales and marketing functions. We have become an established leader in the cloud contact center market, facilitating over three billion interactions between our more than 2,000 clients and their customers per year. We believe our ability to combine software and telephony into a single unified platform that is delivered in the cloud creates a significant barrier to entry.

Based on our current product offering and historical average annual recurring revenue per seat, we believe that the market for our solution is approximately $22 billion annually worldwide. Gartner estimates that there were 14.5 million contact center agents worldwide in 2012 and forecasts that cloud penetration of the contact center market in North America will more than double from 5% of total contact center agents in 2012 to 13% in 2016. We believe adoption of cloud contact center software solutions is increasing rapidly as a result of several distinct trends. The increasing adoption of cloud computing, especially within CRM, is creating strong demand for integrated cloud contact center software solutions. In addition, cloud contact center software solutions now offer the functionality required by large, complex enterprise contact centers. Furthermore, we believe organizations typically refresh their contact center systems every 8-10 years, which provides an opportunity for cloud solutions to replace legacy on-premise contact center systems when these replacement decisions arise.

Cloud contact center software solutions are replacing legacy on-premise contact center systems. On-premise systems require large up-front investments, long deployment cycles and are burdensome to maintain. These systems are also often inflexible, complex, and require significant duplication of effort and integration across multiple sites. This creates substantial challenges for clients with on-premise contact center systems to implement new features or upgrades, or to integrate with adjacent cloud solutions.

Our solution, which is comprised of our VCC cloud platform and applications, allows simultaneous management and optimization of customer interactions across voice, chat, email, web, social media and mobile channels, either directly or through our application programming interface. Our VCC cloud platform matches each customer interaction with an appropriate agent resource and delivers relevant customer data to the agent in real-time through integrations with adjacent enterprise applications, such as CRM software, to optimize the customer experience and improve agent productivity. Our solution ensures our clients always have the latest version of our software. Delivered on-demand, our solution enables our clients to quickly deploy agent seats in any geographic location with only a computer, headset and broadband internet connection, and rapidly adjust the number of contact center agent seats in response to changing business requirements. Unlike legacy on-premise contact center systems, our solution requires minimal up-front investment, can be rapidly deployed and is maintained by us in the cloud.

Our sales model consists of a field sales team that sells our solution into larger opportunities and a telesales team that sells our solution into smaller opportunities. We have developed a proven, high velocity, metrics-driven sales and marketing strategy, which is designed to effectively identify, qualify and close sales opportunities. To complement this go-to-market strategy, we have developed a large ecosystem of technology and system integrator partners to help increase awareness of our solution in the market and drive incremental sales opportunities with new and existing clients.

We provide our solution through a SaaS business model with recurring subscriptions based primarily on the number of agent seats and minutes of usage of solution, as well as the specific functionalities and applications our clients deploy. Our recurring revenue model combined with our Dollar-Based Retention Rates, which have averaged approximately 100% since 2011, have enhanced our ability to forecast our financial performance and plan future investments.

We have achieved significant growth in recent periods. For the years ended December 31, 2011, 2012 and 2013, our revenues were $43.2 million, $63.8 million and $84.1 million, respectively, representing year-over-year growth of 48% and 32%, respectively. We incurred net losses of $7.9 million, $19.3 million and $31.3 million for the years ended December 31, 2011, 2012 and 2013, respectively, as a result of increased investment in our growth.

Industry Overview

Contact centers must evolve in today's rapidly changing technology environment

Contact centers are vital hubs of interaction between organizations and their customers and are mission critical to the successful execution of customer service, sales and marketing strategies. Both consumer and enterprise technology trends are driving an evolution in contact center strategies. Today, customers increasingly expect seamless communications across multiple channels, including voice, chat, email, web, social media and mobile, thereby increasing the number of touch points between organizations and their customers. Along with these additional channels, customers expect personalized interactions to enhance overall customer service. Delivering customer interactions to an appropriate agent resource while delivering relevant customer data to the agent in real-time is crucial in providing effective customer service.

As the needs of organizations and their customers have become more sophisticated, so have the demands for contact centers. Striving for greater efficiency in meeting demand, the use of remote agents and geographically dispersed contact centers has proliferated. To increase capacity and undertake upgrades, on-premise contact centers must unify geographically dispersed agents and hardware, which requires building out teams and facilities to forecasted future capacity and is a long-term undertaking. In order to meet these changing demands, contact centers must upgrade their existing on-premise contact center systems or migrate their contact center operations to the cloud.

Legacy on-premise contact center systems are inefficient

The majority of contact center operations today rely on legacy on-premise contact center systems that include business workflows, as well as hardware and software architectures designed more than a decade ago. Legacy on-premise contact center systems are typically developed for location-specific deployments and are often costly, inflexible, complex and require significant duplication of effort and integration across multiple sites. Key shortcomings of these legacy systems include:

- ***Long and complex implementation and upgrade cycles.*** Implementation of legacy on-premise contact center systems requires long deployment timelines and complex integrations with other enterprise systems. Once these systems have been deployed, integrated and customized, upgrades and modifications can be extremely challenging. Due to these customized solutions and complex integrations, clients will often forego or postpone upgrades for fear of disabling key functionality. If they do choose to upgrade, clients are often required to rebuild integrations in order to retain full functionality, which frequently result in significant expenditures of time, resources and capital.
- ***Inflexible resource deployment.*** As organizations expand globally, they require the ability to easily manage remote agents and quickly adjust agent seats to accommodate peak call volumes. Most legacy on-premise contact center systems do not provide these capabilities and, as a result, their clients are typically unable to quickly scale their contact center operations in response to changing business needs. This often results in costly over-building of additional capacity to accommodate peak volumes.
- ***Duplicative technology stacks across multiple sites.*** Organizations must integrate multiple contact center sites to drive efficiency and create a unified customer view. Organizations running on-premise systems often find themselves with dissimilar systems at each site resulting in non-integrated and inefficient siloes of technology. Moreover, technology at each site is in a constant state of change over time. The initial and ongoing integration of these contact center sites for such organizations requires significant ongoing investment.

Our Opportunity

Based on our current product offerings and historical average annual recurring revenue per seat, we believe that the market for our solution is approximately $22 billion annually worldwide. Gartner estimates that there were 14.5 million contact center agents worldwide in 2012 and forecasts that the cloud penetration of the contact center market in North America will more than double from 5% of total contact center agents in 2012 to 13% in 2016. We believe the market for contact center solutions is undergoing a significant shift to the cloud driven primarily by:

- *Adoption of cloud CRM solutions*
- *Sophistication of cloud contact center software solutions*
- *Technology refresh of on-premise contact center systems*

Adoption of cloud CRM solutions has grown as organizations seek to enhance their sales strategies, increase business agility and reduce costs. CRM solutions typically integrate deeply with contact center solutions to provide agents with real-time access to customer information. The shift to cloud CRM and ease of integration are creating significant demand for integrated cloud contact center software solutions. As the market opportunity has expanded, cloud contact center software solutions have evolved to meet the requirements of large, complex enterprise contact centers. We believe organizations have typically refreshed their on-premise contact center systems every 8-10 years. Given the prevalence of cloud CRM and the capabilities of cloud-based contact centers, cloud solutions are increasingly considered as a replacement alternative to legacy on-premise contact center systems during these refresh decisions.

Our Solution

We deliver a comprehensive cloud software solution for contact centers. Our solution enables organizations of all sizes to optimize their contact center operations by enhancing agent productivity, improving customer satisfaction and driving cost efficiency. Our solution facilitates inbound customer-initiated interactions and outbound agent-initiated interactions. Our VCC cloud platform includes features such as automatic call distribution, or ACD, interactive voice response, or IVR, computer-telephony integration, or CTI, outbound dialers and multi-channel capabilities. In addition, our VCC cloud platform offers real-time management applications to optimize contact center performance.

Our cloud contact center software solution includes the following key elements:

- ***Rapid implementation, seamless updates and pre-built integrations.*** Our solution can be deployed and updated quickly with minimal disruption to our clients' contact center operations and provides pre-built integrations with leading CRM and other enterprise applications**.** We seamlessly update our solution to ensure our clients always run the latest version of our software, while maintaining our clients' existing configurations with minimal disruption to contact center operations.
- ***Highly flexible platform.*** Our solution provides easy administration, configuration and role-based functionalities for agents, supervisors and administrators, and enables the rapid adjustment of agent seats to meet changing contact center volumes.
- ***Scalable, secure and reliable multi-tenant architecture.*** Our solution provides organizations of all sizes with the robust contact center functionality, scalability, flexibility and security required in the most sophisticated and distributed environments.

Our solution is designed to provide the following key benefits to our clients:

- ***Higher agent productivity.*** Our solution empowers greater agent productivity and utilization by allowing agents to handle both inbound and outbound calls and interact with customers across multiple other channels, including chat, email, web, social media and mobile.
- ***Improved customer satisfaction.*** Our intelligent call routing and IVR capabilities, pre-built integrations with leading CRM applications, and multi-channel capabilities ensure customer interactions are quickly

routed to an appropriate agent resource. Agents, through integrations with CRM applications, have immediate access to the most current, relevant and accurate information about the customer, resulting in increased first contact resolutions and a more satisfying experience for the customer.

- ***Enhanced end-to-end visibility.*** Our VCC cloud platform integrates our clients' deployments across multiple contact center locations, providing an organization-wide view of their contact center operations. This facilitates efficient cloud routing across locations and provides a uniform interface across all agents. With this visibility, our solution enables our clients to quickly shift agent resources and adjust agent seats in response to changing business requirements, which results in higher agent utilization.
- ***Greater operational efficiency.*** Our solution provides contact center managers with significant visibility into their agents' productivity and the efficiency and performance of their campaigns. We provide robust intelligence and analytics capabilities to help supervisors optimize operations and campaigns in real-time to drive increased efficiency. Our role-based interfaces deliver specific functionality to both desktops and mobile devices to meet the unique needs of agents, supervisors and administrators.
- ***Compelling value proposition.*** We provide a unified cloud-based software and telephony platform for contact center operations, including software applications, technology infrastructure, maintenance, monitoring, storage, security, client support and upgrades, which enables our clients to simplify their technology infrastructure and streamline IT costs. We manage upgrades and deployments remotely, often resulting in lower total cost of operations relative to legacy on-premise contact center systems that often require in-house technical support staff.

Our Competitive Strengths

We believe that our position as a leading provider of cloud contact center software results from several key competitive strengths, including:

- ***Cloud-based, enterprise-grade platform and end-to-end application suite.*** We deliver a cloud-based enterprise-grade platform and applications suite with multi-channel capabilities that allows our clients to manage their entire contact center operation. Our highly scalable, secure and multi-tenant architecture enables us to serve large, distributed enterprises with complex contact center requirements, as well as smaller organizations, all from a single cloud platform.
- ***Rapid deployment of our comprehensive solution.*** Our solution enables our clients to quickly deploy and provision agent seats in any geographic location with only a computer, headset and broadband internet connection, and rapidly adjust the number of contact center agent seats in response to changing business requirements. Our clients always have the latest version of our software, deployed seamlessly through the cloud, and can easily integrate our solution with many adjacent enterprise applications using our pre-built integrations. As a result, our clients' contact centers become fully operational more quickly than legacy on-premise contact center systems.
- ***Proven, repeatable and scalable go-to-market model.*** We engage with our clients through a highly scalable and metrics-driven sales and marketing organization that effectively identifies, qualifies and closes sales opportunities. The deep domain expertise of our field sales team is instrumental in selling to larger opportunities, and our highly efficient telesales model enables us to cost-effectively identify, qualify and close a high volume of smaller opportunities. Our ecosystem of technology and system integrator partners increases awareness of our solution and helps generate new sales opportunities. We believe our go-to-market model gives us an efficient and effective means of targeting organizations of all sizes.
- ***Established market presence and a large, diverse client base.*** We have a large, diverse client base of over 2,000 organizations across multiple industries. We believe our clients view us as a key strategic solutions provider. The performance, reliability, ease-of-use and comprehensive nature of our solution has resulted in high client satisfaction and retention.
- ***Extensive partner ecosystem.*** We have cultivated a robust ecosystem of partners including a variety of leading CRM software vendors such as Salesforce.com Inc., Oracle Corporation, Microsoft Corporation

and NetSuite Inc.; system integrators such as Bluewolf, Inc. and Deloitte Consulting LLP; analytics, workforce management and performance management software vendors such as NICE Systems, Inc. and Authority Software; and telephony providers such as AT&T Inc. and Verizon Communications Inc. We believe this ecosystem has enabled us to increase our brand awareness and enhance the functionality and value of our solution for our clients.

- ***Focus on innovation and thought leadership.*** Since our inception, we have been an innovator of cloud contact center software. Our investment in research and development has driven our growth and enabled us to deliver a cloud contact center software solution with the features and functionality to power the most complex contact centers. Our extensive domain expertise enables us to enhance our solution and serves as a critical competitive differentiator. We strive to be a thought leader in our industry, identifying and developing cloud capabilities to transform traditional contact center operations into customer engagement centers of excellence.

Our Growth Strategy

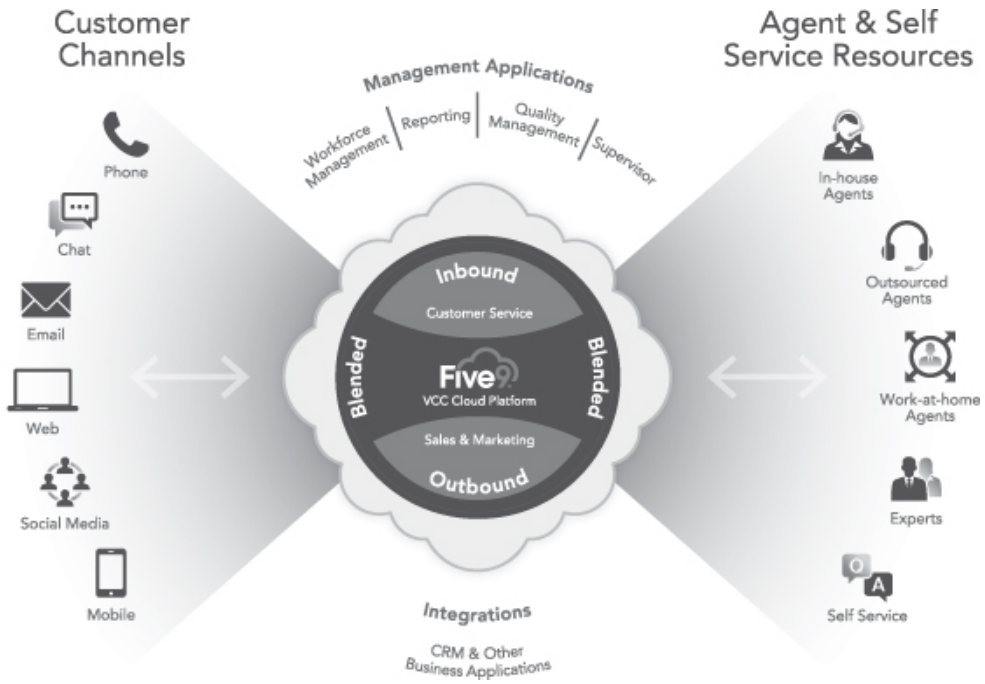
Our objective is to strengthen our position as a leader in cloud contact center software. To accomplish this goal, we are pursuing the following growth strategies:

- ***Capture increased market share.*** We believe that the adoption of cloud contact center software solutions is increasingly driven by mainstream adoption of cloud computing, especially within CRM, as well as the increasing capabilities of these solutions. With organizations refreshing their contact center systems every 8-10 years, cloud solutions have an opportunity to replace legacy on-premise contact center systems at the time a replacement decision is made. We believe there is a substantial opportunity for us to win new clients and increase our market share given the strength and client benefits of our cloud solution. We intend to continue to invest aggressively in our sales force and marketing capabilities to win new clients.
- ***Continue to increase sales in our existing client base.*** Many of our clients deploy our solution to support only a portion of their contact center agents initially. We intend to increase the number of agents using our solution within our existing clients as they experience the benefits of our cloud solution. We also intend to sell our existing clients incremental applications to increase our revenue and the value of our existing client relationships.
- ***Maintain our innovation leadership by strengthening and extending our solution.*** We have an innovative platform that has enabled us to establish a leadership position in the cloud contact center software market. To preserve and expand our leadership position, we intend to continue to make significant investments in research and development to strengthen our existing solution and develop additional industry-leading contact center features and applications.
- ***Expand internationally.*** To date, our focus has been on the U.S. market, which represented 90% of our revenue in the years ended December 31, 2012 and 2013, based on bill to address. We believe there is a significant opportunity for our cloud solution to disrupt incumbent legacy on-premise contact center systems internationally. We plan to increase our sales capabilities internationally by expanding our direct sales force and collaborating with strategic partners worldwide to target these markets and grow our international client base.
- ***Further develop our partner ecosystem.*** We have established strong partner relationships with organizations in the contact center ecosystem to further enhance the value of our VCC cloud platform. We intend to continue to cultivate new relationships with additional software, technology, system integrator and telephony providers to enhance the value of our solution and drive sales.
- ***Selectively pursue acquisitions.*** In addition to organically developing and strengthening our solution, we intend to actively and selectively explore acquisition opportunities of companies and technologies to expand the functionality of our solution, provide access to new clients or markets, or both. For example, we recently acquired SoCoCare in order to establish our social media capabilities and strengthen our market leadership.

Our Virtual Contact Center Cloud Platform and Applications

Our cloud contact center software solution consists of our purpose-built and highly scalable VCC cloud platform that delivers a comprehensive suite of easy-to-use, secure applications to cover the breadth of contact center-related customer service, sales and marketing functions. Our VCC cloud platform acts as the hub for interactions between our clients and their customers, enabling contact center operations focused on either inbound or outbound customer interactions in a single unified architecture. Our solution enables our clients to manage these customer interactions across multiple channels including voice, chat, email, web, social media and mobile and connects them to an appropriate agent. Whether the resource is an internal contact center agent, an outsourcer, an agent working from home, a knowledge worker, or self-service, our solution enables our clients to deliver a highly effective customer experience.

Our solution is built using a multi-tenant architecture and delivered in the cloud. The following diagram illustrates our VCC cloud platform and comprehensive suite of applications used by agents, supervisors and administrators. In addition, we provide a robust set of management applications including workforce management, reporting, quality management and supervisor tools.



Inbound Contact Center: With our VCC cloud platform, inbound contact centers of all sizes have everything they need to run a successful contact center, including the ability to take calls, respond to chat and email interactions, and engage with a wide range of social media sources. Our platform includes a full-featured IVR system that allows our clients to automatically answer calls and identify an appropriate agent resource to resolve the customer issue. At the center of our VCC cloud platform is the ACD, which provides intelligent routing of customer and prospect interactions. This provides our clients with the flexibility to prioritize customer interactions to maximize business results and ensure customer treatment is aligned with their customer service and sales strategy.

Using our ACD, IVR, CTI, natural language processing, or NLP, open application programming interfaces and deep integration with CRM solutions, our clients can provide personalized customer service by delivering customer data to the agent handling the interaction. This promotes quick first contact resolution, which is a key factor in customer satisfaction. Our clients can prioritize high-value customers for special treatment, and respond to time-of-day needs, thereby maximizing agent productivity, while increasing customer satisfaction.

Outbound Contact Center: Our Outbound Contact Center application enables our clients to improve the efficiency and productivity of outbound contact center agents. We offer a complete solution for outbound sales and marketing campaigns, including multiple automated dialing options, so our clients can find the right match for their needs and environment, including outbound business-to-consumer and business-to-business campaigns. We offer a variety of outbound dialer solutions, including our patented predictive dialer. The predictive dialer greatly enhances the productivity of agents and sales representatives by increasing productive talk time and minimizing idle time spent listening to voice mail and busy signals. These dialer solutions allow our clients to choose the automation capabilities that best align with their contact center environment and objectives, including lead prospecting, qualifying, nurturing and converting. We also provide campaign management tools such as list management, sophisticated dialer rules to connect with more prospects and agent scripting to maximize the productivity of our clients' outbound campaigns. Our outbound contact center application easily integrates with our clients' web presence to generate immediate, automated callback for online inquiries.

Blended Contact Center: We provide both inbound and outbound capabilities on a single architecture to unify contact center operations. This helps improve agent productivity, as interactions are automatically routed based on interaction volume. When call volumes are low, our blending ability allows our clients to shift inbound agent resources to outbound-related functions. For example, inbound agents can be assigned to the outbound queue for automatic follow-ups on any customer interaction, flag customer surveys for personalized attention, or resolve open customer issues. Agents receive scripting to improve their effectiveness.

Five9 SoCoCare Social Customer Care: Our social customer care application was purpose built for contact center agents and supervisors. Our solution is designed to route, track and report on performance in the social channel in the same manner as other channels handled by contact centers. Our advanced NLP engine with business rules automatically tags social posts as positive, negative or neutral. Our application also filters out unactionable social media interactions, which can be up to 80% of the social volume for most companies, by analyzing the relevancy of posts. We can prioritize items based on business rules, further cluster posts into tiered business topics and utilize our powerful custom views to monitor the social universe in real-time, thereby enabling agents to focus on actionable customer issues.

Mobile Customer Service Modules: We offer mobile customer service modules to allow our clients to easily provide customer service from within their mobile application. These pre-built modules can be added to mobile applications, allowing enterprises to quickly add common tasks, such as scheduling an agent call back, mobile chat, sentiment feedback or Net Promoter Score measurement, into their applications.

Management Applications: Our integrated portfolio of management applications is built and delivered on our highly scalable and agile VCC cloud platform. We provide real-time supervisor tools to monitor and manage agent performance and call flows. In addition, we provide a suite of configurable management reports to enable our clients to manage the end-to-end performance of their contact center operations. For advanced client needs, we also offer fully integrated workforce and quality management applications through our strategic relationship with NICE Systems, Inc.

Our clients can access our VCC cloud platform in four different ways:

- *Agent Desktop:* Serves as the unified environment for contact center agents. Agents are provided with one easy-to-use interface for handling interactions designed to promote a seamless customer experience. Automated call scripting and real-time customer data, such as purchase and interaction history, is delivered to empower the agent with the data they need to answer customer questions and provide a highly effective customer experience.
- *Supervisor:* Provides supervisors with tools to optimize the contact center and ensure high quality customer interactions. These tools provide visibility into call routing, queues, service level agreements, or

SLAs, workflow management, utilization, campaign statistics and agent productivity. A mobile tablet version of the supervisor application is also available to help supervisors monitor agents, listen in on conversations, coach agents, and oversee queues and agent performance metrics. These metrics typically include average handle time, first contact resolution, number of interactions handled and contact outcomes.

- *Administrator:* Provides administrators with a comprehensive set of integrated tools to easily configure agent skills (such as language, domain expertise, and channels to service), determine interaction routing strategies, specify IVR scripts and manage the contact center operation. The Five9 Administrator system is easy to use so that contact center business personnel can set up and make changes themselves, without having to rely on specialized IT staff often required to deploy or update legacy on-premise contact center systems. This represents a key advantage of our VCC cloud platform, as it allows businesses to move and change quickly to keep up with the rapid changes required in contact center operations.
- *Reporting and Analytics:* Real-time reports provide statistics and key performance indicators to allow executives and supervisors to monitor the contact center, improve reaction time to interaction volume and manage agents more effectively. We provide more than 100 standard reports with multiple views and drill-downs into individual inbound calls and metrics, customer interaction outcomes, and outbound sales and marketing program metrics. Our reporting platform also enables clients to build customized reports and reporting schedules.

CRM Integrations: We offer pre-built integrations with leading providers of CRM systems such as Salesforce.com, Inc., Oracle Corporation, Microsoft Corporation and NetSuite Inc. in addition to professional service-delivered integration with home grown or legacy CRM systems. Our solution routes each customer interaction to an appropriate agent resource and, through integrations with CRM applications, provides agents with immediate access to the most current, relevant and accurate information about the customer, resulting in increased first contact resolutions and a more satisfying experience for the customer.

Clients

We have a large and diverse client base comprised of over 2,000 organizations as of December 31, 2013, with no single client representing more than 10% of our revenues in 2011, 2012 or 2013. Our client base spans organizations of all sizes across multiple industries, including banking and financial services, business process outsourcers, consumer, healthcare and technology.

The following is a representative sample of our current clients: Access Worldwide Communications, Inc.; American Support, LLC (“American Support”); Citrix Systems, Inc.; Comcast; ConnectAmerica.com, LLC; Dun & Bradstreet Credibility Corp.; McKesson Corporation (“McKesson”); NetSuite Inc.; PennyMac Loan Services, LLC; Siemens AG; Straight Forward of Wisconsin, Inc.; Xerox Corporation. These clients vary in size of their respective business and the size of revenue we derive from them.

Client Case Studies

We believe that the following case studies provide a representative sample of how our clients use our solution. These case studies are illustrative only and the results stated herein may not be representative of the results achieved by other clients. These case studies have been approved by the applicable clients.

American Support

Situation: Prior to using Five9, American Support, a leading contact center outsourcer, employed two separate contact center systems: an on-premise system for outbound calls and a cloud solution for inbound calls. Multiple systems required extensive agent training, and managing data was a laborious manual process. Additionally, the premise-based outbound solution forced American Support to invest significantly in both hardware and IT support staff, while the inbound solution lacked large-scale dialing capabilities.

Solution and Benefits: In September 2012, American Support selected Five9 and combined its inbound and outbound calls into one blended solution. Currently, American Support has informed us that they handle an average of 230,000 calls per month for its customers. Some of the benefits that American Support has realized from Five9 include:

- One Total Solution: Five9 offers all of the functionality — powerful dialing options, robust reporting, CRM integration, quality of service and advanced call routing — that American Support was looking for and combines them into one system. This joint solution allows American Support to train agents on only one system no matter what type of calls they are managing.
- Scalability: The cloud solution from Five9 enables American Support to scale up or down almost instantaneously based on its customers' needs. Now American Support can add agents in hours instead of the days and weeks it took with its old solution. Depending on seasonal needs, American Support's staff ranges between 160 and 400 agents throughout the year.
- High Availability of Solution: American Support's contact center enjoys excellent uptime, thanks to Five9's robust technology, geographic redundancy, qualified personnel, and in-production upgrade procedures.
- Cost Savings: Since implementing Five9, American Support has informed us that they have reduced overall costs by approximately 20%. The Five9 cloud solution enables American Support to keep costs predictable and controlled, as there are no up-front investments or bloated IT maintenance budgets to contend with. Also contributing to this substantial savings is the reduction in telephony charges, which they believe decreased by 50%.
- Increased Productivity: American Support informed us that they have experienced a 160% increase in contacts per hour with Five9.
- CRM Integration: The Five9 integration with Salesforce enables American Support to store information, track leads and manage all post-call activities for its clients. Also, supervisors can monitor agents in real-time and track performance from any device at any time.
- Expansion in the Future: In 2014, American Support has informed us that they plan to implement components of the Five9 SoCoCare solution to add advanced social and mobile customer care to its contact center operations.

Dun & Bradstreet Credibility Corp.

Situation: Dun & Bradstreet Credibility Corp. is the leading provider of credit building and credibility solutions for businesses. When it was establishing itself after an acquisition from Dun & Bradstreet, Inc. and becoming an independent organization, the company looked to find a solution that reduced its telephony investment risk and could be managed with limited IT staff. A significant portion of Dun & Bradstreet Credibility Corp.'s revenue is generated through the phones, so selecting the right contact center solution was critical.

Solution and Benefits: In February 2011, Dun & Bradstreet Credibility Corp. chose Five9 because we offered the advanced features Dun & Bradstreet Credibility Corp. required, as well as the best value. Benefits included:

- A Complete Solution: Dun & Bradstreet Credibility Corp. implemented a blended solution from Five9 to manage tens of thousands of calls per month. Dun & Bradstreet Credibility Corp. benefits from many of Five9's advanced dialing capabilities to handle its large call volume.
- Lower Risk: Five9 manages and maintains the contact center infrastructure within its data centers, so Dun & Bradstreet Credibility Corp. can focus on growing the business and other strategic issues rather than infrastructure.
- Scalability: Due to continued demand for its products, Dun & Bradstreet Credibility Corp. needed to expand its total number of agents dramatically. Dun & Bradstreet Credibility Corp. now has hundreds of agents across the United States.

- Cost Savings: Since utilizing Five9's services, Dun & Bradstreet Credibility Corp. believes that its operating costs have decreased by 60%. Dun & Bradstreet Credibility Corp. no longer relies on consulting firms to help maintain an on-premise system, and its telephony staff has been reduced from roughly 10 employees to one. In addition, Dun & Bradstreet Credibility Corp. has informed us that they believe Five9 has helped Dun & Bradstreet Credibility Corp. decrease monthly recurring costs per agent by 63%.
- Agent Efficiency: Five9's easy-to-use technology has helped Dun & Bradstreet Credibility Corp. maximize its agents' expertise, time and performance. The number of calls of all types that Dun & Bradstreet Credibility Corp. manages increased dramatically.

McKesson

Situation: McKesson, a global provider of health care technology, medical supplies and pharmaceutical products, was using a manual system to dial and manage 10,000+ outbound calls per month within its Specialty Health division. With this outdated system, McKesson was forced to retain a sizable staff, and campaigns still took over 90 days to complete. Other challenges included slow dialing, insufficient manual reporting and inefficient processes.

Solution and Benefits: McKesson implemented Five9 in January 2013 and found the efficiency and cost savings it was looking for. Benefits included:

- Rapid Deployment: Deployment of the Five9 system and training was handled very quickly, and McKesson was operational within just 10 days. Minimal internal IT support was required during the implementation and the Five9 Professional Services team effectively guided the McKesson Contact Center Operations team through the data collection, testing, training and go-live process.
- Higher Efficiency: With the Five9 Dialer, McKesson has informed us that they are now able to manage the same number of calls (10,000+ per month) with half the number of agents.
- Better Visibility: Five9's advanced reporting tools are easy to use and allow McKesson supervisors to monitor agents in real-time and track their performance. McKesson also has much greater visibility into call case status, something that previously had to be tracked manually.
- Cost Savings: Implementing the Five9 cloud solution required low start-up costs, which minimized McKesson's investment risk. No hardware was required, and labor costs have been significantly reduced. Operating costs are drastically lower due to fewer agents and greater efficiency in campaign execution. Since deploying Five9, McKesson has informed us that they have realized a 150% increase in productivity.

NetSuite

Situation: Prior to selecting Five9, NetSuite, the industry's leading provider of cloud-based financials / ERP and omnichannel commerce software suites, had a few problems with other contact center solutions—both on-premise and cloud-based. Issues included poor call quality, the inability to integrate with other tools, a lack of call recording and reporting ability, and poor scalability.

Solution and Benefits: In 2011, NetSuite selected a blended inbound/outbound solution from Five9. By partnering with Five9, NetSuite increased the efficiency of its agents and improved customer satisfaction levels. Benefits included:

- International Deployment: Five9 is used by 320+ NetSuite agents in multiple countries—Philippines, Canada, Czech Republic, Hong Kong, Japan, and the United States. NetSuite manages over 15,000 calls per month.
- CRM Integration: Five9 offers advanced NetSuite integration capabilities for case management, reporting and forecasting.
- Improved Call Quality: The Five9 contact center solution has dramatically enhanced call quality for NetSuite, as demonstrated from feedback results received on NetSuite's regular support customer surveys.
- Growth: Since implementing Five9, NetSuite has grown from 279 to approximately 329 agents.

- Flexibility: The ease-of-use and flexibility of the Five 9 Virtual Contact Center enables NetSuite agents to work from anywhere—even from home—requiring only a high-speed Internet connection and a phone headset.

Sales

Our sales model consists of a field sales team that sells our solution into larger opportunities and a telesales team that sells our solution into smaller opportunities. We established our business targeting smaller opportunities and have expanded our sales focus to larger opportunities as we gained traction in the market and enhanced the capabilities of our cloud solution. We have developed a disciplined, high volume, metrics-driven sales strategy, which we believe enables us to efficiently generate and close a large number of new sales opportunities. Our telesales team focuses on qualified leads generated through traffic to our websites, and also supports our field sales team through lead generation and lead-tracking activities. Our field and telesales teams are also responsible for selling to existing clients, that may renew their subscriptions, increase the number of agents using our cloud solution, add new applications from our solution and expand the deployment of our solution across their contact centers.

Marketing

To build client awareness and adoption of our solution, our lead generation activities consist primarily of client referrals, internet advertising, digital marketing campaigns, social marketing, trade shows, industry events, co-marketing with strategic partners and telemarketing. In addition, our industry analyst, press and media outreach programs, and web site marketing initiatives are designed to build brand awareness and preference for Five9. We offer free trials and services to allow prospective clients to experience the quality and ease-of-use of our cloud solution, to learn about the features and functionality of our VCC cloud platform in more detail, and to quantify the benefits of our cloud solution.

To complement our sales and marketing efforts, we have developed a large ecosystem of software, technology, telephony and system integrator partners who help increase awareness of our solution and generate new and installed base sales opportunities.

Research and Development

Our ability to compete depends in large part on our continuous commitment to research and development and our ability to improve the functionality of, and add new features to, our VCC cloud platform. The majority of our research and development employees are located in our development center in Russia, allowing us to benefit from relatively low-cost, highly skilled software developers. Our engineering team has deep software and telecommunications skills, and works closely with our sales team to identify our clients' product requirements. In addition, continuous interactions with our partners enable our engineers to enhance the usability and performance of our platform and its integration with best-in-class CRM and other business applications and telephony technologies.

As of December 31, 2013, we had 162 employees in our research and development group, of which 85 engineers are based in Russia. Our research and development expenses totaled $8.7 million, $13.2 million and $17.5 million for the years ended December 31, 2011, 2012 and 2013, respectively. We intend to continue investing in research and development to continue to deliver robust functionality to our clients.

Professional Services

We offer comprehensive professional services to our clients to assist in the successful implementation and optimization of our solution. Our professional services include application configuration, system integration, and education and training. Our clients may use our professional services team for implementing our solution or, in limited cases, they may also choose to perform these services themselves or engage third-party service providers to perform such services. Our cloud solution allows us to eliminate the need for lengthy and complex technology integrations, such as deploying equipment or maintaining hardware infrastructure for individual clients. As a result, we are typically able to deploy and optimize our solution in significantly less time than required for deployments of legacy on-premise contact center systems.

Technology and Operations

Our highly scalable and flexible VCC cloud platform is the result of 12 years of research, development, client engagement and operational experience. The platform is comprised of in-house developed intellectual property, open source products and commercially available hardware and software. The platform is designed to be redundant and we believe that all components can be upgraded, expanded or replaced with minimal or no interruption in service.

We deliver our services globally from two third-party co-location data center facilities located in Santa Clara, California and Atlanta, Georgia. Our infrastructure, including that at our third-party co-location facilities, is designed to support real-time mission-critical telecommunications, applications and operational support systems. Our infrastructure is built with redundant, fault-tolerant components divided into distinct security zones forming protective layers for our applications and customer data.

We have designed and maintain an operations, capacity and security program to monitor and maintain our platform, ensure efficient utilization of the platform capacity and protect against security threats or data breaches. Our operations team constantly monitors our data centers for potential performance issues, unauthorized attempts to access secure data or applications and the overall integrity of the platform.

Competition

The market for contact center software is fragmented, highly competitive and evolving rapidly in response to shifting consumer behavior, especially the rapid adoption of mobile devices and social media. The proliferation of each is driving change in contact center technology, as customers expect companies to give them the option of seamless communication across any channel according to their preference and needs. Combined with the disruptive nature of the cloud in the contact center, this has resulted in competitors who come from different market and product heritages, and who vary in size, breadth and scope of the products and services offered. We currently compete with large legacy on-premise contact center system vendors that offer on-premise enterprise telephony and contact center systems, such as Avaya and Cisco; and legacy on-premise software companies with a historical focus on CTI, such as Aspect, Genesys and Interactive Intelligence. These companies are expanding their traditional on-premise contact center systems with cloud-based offerings, either through acquisition or in-house development. Additionally, we compete with vendors that historically provided other contact center services and technologies and expanded to offer cloud contact center software. These companies include inContact and LiveOps. We also face competition from smaller contact center service providers with specialized contact center software offerings. Our actual and potential competitors may enjoy competitive advantages over us, including greater name recognition, longer operating histories, larger marketing budgets and greater financial and technical resources. We believe the principal competitive factors in our market include:

- breadth and depth of solution features;
- reliability, scalability and quality of the platform;
- ease of deployment and use of applications;
- level of client satisfaction;
- domain expertise in contact center operations;
- integration with third-party applications;
- pricing;
- ability to quickly adjust agent seats based on business requirements;
- breadth and domain expertise of the sales and marketing organization;
- ability to keep pace with client requirements;
- extent and efficiency of our professional services;
- ability to offer multiple channels of engagement; and

- size and financial stability of operations.

We believe we currently compete effectively with respect to each of the factors identified above.

Intellectual Property

We rely on a combination of patent, copyright, and trade secret laws in the U.S. and other jurisdictions, as well as license agreements and other contractual protections, to protect our proprietary technology. We also rely on a number of registered and unregistered trademarks to protect our brand. In addition, we require our employees and independent contractors involved in development of intellectual property on our behalf to enter into agreements acknowledging that all works or other intellectual property generated or conceived by them on our behalf are our property, and assigning to us any rights, including intellectual property rights, that they may claim or otherwise have in those works or property, to the extent allowable under applicable law.

Our intellectual property portfolio includes twenty registered and seven pending trademarks, four issued U.S. patents and seventeen pending patent applications and one registered copyright. We have pending patent applications and limited trademark registrations outside the U.S. In general, our patents and patent applications apply to aspects of our VCC cloud platform. We are also a party to various license agreements with third parties that typically grant us the right to use certain third-party technology in conjunction with our solution.

Employees

As of December 31, 2013, we had 533 full-time employees, including 162 employees in our research and development group. None of our employees are covered by collective bargaining agreements. We believe that our employee relations are good and we have never experienced any work stoppages.

Facilities

Our principal executive offices are located in San Ramon, California, where we occupy approximately 62,477 square feet of office space under a lease expiring on February 28, 2018. We maintain additional offices in Russia and the Philippines. We have leases with data center operators in the United States pursuant to various lease agreements and co-location arrangements. We believe our facilities are sufficient for our current needs.

Regulatory

The following summarizes important, but not all, federal and state regulations that could impact our operations. Federal and state regulations are subject to judicial review, administrative revision and statutory changes through legislation that could materially affect how we and others in this industry operate.

The Telecommunications Act of 1996 vests the Federal Communications Commission, or FCC, with jurisdiction over interstate telecommunications services, while preserving state and local jurisdiction over many aspects of these services. As a result, telecommunications services are regulated at both the federal and state levels in the United States.

We are classified as a telecommunications service provider for federal regulatory purposes. Since our business is regulated by the FCC, we are subject to existing or potential FCC regulations relating to privacy, disability access, porting of numbers, USF contributions and other requirements. If we do not comply with FCC rules and regulations, we could be subject to FCC enforcement actions, fines, loss of operating authority and possibly restrictions on our ability to operate or offer certain of our services. Any enforcement action by the FCC, which may be a public process, would hurt our reputation in the industry, possibly impair our ability to sell our services to clients and could harm our business and results of operations.

Among the federal regulations to which we are subject, we must comply (in whole or in part) with:

- the Communications Assistance for Law Enforcement Act, or CALEA, which requires covered entities to assist law enforcement in undertaking electronic surveillance;
- contributions to the USF which requires that we pay a percentage of our revenues to support certain federal programs;

- payment of annual FCC regulatory fees based on our interstate and international revenues;
- rules pertaining to access to our services by people with disabilities and contributions to the Telecommunications Relay Services fund; and
- FCC rules regarding Customer Proprietary Network Information, or CPNI, which require that we not use such information without customer approval, subject to certain exceptions.

In addition, we are subject to contributions and other payments on our usage-based fees at the state and local levels. The tax and fee structure relative to communications services such as ours is complex, ambiguous and subject to interpretation. If taxing and regulatory authorities enact new rules or regulations or expand their interpretations of existing rules and regulations, we could incur additional liabilities. In addition, the collection of additional taxes, fees or surcharges in the future could have the effect of increasing our prices or reducing our profit margins. Compliance with these regulations may also make us less competitive with those competitors who are not subject to, or choose not to comply with, the regulations. See Note 9 to the notes to our consolidated financial statements for a discussion of our accruals related to USF matters.

The FCC and a number of states are considering reform or other modifications to USF programs. The questions being considered as part of such reform by the FCC include which companies should contribute, how those contributions should be assessed and how the administration of the system can be improved. In addition, a number of states are actively considering extending their regulatory regimes. Any such changes could change the way in which we comply with our regulatory obligations and could increase our regulatory costs and expenses.

As we expand internationally, we will be subject to laws and regulations in the countries in which we offer our services. Regulatory treatment of the solutions we provide outside the U.S. varies from country to country, is often unclear, and may be more onerous than those imposed on our services in the U.S. Our regulatory obligations in foreign jurisdictions could negatively impact the use or cost of our solution in international locations.

The legislative and regulatory scheme for telecommunications service providers and other solutions we provide will continue to evolve and can be expected to change the competitive environment for these services. It is not possible to predict how such evolution and changes will affect, if at all, our business or the industry in general. If we do not comply with any current or future rules or regulations that apply to our business, we could be subject to substantial fines and penalties, we may have to restructure our service offerings, exit certain markets, accept lower margins or raise the price of our services, any of which could ultimately harm our business and results of operations. See “Risk Factors — Risks Related to Regulatory Matters” for more information.

Legal Proceedings

We are subject to certain legal and regulatory proceedings described below, and from time to time may be involved in a variety of claims, lawsuits, investigations and proceedings relating to contractual disputes, intellectual property rights, employment matters, regulatory compliance matters and other litigation matters.

During the third quarter of 2012, we determined that based on our business activities, we are classified as a telecommunications service provider for regulatory purposes and we are required to make direct contributions to the USF based on revenue we receive from the resale of interstate and international telecommunications services. Previously, we had been advised that the telecommunications services were an integral part of an information service and accordingly made indirect USF contributions as an end user through payments to our wholesale telecommunications service providers. In order to comply with the obligation to make direct contributions, in November 2012, we made a voluntary self-disclosure to the FCC Enforcement Bureau and have registered with USAC, which is charged by the FCC with administering the USF. We have accrued for past due contributions dating back to 2003 and, in April 2013, began remitting required contributions on a current basis directly to USAC.

Our registration with USAC subjects us to assessments for unpaid USF contributions, as well as interest and penalties thereon, due to our late registration and reporting of revenues. See Note 9 to the notes to our consolidated financial statements for a discussion of such assessments.

On August 5, 2011, NobelBiz, Inc., or NobelBiz, sent a letter to us asserting infringement of a patent related to virtual call centers. On April 3, 2012, NobelBiz filed a patent infringement lawsuit against us in the United States District Court for the Eastern District of Texas. The patent asserted in the complaint is different, but related, to the patent asserted in the original letter. The lawsuit, NobelBiz Inc v. Five9, Inc., Case No. 6:12-cv-00243-LED, alleges that our local caller ID management service infringes United States Patent No. 8,135,122, or the 122 patent. The 122 patent, titled "System and Method for Modifying Communication Information (MCI)," issued on March 13, 2012, and according to the complaint is alleged to relate to "a system for processing a telephone call from a call originator (also referred to as a calling party) to a call target (also referred to as a receiving party), where the system accesses a database storing outgoing telephone numbers, selects a replacement telephone number from the outgoing telephone numbers based on the telephone number of the call target, and originates an outbound call to the call target with a modified outgoing caller identification ('caller ID'). NobelBiz seeks damages in the form of lost profits as well as injunctive relief. The lawsuit is one of several lawsuits filed by NobelBiz the same day against various companies including TCN Inc., LiveVox, Inc. and Global Connect LLC. On March 28, 2013, the court granted our motion to transfer the case to the United States District Court for the Northern District of California. Subsequently, NobelBiz amended its complaint to add claims related to U.S. Patent No. 8,565,399, which is a continuation in the same family as the 122 patent and addresses the same technology. We responded to the complaint and amended complaint by asserting noninfringement and invalidity of the 122 patent. The court in California held a status conference on December 9, 2013, and subsequently set a schedule to hold a claim construction hearing regarding the patents to be held on August 22, 2014. No trial date or further schedule is anticipated until after the court issues its ruling as to claim construction following the hearing.

The outcome of litigation and regulatory claims cannot be predicted with certainty, may be expensive and cause distraction to our management, even if we are ultimately successful, and could harm our future results of operations, cash flows and financial condition.

MANAGEMENT

The following table sets forth the names, ages and positions of our executive officers and directors as of March 24, 2014:

Names	Age	Positions
Executive Officers		
Michael Burkland	51	Chief Executive Officer, President, Director and Chairman
Barry Zwarenstein	65	Chief Financial Officer
David Milam	58	Chief Marketing Officer
Dan Burkland	49	EVP, Sales & Business Development
Moni Manor	48	EVP, Products
Tom Schollmeyer	48	Chief Technology Officer
Scott Welch	49	EVP, Cloud Operations
Non-Employee Directors		
Jack Acosta	66	Director
Kimberly Alexy	43	Director
Jayendra Das	45	Director
David DeWalt	49	Director
Mitchell Kertzman	65	Director
David Welsh	46	Lead Independent Director
Tim Wilson	54	Director
Robert Zollars	56	Director

Each executive officer serves at the discretion of our board of directors and holds office until his successor is duly elected and qualified or until his earlier resignation or removal. There are no family relationships among any of our directors or executive officers, except that Michael Burkland and Dan Burkland are brothers.

Executive Officers

Michael Burkland. Mr. Burkland has served as our Chief Executive Officer and as a member of our board of directors since January 2008 and as our President since January 2012. He has served as our Chairman since February 2014. From 2002 to 2007, Mr. Burkland worked with the Interim CEO Network, serving as an interim CEO for venture-backed technology companies, as well as heading up the firm's strategic advisory practice. From 2000 to 2001, Mr. Burkland served as Chief Executive Officer of Omniva Policy Systems Inc., a pioneer in enterprise policy management and e-mail security, where he built and implemented the company's initial go to market strategy for the enterprise market. From 1994 to 1998, Mr. Burkland served as Chief Executive Officer of Eventus Software, Inc., a leading developer of web content management software which was acquired by Segue Software, Inc. in 1998. Earlier in his career, he held various positions at Oracle, Patrol Software and BMC. Mr. Burkland holds M.B.A. and B.A. degrees from the University of California at Berkeley.

Mr. Burkland was selected to serve on our board of directors because of his perspective and experience as our Chief Executive Officer and his extensive experience as a Chief Executive Officer of companies in the technology industry.

Barry Zwarenstein. Mr. Zwarenstein has served as our Chief Financial Officer since January 2012. Since November 2007, Mr. Zwarenstein has served on the board of directors of Dealertrack Technologies, Inc., a provider of subscription-based software and data solutions for the automotive retail industry. From September 2008 to November 2011, Mr. Zwarenstein served as Senior Vice President and Chief Financial Officer of SMART Modular Technologies, Inc., a designer, manufacturer and supplier of electronic subsystems to original equipment manufacturers that was acquired by Silver Lake Partners in August 2011. From July 2004 through November 2006, Mr. Zwarenstein served as Senior Vice President and Chief Financial Officer, and from December 2006 through August 2008, as Executive Vice President and Chief Financial Officer, of VeriFone

Holdings, Inc., a global provider of technology for electronic payment transactions and value-added services at the point-of-sale. From November 2001 to June 2004, Mr. Zwarenstein served as Vice President of Finance and Chief Financial Officer of Iomega Corporation, a provider of storage and network security systems. From January 2001 to June 2001, Mr. Zwarenstein served as Vice President and Chief Financial Officer of Mellanox Technologies Ltd., a fabless semiconductor company. From October 1998 to December 2000, Mr. Zwarenstein served as Senior Vice President and Chief Financial Officer of Acuson Corporation, a company specializing in high quality medical ultrasound equipment that was acquired by Siemens AG in 2000. From July 1996 to September 1998, Mr. Zwarenstein served as Senior Vice President, Finance, New Business Development and Chief Financial Officer of Logitech International S.A., a Switzerland-based provider of personal peripherals for computers and other digital platforms. Mr. Zwarenstein holds a Bachelor of Commerce degree from the University of Natal (now known as University of KwaZulu-Natal), South Africa, and an M.B.A. degree from the Wharton School at the University of Pennsylvania. He is qualified as a Chartered Accountant (South Africa).

David Milam. Mr. Milam has served as our Chief Marketing Officer since September 2012. From May 2007 to September 2012, Mr. Milam served as Chief Marketing Officer and Executive Vice President of McAfee, Inc., or McAfee, a provider of security, endpoint, network, compliance and mobile security, and continued to serve when McAfee was acquired by Intel Corporation, or Intel, in 2011. From October 2006 to May 2007, Mr. Milam served as Chief Marketing Officer of ZANTAZ, Inc., a privately-held content archiving company which was acquired by Autonomy Corp. plc in 2007. From February 2004 to October 2006, Mr. Milam served as Senior Vice President and Chief Marketing Officer of EMC Corporation's storage and content management software group. From September 2001 to February 2004, Mr. Milam served as Chief Marketing Officer of Documentum, Inc., or Documentum, an enterprise content management platform which was acquired by EMC in 2003. Mr. Milam holds M.B.A. and B.S. degrees from California State University at Long Beach.

Dan Burkland. Mr. Burkland has served as our Executive Vice President of Sales and Business Development since February 2014. From December 2009 to February 2014, he served as our Senior Vice President of Enterprise Sales and Business Development. From April 2006 to November 2009, Mr. Burkland served as Senior Vice President of Sales at Transera Communications, Inc., a cloud contact center software company. From December 2003 to March 2006, Mr. Burkland served as Senior Vice President of Worldwide Sales of IP Unity, Inc., a provider of carrier-hosted unified communications and conferencing solutions. From August 1997 to November 2003, Mr. Burkland held various sales management roles with Cisco and GeoTel Communications LLC, which was acquired by Cisco in 1999. Mr. Burkland holds a B.S. degree from California State University at Chico.

Moni Manor. Mr. Manor has served as our Executive Vice President, Products since September 2013. From May 2008 to June 2013, Mr. Manor served as a Vice President of Research and Development in Nortel Networks Corporation, a provider of communications solutions, and then in Avaya following its acquisition of Nortel's enterprise solutions business in 2009. From May 2002 to April 2008, Mr. Manor served in various roles, the last two of which were Vice President of Customer Relationship Management followed by General Manager and Vice President of Product Development, at Amdocs Limited, a provider of software and services for communications providers. From September 1999 to April 2002, Mr. Manor served as Managing Director and Vice President of Research and Development at Manna, Inc., a developer of online personalization solutions for e-marketers. Mr. Manor holds a B.Sc. degree from Tel Aviv University, M.Sc. degree from Stanford University, and M.B.A. degree from Northwestern University.

Tom Schollmeyer. Mr. Schollmeyer has served as our Chief Technology Officer since July 2011. From January 2009 to July 2011, Mr. Schollmeyer served as Business and Technology Architect of OneSource Consulting, Inc., a provider of technologies and processes to measure and improve customer satisfaction while reducing cost per transaction. From January 2008 to January 2009, Mr. Schollmeyer served as Chief Executive Officer of Argent Online Services, Inc., a company he founded which was focused on improving customer effectiveness in their contact centers through integration of hosted contact center products. From April 2004 to January 2008, Mr. Schollmeyer served as Vice President of Telecom and Technology of eTelecare Global Solutions, Inc., or eTelecare, a provider of complex business process outsourcing solutions. From April 2002 to April 2004, Mr. Schollmeyer served as Chief Information Officer of Phase 2 Solutions, Inc., a call center outsourcing company specializing in the cellular industry that was acquired by eTelecare in 2004. From January

2001 to March 2002, Mr. Schollmeyer served as Chief Executive Officer of Argent Voice Services, Inc., a company he founded that hosted interactive voice response systems for Fortune 1000 companies. From January 1995 to December 2000, Mr. Schollmeyer served as President of ASA Solutions, Inc. a company he founded that provided interactive voice response application development and staffing resources to Fortune 500 companies.

Scott Welch. Mr. Welch has served as our Executive Vice President of Cloud Operations since March 2014. From September 2004 to February 2014, Mr. Welch served as Executive Vice President and Chief Operating Officer of inContact, Inc., a provider of cloud contact center software solutions. He served as inContact's Chief Operating Officer from October 2004 to February 2014 and Chief Security Officer from December 2009 to February 2014 and as its Chief Information Officer from September 2003 to September 2004. Before joining inContact, Mr. Welch held positions as vice president information technology, vice president of application development, and information technology director at various technology companies. Mr. Welch holds a B.S. degree from Utah Valley University.

Non-Employee Directors

Jack Acosta. Mr. Acosta has served as a member of our board of directors since April 2011. Since May 2001, Mr. Acosta has served on the board of directors of Integral Development Corporation, a financial services software company. Since October, 2013, Mr. Acosta has served on the board of directors of Rimini Street, Inc., an enterprise software support services company. From March 2004 to July 2009, Mr. Acosta served as a member of the board of directors and chair of the audit committee of SumTotal Systems, Inc., or SumTotal, a global provider of learning, performance and talent development solutions. From November 2005 to July 2009, Mr. Acosta served as the chairman of SumTotal's board of directors. From September 2004 to September 2006, Mr. Acosta served on the board of directors of BenefitStreet, Inc., a company providing financial services. From April 2005 to July 2006, Mr. Acosta served on the board of directors of Savi Technology, Inc., a provider of radio-frequency identification solutions. From October 2005 to November 2005, Mr. Acosta served as SumTotal's lead independent director. From April 2003 until March 2004, Mr. Acosta served as a member of the board of directors of Docent, Inc., a software solutions company that was acquired by SumTotal in 2004. From February 1999 to September 2001, Mr. Acosta served as Chief Financial Officer and Vice President, Finance of Portal Software, a software company acquired by Oracle Corporation in 2006. From February 1999 to April 1999, Mr. Acosta served as Secretary of Portal Software. From July 1996 to January 1999, Mr. Acosta served as Executive Vice President and Chief Financial Officer of Sybase, Inc., a database company acquired by SAP AG. Mr. Acosta holds a B.S. degree in Industrial Relations from California State University East Bay, M.S. degree in Management Sciences from California State University East Bay and Honorary Doctor of Humane Letters degree from California State University East Bay.

Mr. Acosta was selected to serve on our board of directors because of his accounting, financial, operating and management experience, service on the boards of directors of numerous other companies, financial expertise through his service as a chief financial officer of public software companies, and experience in overseeing auditors and financial audits.

Kimberly Alexy. Ms. Alexy has served as a member of our board of directors since October 2013. Since June 2005, Ms. Alexy has served as the Principal of Alexy Capital Management, a private investment management firm that she founded. Since August 2011, Ms. Alexy has also served as an Adjunct Lecturer at San Diego State University in the Graduate School of Business. Since May 2008, Ms. Alexy has served on the board of directors of CalAmp Corp., a global provider of wireless communications solutions. From September 2009 to August 2011, Ms. Alexy served on the board of directors of SMART Modular Technologies Inc. From August 2009 to September 2010, Ms. Alexy served on the board of directors of SouthWest Water Company, a provider of services ranging from water production, treatment and distribution to utility infrastructure construction management. From December 2005 to May 2010, Ms Alexy served on the board of directors of Dot Hill Systems Corp., a provider of SAN storage solutions. From June 2005 to May 2006, Ms. Alexy served on the board of directors of Maxtor Corporation, a manufacturer of computer hard disk drives. From 1998 to January 2003, Ms. Alexy served as Senior Vice President and Managing Director of Equity Research for Prudential Securities, where she served as principal technology hardware analyst for the firm. From July 1995 to 1998, Ms. Alexy served as Vice President of Equity Research at Lehman Brothers, a financial services firm, where she covered the

computer hardware sector. From June 1993 to July 1995, Ms. Alexy served as Assistant Vice President of Corporate Finance at Wachovia Bank, a financial services company. Ms. Alexy is a Chartered Financial Analyst (CFA), and holds a B.A. degree in Psychology from Emory University and an M.B.A. degree with a concentration in Finance and Accounting from the College of William and Mary.

Ms. Alexy was selected to serve on our board of directors because of her extensive experience in the financial services industry as an investment professional, which brings an institutional investor perspective to our Board, financial and accounting expertise and service on other public company boards.

Jayendra Das. Mr. Das has served as a member of our board of directors since April 2013. Since January 2011, Mr. Das has served as Managing Director of SAP Ventures LLC, a venture capital firm he co-founded and for which he currently manages investments in Alteryx, Inc., Apigee Corporation, Box Inc., JasperSoft Corporation, MuleSoft, Inc., Mirantis, Inc., Narrative Science, Inc., One97 Communications Ltd. and Splashtop, Inc. and leads investments in India. From July 2006 to December 2010, Mr. Das served as a Partner of SAP Ventures director of Agilent Ventures (formerly part of Hewlett-Packard Company), the corporate venture capital arm of Agilent. From June 2002 to June 2004, Mr. Das served as a Principal of MVC Capital, Inc., a business development company and venture capital firm. From June 1999 to July 2003, Mr. Das served as a Lead Architect and as a Product Manager at Oracle, a provider of business software. From September 1999 to June 2001, Mr. Das served as Strategic Investment Manager of Intel Capital, the corporate venture capital arm of Intel. Mr. Das has a B.S. degree in Electrical Engineering from Brown University and M.B.A. degree from the University of Chicago Booth School of Business.

Mr. Das was selected to serve on our board of directors because of his experience as a venture capitalist focusing on the technology sector, experience in the technology and software sectors and service on the boards of directors of numerous other companies.

David DeWalt. Mr. DeWalt has served as a member of our board of directors since April 2012. Since November 2012, Mr. DeWalt has served as the chair of the board of directors and Chief Executive Officer of FireEye, Inc., a global network security company. Since November 2011, Mr. DeWalt has served on the board of directors of Delta Air Lines, Inc. From November 2005 to May 2013, Mr. DeWalt served on the board of directors of Polycom, Inc., a telepresence and voice communication solutions company. From February 2011 to April 2013, Mr. DeWalt served on the board of directors of Jive Software, Inc., a software company in the social business software industry. From April 2007 to February 2012, Mr. DeWalt served as President, Chief Executive Officer and Director of McAfee. From December 2003 to March 2007, Mr. DeWalt held various positions at EMC Corporation, a developer and provider of information infrastructure technology and solutions, including Executive Vice President, EMC Software Group and President of EMC's Documentum and Legato Software divisions. From July 2001 to December 2003, Mr. DeWalt served as President and Chief Executive Officer of Documentum, and from October 2000 to July 2001, Mr. DeWalt served as Executive Vice President and Chief Operating Officer of Documentum. From August 1999 to October 2000, Mr. DeWalt served as Executive Vice President and General Manager, eBusiness Unit, of Documentum. Mr. DeWalt holds a B.S. degree in Computer Science from the University of Delaware.

Mr. DeWalt was selected to serve on our board of directors because of his experience as Chief Executive Officer of publicly-held technology companies, expertise in software technology and service on the boards of directors of numerous other companies.

Mitchell Kertzman. Mr. Kertzman has served as a member of our board of directors since April 2004. Since May 2003, Mr. Kertzman has served as Managing Director of Hummer Winblad Venture Partners V, L.P., a venture capital firm. Mr. Kertzman currently sits on the boards of directors of Flite, Inc., a cloud-based advertising platform, HubPages, Inc., a community publishing and revenue-sharing website, NuoDB, Inc., a database startup company, Palamida, Inc., a provider of application security for open source software and 6connect, Inc., a management platform for internet communications. From May 1996 to 2005, Mr. Kertzman served as member of the board of directors of CNET Networks Inc., which owned various websites, created and distributed video content, and maintained a blog network. From November 1998 to May 2003, Mr. Kertzman served as chairman of the board of directors and Chief Executive Officer of Liberate Technologies, a provider of platform software for the delivery of digital services by cable television companies. From July 1996 to November 1998, Mr. Kertzman served as chairman of the board of directors and Chief Executive Officer of

Sybase, Inc., an enterprise software and services company. From April 1974 to February 1995, Mr. Kertzman served as Chief Executive Officer of Powersoft Corporation, or Powersoft, a company he founded that provides client-server development tools, which merged with Sybase in 1995. From April 1974 to June 1992, Mr. Kertzman served as President of Powersoft.

Mr. Kertzman was selected to serve on our board of directors because of his operating and management experience, experience as Chief Executive Officer of publicly-held companies, experience as a venture capitalist, expertise in software technology, and his service on the boards of directors of numerous other companies.

David Welsh. Mr. Welsh has served as a member of our board of directors since January 2011 and has served as our Lead Independent Director since February 2014. Mr. Welsh also served as a member of our board of directors from 2005 to March 2007. Since April 2008, Mr. Welsh has served as Partner of Adams Street Partners, a venture capital firm. Mr. Welsh currently serves on the boards of directors of Atlantis Computing Inc., a provider of storage optimization software for virtual environments, BrightRoll Inc., a video advertising technology platform, Damballa, Inc., a computer security company, JasperSoft Corp., a business intelligence software provider, LogRhythm, Inc., a security analytics platform provider, and Mintigo Ltd., a marketing intelligence software company. From March 2007 to April 2008, Mr. Welsh served as Executive Vice President of Corporate Strategy and Business Development of McAfee. From June 2000 to March 2007, Mr. Welsh served as a General Partner of Partech International, LLC, a venture capital firm. From July 1995 to March 2000, Mr. Welsh served as Vice President of Corporate Development of Portal Software. Mr. Welsh holds a J.D. degree from the University of California, Berkeley, School of Law and a B.A. degree in International Relations from the University of California, Los Angeles.

Mr. Welsh was selected to serve on our board of directors because of his experience as a venture capitalist, corporate strategy and business development expertise and service on the boards of directors of numerous other companies.

Tim Wilson. Mr. Wilson has served as a member of our board of directors since August 2007. Since January 2012, Mr. Wilson has served as Managing Director of Artiman Management LLC, a venture capital firm. Mr. Wilson currently serves on the board of Artiman portfolio companies Kaybus Inc., a software company, Oberon FMR, an agriculture feed ingredient company, and Crossbar Inc, a developer of memory storage flash technology. Since April 2004, Mr. Wilson has served on the board of directors of InvenSense, Inc., or InvenSense, a provider of devices for the motion interface market that detect and track an object's motion in three-dimensional space. Mr. Wilson currently serves as a member of the audit committee and chair of the nominating and corporate governance committee of InvenSense. From December 2001 to December 2011, Mr. Wilson served as a Partner of Partech International. Mr. Wilson currently serves on the board of Partech portfolio companies Prysm, Inc., a designer and manufacturer of laser phosphor display solutions, and LedEngin, Inc., a provider of light source modules and optics components. From March 1998 to May 2001, Mr. Wilson served as Vice President of Marketing and as Chief Marketing Officer for Digital Island, Inc., an internet infrastructure provider and Partech portfolio company. From February 1996 to February 1998, Mr. Wilson served as General Manager of Lucent Technologies, Inc., a telecommunications equipment company. From September 1983 to January 1996, Mr. Wilson served in senior management positions of AT&T (North America and Australia) and AT&T Bell Labs, a telecommunications corporation and research laboratory. Mr. Wilson holds a B.S. degree in Physics from Bowdoin College and M.B.A. degree from Duke University's Fuqua School of Business.

Mr. Wilson was selected to serve on our board of directors because of his operating and management experience, experience as a venture capitalist and service on the boards of directors of numerous other companies.

Robert J. Zollars. Mr. Zollars has served as a member of our board of directors since December 2013. Since June 2013, Mr. Zollars has served as Executive Chairman of the Board of Vocera Communications, Inc., a provider of mobile communications solutions for hospital staff and mobile workers. From June 2007 to May 2013, Mr. Zollars served as Chairman of the Board and Chief Executive Officer of Vocera. Since February 2012, Mr. Zollars has served as Chairman of the Board of Diamond Foods, Inc., a packaged foods company, and as a member of its board of directors since February 2005. Since May 2004, Mr. Zollars has served as a member of the board of directors of VWR International, LLC, a scientific equipment distributor. From May 2006 to May 2007, Mr. Zollars served as Chief Executive Officer of Wound Care Solutions, Inc., an operator of outsourced chronic wound care centers. From June

1999 to March 2006, Mr. Zollars served as Chief Executive Officer and Chairman of the Board of Neoforma, Inc., a healthcare technology company. From January 1997 to June 1999, Mr. Zollars served as Executive Vice President and group president of Cardinal Health, Inc., a supplier of health care products and services, where he was responsible for five wholly-owned subsidiaries. From 1985 to 1997, Mr. Zollars served as a division president of four different operating units at Baxter International, Inc., a medical instrument and supply company. From 1979 to 1985, Mr. Zollars served as area vice president and in various other capacities at American Hospital Supply Corporation, a medical supply company, which was acquired by Baxter International in 1985. Mr. Zollars holds a B.S. degree in Marketing from Arizona State University and M.B.A. degree in Finance from John F. Kennedy University.

Mr. Zollars was selected to serve on our board of directors because of his experience as a Chief Executive Officer and service on the boards of directors of numerous other companies.

Board of Directors

Our business and affairs are managed under the direction of our board of directors. Our amended and restated certificate of incorporation authorizes ten directors and our board of directors currently consists of nine directors. Pursuant to our existing amended and restated certificate of incorporation and Eighth Amended and Restated Stockholders' Agreement, or Stockholders' Agreement, our current directors were elected as follows:

- Mr. Burkland was elected by the holders of a majority of our common stock to the position designated for our Chief Executive Officer;
- Ms. Alexy and Mr. Zollars were elected by the holders of a majority of our preferred stock as the unanimous designees of the directors then in office;
- Messrs. Acosta and DeWalt were elected by the holders of a majority of our common stock and preferred stock, voting as separate classes, as the unanimous designees of the common stock director and the preferred stock directors;
- Mr. Kertzman was elected by the holders of a majority of our series A-2 preferred stock as the designee of Hummer Winblad Venture Partners V, L.P. or its affiliates;
- Mr. Wilson was elected by the holders of a majority of our series A-2 preferred stock as the designee of Partech U.S. Partners IV, LLC or its affiliates;
- Mr. Welsh was elected by the holders of a majority of our series B-2 preferred stock as the designee of Adams Street 2011 Direct Fund, L.P. or its affiliates; and
- Mr. Das was elected by the holders of a majority of our series D-2 preferred stock as the designee of SAP Ventures Fund I, L.P. or its affiliates.

The provisions of our Stockholders' Agreement by which our directors are elected will terminate and the provisions of our existing amended and restated certificate of incorporation by which our directors were elected will be amended and restated in connection with this offering. See "Certain Relationships and Related Party Transactions — Stockholders' Agreement." After this offering, the number of directors will be fixed by our board of directors, subject to the terms of our amended and restated certificate of incorporation and amended and restated bylaws that will become effective prior to the completion of this offering. Each of our current directors will continue to serve as a director until the election and qualification of his or her successor, or until his or her earlier death, resignation or removal.

Our amended and restated certificate of incorporation, which will be amended and restated in connection with this offering, will provide that directors may only be removed for cause. To remove a director for cause, 66 ⅔% of the voting power of the outstanding voting stock must vote as a single class to remove the director at an annual or special meeting. The certificate will also provide that, if a director is removed or if a vacancy occurs due to either an increase in the size of the board or the death, resignation, disqualification or other cause, the vacancy will be filled solely by the affirmative vote of a majority of the remaining directors then in office, even if less than a quorum remain.

Classified Board of Directors

We adopted an amended and restated certificate of incorporation that will become effective prior to the completion of this offering. This amended and restated certificate of incorporation provides that, immediately after the completion of this offering, our board of directors will be divided into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective three-year terms. Our board of directors will be designated as follows:

- Messrs. Das, Kertzman and Wilson will be Class I directors, and their terms will expire at the annual meeting of stockholders to be held in 2015;
- Messrs. Acosta, DeWalt and Welsh will be Class II directors, and their terms will expire at the annual meeting of stockholders to be held in 2016; and
- Ms. Alexy and Messrs. Burkland and Zollars will be Class III directors, and their terms will expire at the annual meeting of stockholders to be held in 2017.

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors.

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 in control. See “Description of Capital Stock — Anti-takeover Provisions” for a discussion of other anti-takeover provisions found in our amended and restated certificate of incorporation.

Director Independence

Commencing in 2014, our board of directors will review at least annually the independence of each director. During these reviews, the board will consider transactions and relationships between each director (and his or her immediate family and affiliates) and our company and its management to determine whether any such transactions or relationships are inconsistent with a determination that the director is independent. This review will be based primarily on responses of the directors to questions in a directors’ and officers’ questionnaire regarding employment, business, familial, compensation and other relationships with us and our management.

As required by The NASDAQ Stock Market, or NASDAQ, our independent directors will meet in regularly scheduled executive sessions at which only independent directors are present. We intend to comply with future governance requirements to the extent they become applicable to us.

Code of Business Conduct and Ethics

In 2013, we 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, as amended, will be available on our website at www.five9.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.

Lead Independent Director

Our board of directors has adopted, effective upon the listing of our common stock on NASDAQ, corporate governance guidelines. Our corporate governance guidelines provide that one of our independent directors shall serve as our Lead Independent Director at any time when our Chief Executive Officer serves as the Chairman of our board of directors or if the Chairman is not otherwise independent. Our Lead Independent Director will preside over periodic meetings of our independent directors, serve as a liaison between our Chairman and our independent directors and perform such additional duties as our board of directors may otherwise determine and delegate.

Board Committees

Upon consummation of this offering, our board of directors will have three standing committees: an audit committee, a compensation committee and a nominating and governance committee. The composition and responsibilities of each committee are described below. Members will serve on these committees until their resignation or until otherwise determined by our board of directors. The charters for each of our committees will be available on our website upon completion of this offering.

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 legal and regulatory compliance. Our audit committee is responsible for, among other things:

- appointing, approving the compensation of and assessing the independence of our independent registered public accounting firm;
- pre-approving auditing and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing annually a report by the independent registered public accounting firm regarding the independent registered public accounting firm's internal quality control procedures and various issues relating thereto;
- coordinating the oversight and reviewing the adequacy of our internal control over financial reporting with both management and the independent registered public accounting firm;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- periodically reviewing legal compliance matters, including securities trading policies, periodically reviewing significant accounting and other financial risks or exposures to our company and reviewing and, if appropriate, approving all transactions between our company or its subsidiaries and any related party (as described in Item 404 of Regulation S-K);
- periodically reviewing our code of business conduct and ethics;
- establishing policies for the hiring of employees and former employees of the independent registered public accounting firm; and
- reviewing the audit committee report required by SEC rules to be included in our annual proxy statement.

The audit committee has the power to investigate any matter brought to its attention within the scope of its duties and the authority to retain counsel and advisors at our expense to fulfill its responsibilities and duties.

Effective upon the listing of our common stock on NASDAQ, our audit committee will be comprised of Ms. Alexy , Mr. Wilson and Mr. Acosta, who is the chairperson of the committee. Our board of directors has designated Mr. Acosta as an "audit committee financial expert," as defined under the rules of the SEC implementing Section 407 of the Sarbanes Oxley Act of 2002.

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 SEC rules and regulations. Audit committee members must satisfy additional independence criteria set forth under Rule 10A-3 under the Exchange Act. In order to be considered independent for purposes of the Rule 10A-3, an audit committee member may not, other than in his or her 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 is responsible for developing and maintaining our compensation strategies and policies. Following the conclusion of this offering, the responsibilities of the compensation committee will include:

- reviewing and approving our overall executive and director compensation philosophy to support our overall business strategy and objectives;
- reviewing and approving, or as appropriate, recommending to our board of directors for approval, base salary, cash incentive compensation, equity compensation and severance rights for our executive officers;
- administering our broad-based equity incentive plans, including the granting of stock awards and determination of offerings under our employee stock purchase plan;
- overseeing the management continuity and succession planning process (except as otherwise within the scope of our nominating and governance committee) with respect to our officers;
- preparing any report on executive compensation required by the applicable rules and regulations of the SEC and other regulatory bodies; and
- managing such other matters that are specifically delegated to our compensation committee by applicable law or by the board of directors from time to time.

The compensation committee also has the power to investigate any matter brought to its attention within the scope of its duties and authority to retain counsel and advisors at our expense to fulfill its responsibilities and duties.

Effective upon the listing of our common stock on NASDAQ, our compensation committee will be comprised of Ms. Alexy, Mr. Das and Mr. Zollars, who is the chairperson of the committee. Each of the compensation committee members meet the independence requirements set forth in the rules of NASDAQ, the "non-employee director" standard within the meaning of Rule 16b-3(d)(3) promulgated under the Exchange Act, and the "outside director" standard within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code.

Nominating and Governance Committee

Our nominating and governance committee, or nominating committee, will oversee and assist 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 committee will be responsible for, among other things:

- assessing, developing and communicating with our board of directors concerning the appropriate criteria for nominating and appointing directors, including the size and composition of the board of directors, corporate governance policies, applicable listing standards, laws, rules and regulations, our nominating policy and other factors considered appropriate by our board of directors;
- identifying and recommending to our board of directors the director nominees for annual and special meetings of our stockholders, or to fill a vacancy on the board of directors, in each case in accordance with the nominating policy;
- having sole authority to retain and terminate any search firm used to identify director candidates and approve the search firm's fees and other retention terms;
- if and when requested by our board of directors, assessing and recommending to the board the composition of each of its committees;
- reviewing, as necessary, any executive officer's request to accept a directorship position with another company;
- developing, assessing and making recommendations to our board of directors concerning corporate governance matters, including appropriate revisions to our amended and restated certificate of incorporation, amended and restated bylaws, corporate governance policies, committee charters and nominating policy;
- overseeing an annual evaluation of our board of directors, its committees and each director and management;

- developing with management and monitoring the process of orienting new directors and continuing education for all directors; and
- regularly reporting its activities and any recommendations to our board of directors.

The nominating committee will also have the power to investigate any matter brought to its attention within the scope of its duties. It will also have the authority to retain counsel and advisors at our expense for any matters related to the fulfillment of its responsibilities and duties.

Effective upon the listing of our common stock on NASDAQ, our nominating committee will be comprised of Mr. DeWalt, Mr. Zollars and Mr. Welsh, who will be the chairperson of the committee. Each of the nominating committee members meet the independence requirements set forth in the rules of NASDAQ.

Other Committees

Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

Compensation Committee Interlocks and Insider Participation

Messrs. Kertzman and Welsh served as members of our compensation committee during 2013. None of the members of our compensation committee is or has been 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 (or other board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on our board of directors or compensation committee.

Limitations of Liability and Indemnification of Directors and Officers

We are incorporated under the laws of the State of Delaware. Section 145 of the Delaware General Corporation Law provides that a Delaware corporation may indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as an officer, director, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal. A Delaware corporation may indemnify any persons who are, or are threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses that such officer or director has actually and reasonably incurred. Our current amended and restated certificate of incorporation and amended and restated bylaws provide for the indemnification of our directors and officers to the fullest extent permitted under the Delaware General Corporation Law.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability for any:

- transaction from which the director derives an improper personal benefit;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

- unlawful payment of dividends or redemption of shares; or
- breach of a director's duty of loyalty to the corporation or its stockholders.

Our amended and restated certificate of incorporation and amended and restated bylaws include such a provision. Expenses incurred by any officer or director in defending any such action, suit or proceeding in advance of its final disposition shall be paid by us upon delivery to us of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified by us.

Section 174 of the Delaware General Corporation Law provides, among other things, that a director who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption may be held liable for such actions. A director who was either absent when the unlawful actions were approved, or dissented at the time, may avoid liability by causing his or her dissent to such actions to be entered in the books containing minutes of the meetings of the board of directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts.

We adopted a new amended and restated certificate of incorporation and new amended and restated bylaws, which will become effective prior to the completion of this offering and which contain similar provisions that limit the liability of our directors and officers.

Non-Employee Director Compensation

Prior to this offering, we did not have a formal policy with respect to compensation payable to our non-employee directors for service as directors. Our non-employee directors do not currently receive, and did not receive in 2013, any cash compensation for their service on our board of directors and committees of our board of directors. From time to time, we have granted stock options to certain non-employee directors for their service on our board of directors. We also reimbursed our directors for expenses associated with attending meetings of our board of directors and committees of our board of directors.

The following table provides information regarding the total compensation that was granted to each of our directors who was not serving as an executive officer in 2013.

Name(1)	Option Awards(2)	Total
Jack Acosta(3)	$ —	$ —
Kimberly Alexy(4)	417,360	417,360
Jayendra Das	—	—
David DeWalt(5)	—	—
Mitchell Kertzman	—	—
David Welsh	—	—
Tim Wilson	—	—
Robert Zollars(6)	502,347	502,347

(1) Ms. Alexy was appointed to our board of directors in October 2013 and Mr. Zollars was appointed to our board of directors in December 2013.

(2) Amounts listed in this column represent the grant date fair value of the awards computed in accordance with FASB ASC Topic 718 excluding estimates of forfeitures multiplied by the number of shares. See Note 7 to the notes to our consolidated financial statements for a discussion of assumptions made in determining the grant date fair value.

(3) As of December 31, 2013, Mr. Acosta had options to purchase a total of 112,500 shares of our common stock. These options vest in 48 successive equal monthly installments, subject to continued service through each such date. 75,000 of these options were vested as of December 31, 2013.

(4) On October 28, 2013, Ms. Alexy was granted an option to purchase a total of 87,500 shares of our common stock. As of December 31, 2013, Ms. Alexy had options to purchase a total of 87,500 shares of our common stock. These options vest in 48 successive equal monthly installments, subject to continued service through each such date. 3,645 of these options were vested as December 31, 2013.

(5) As of December 31, 2013, Mr. DeWalt had options to purchase a total of 265,400 shares of our common stock. These options vest in 48 successive equal monthly installments, subject to continued service through each such date. 110,583 of these options were vested as of December 31, 2013.

(6) On December 18, 2013, Mr. Zollars was granted an option to purchase a total of 87,500 shares of our common stock. As of December 31, 2013, Mr. Zollars had options to purchase a total of 87,500 shares of our common stock. These options vest in 48 successive equal monthly installments, subject to continued service through each such date. None of these options were vested as of December 31, 2013.

Directors who are also our employees receive no additional compensation for their service as directors. During 2013, Mr. Burkland, one of our directors, was an employee. See "Executive Compensation" for additional information about his compensation.

In connection with this offering, our board of directors has approved a non-employee director compensation policy. Each of our non-employee directors will receive the following compensation for his or her service on our board of directors from and after this offering.

Annual Cash Compensation. Cash compensation amounts are payable in equal quarterly installments, in arrears on the last day of each fiscal quarter in which the service occurred.

- *Annual Board Service Retainer*:
  - All Directors: $30,000
- *Annual Chair Service Fee*:
  - Chairman/Lead Director of the Board: $15,000
  - Chairman of the Audit Committee: $17,000
  - Chairman of the Compensation Committee: $10,000
  - Chairman of the Nominating & Corporate Governance Committee: $5,000
- *Annual Committee Member (non-Chair) Service Fee*:
  - Audit Committee: $7,000
  - Compensation Committee: $5,000
  - Nominating & Corporate Governance Committee: $3,000

Equity Compensation. Our non-employee directors will be granted equity awards as described below, under our 2014 Equity Incentive Plan, or our 2014 Plan, subject to the limitation in our 2014 Plan on the number of awards that can be granted in a calendar year to any one individual or director. All unvested outstanding stock awards granted under this policy will become fully vested as of immediately prior to a Change in Control (as defined in our 2014 Plan).

- *IPO RSU Grant*: On the date we price our common stock for sale in this offering, each director will be granted a restricted stock unit, or RSU, for a number of shares equal to (i) $175,000, divided by (ii) the price at which a share of our common stock is offered to the public in this offering, rounded down for any partial share (the "IPO Grant"). The IPO Grant will vest in full in one installment on the first anniversary of this offering.
- *New Director RSU Grant*: For any individual who first becomes a director after this offering (other than as a result of an employee director transitioning to become a non-employee director), on the third business day after the date on which the director joins the board of directors, he or she will be granted an RSU for a number of shares equal to (i) $300,000, divided by (ii) the Fair Market Value (as defined in our 2014 Plan) of a share of our common stock on the date of grant, rounded down for any partial share (the "New Director Grant"). The New Director Grant will vest in three (3) equal annual installments.

- *Annual RSU Grant*: Commencing in 2015, on the date of each annual meeting of our stockholders at which directors are regularly elected (each, an "Annual Meeting"), each director who has been a director for at least six (6) months will be granted an RSU for a number of shares equal to (i) $175,000, divided by (ii) the Fair Market Value, rounded down for any partial share (the "Annual Grant"). The Annual Grant will vest in full in one installment on the earlier to occur of (i) the first anniversary of the grant date, and (ii) immediately prior to our next succeeding Annual Meeting.

EXECUTIVE COMPENSATION

This section describes the material elements of compensation awarded to, earned by or paid to our Chief Executive Officer and the two other most highly compensated individuals who served as our executive officers during the year ended December 31, 2013, or fiscal 2013. These individuals are listed in the "2013 Summary Compensation Table" below and are referred to as the named executive officers in this prospectus.

2013 Summary Compensation Table

Name & Principal Position	Year	Salary ($)(1)	Bonus ($)(2)(3)	Option Awards ($)(4)(5)	Non-Equity Incentive Plan Compensation ($)(6)	All Other Compensation ($)	Total Compensation ($)
Michael Burkland,	2013	$ 366,212	$ 49,462	$1,842,693	$ 89,684	$ —	$ 2,348,051
Chief Executive Officer	2012	341,295	41,344	—	116,907	—	499,546
Barry Zwarenstein,	2013	307,285		484,976	93,996	—	886,257
Chief Financial Officer	2012	252,778		214,422	97,009	31,101	595,310
Moni Manor,	2013	120,762		1,792,435	30,549	—	1,943,746
Executive Vice President of Products(7)							

(1) On March 6, 2014, our board of directors approved increases in the named executive officers' salaries, effective upon the completion of this offering, to $530,401 for Mr. Burkland, $335,189 for Mr. Zwarenstein and $291,429 for Mr. Manor.

(2) Represents discretionary cash bonuses approved by our board of directors.

(3) On March 6, 2014, our board of directors approved increases in the named executive officers' bonus targets, effective upon the completion of this offering, to $285,599 for Mr. Burkland, $141,811 for Mr. Zwarenstein and $116,571 for Mr. Manor.

(4) The dollar amounts in this column represent grant date fair value of stock option awards granted in the applicable fiscal year. These amounts have been calculated in accordance with FASB ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. See Note 6 to the notes to our consolidated financial statements for a discussion of assumptions made in determining the grant date fair value.

(5) The shares underlying these options vest over four years as follows: 25% of the shares vest one year following the vesting commencement date, with the remaining 75% of the shares vesting in equal monthly installments over the next three years, or equally over 48 months.

(6) Amounts in this column represent amounts earned based on achievement of corporate and individual performance goals selected by our board of directors for fiscal 2013. Under our bonus program, as described in more detail below under "— Non-Equity Incentive Plan Compensation," performance is measured on a quarterly basis.

(7) Mr. Manor joined the Company on July 25, 2013 as Executive Vice President of Products.

Executive Employment Arrangements

Michael Burkland

On January 1, 2012, we entered into an employment agreement with Michael Burkland, our Chief Executive Officer and President. Effective November 22, 2013, Mr. Burkland's base salary is $444,357 and he is eligible to earn an annual bonus with a target amount of $239,268. Mr. Burkland is also eligible to be granted awards from our equity incentive plans. Our employment agreement with Mr. Burkland provides for an initial term of one year that is automatically renewed for additional one year terms. Mr. Burkland is an at-will employee under the employment agreement. Mr. Burkland's employment agreement also provides that he will serve as a member of our board of directors during the term of the agreement.

If Mr. Burkland's employment is terminated by us without cause or by him for good reason, then, subject to his entering into a release of claims, Mr. Burkland will receive his then-current base salary as severance for a period of 12 months following the termination. In the event of a change in control, if more than 50% of any of his options are then-outstanding and unvested, the vesting of those options shall accelerate such that (after giving effect to such acceleration and taking into account any portion of those options that had theretofore become vested and exercisable) those options shall become vested and exercisable as of the change in control date with respect to 50% of the total number of shares subject to those options. If, within 12 months following the change in control date, Mr. Burkland is terminated for any reason other than for cause or Mr. Burkland resigns for good reason prior to this offering, then, in addition to the salary continuation benefit, his options will become immediately vested and exercisable with respect to 50% of the shares covered by the then-outstanding and unvested portion of those options. See "—Potential Payments upon Termination or Change in Control" for a description of his severance rights after this offering.

Barry Zwarenstein

On February 26, 2014, we entered into a confirmation letter with Barry Zwarenstein, our Chief Financial Officer, which supercedes and replaces his original offer letter, as amended. Effective November 22, 2013, Mr. Zwarenstein's base salary is $304,095 and he is eligible to earn an annual bonus with a target amount of $128,655. Mr. Zwarenstein is also eligible to be granted awards from our equity incentive plans. Our confirmation letter with Mr. Zwarenstein has no specific term. Mr. Zwarenstein is an at-will employee under the confirmation letter.

If Mr. Zwarenstein's employment is terminated by us without cause or by him due to a constructive termination prior to this offering, then, subject to his entering into a release of claims, Mr. Zwarenstein will receive his then-current base salary as severance for a period of 6 months following the termination. During this period, we will pay for the continuation of Mr. Zwarenstein's health benefits. If, within 12 months following a change in control, Mr. Zwarenstein is terminated for any reason other than for cause or Mr. Zwarenstein resigns due to a constructive termination prior to this offering, then his then-outstanding options will become immediately vested and exercisable with respect to 50% of the shares covered by the then-outstanding and unvested portion of those options. See "—Potential Payments upon Termination or Change in Control" for a description of his severance rights after this offering.

Moni Manor

On July 20, 2013, we entered into an offer letter with Moni Manor, our Executive Vice President of Products. Effective November 22, 2013, Mr. Manor's base salary is $283,214 and he is eligible to earn an annual bonus with a target amount of $113,286. Mr. Manor is also eligible to be granted awards from our equity incentive plans. Our offer letter to Mr. Manor has no specific term. Mr. Manor is an at-will employee under the offer letter.

If Mr. Manor's employment is terminated by us without cause or by him due to a constructive termination prior to this offering, then, subject to his entering into a release of claims, Mr. Manor will receive his then-current base salary as severance for a period of 6 months following the termination. During this period, we will pay for the continuation of Mr. Manor's health benefits. In the event of a change in control during Mr. Manor's employment with us, the options granted pursuant to the offer letter shall immediately become vested and exercisable with respect to 25% of the shares covered by the then-outstanding and unvested portion of those options. If, within 18 months following a change in control, Mr. Manor is terminated for any reason other than for cause or Mr. Manor resigns due to a constructive termination prior to this offering, then the options granted pursuant to the offer letter will become immediately vested and exercisable with respect to 25% of the shares covered by the then-outstanding and unvested portion of those options. See "—Potential Payments upon Termination or Change in Control" for a description of his severance rights after this offering.

Definitions of Terms

For purposes of the employment agreement and offer letters described above, "cause" means: (i) fraud, embezzlement, willful misconduct or a material violation of law that is materially detrimental to the Company or any of its affiliates; (ii) gross negligence with respect to the Company or any of its affiliates that causes material harm to the Company or any affiliate; (iii) conviction or plea of guilty or nolo contendere for a felony or a crime of moral turpitude that causes material harm to the Company's reputation; or (iv) a material breach of any provision of (A) the employment agreement or offer letter, as applicable, (B) with respect to Mr. Burkland's employment agreement, the agreement regarding confidential information, intellectual property and non-solicitation to which he is a party or (C) any provision of the Company's code of conduct that is applicable to employees; provided, however, that if a cure is reasonably possible in the circumstances, that at least 15 days' advance written notice of such breach has been provided to the employee and the employee fails to cure such breach within such 15-day period.

For purposes of the employment agreement and offer letters described above, "good reason" or "constructive termination" means a material default by the Company in the performance of its obligations under the employment agreement or offer letter, as applicable, not corrected within 30 days of receipt of written notice from the employee of the occurrence of such default, which notice shall specifically set forth the nature of such default. Material default shall include, without limitation: (i) the assignment of any duties inconsistent (except in the nature of a promotion) with the employee's designated position or a material adverse alteration in the nature or status of the employee's responsibilities (or, in the case of Mr. Burkland's employment agreement, the conditions of the engagement); (ii) the Company's failure to pay any of the compensation that has become due and payable to the employee under the employment agreement or offer letter, as applicable; and (iii) a relocation by the Company of the employee's principal office more than thirty-five miles from Pleasanton, California (or, in the case of Mr. Burkland's employment agreement and Mr. Manor's offer letter, San Ramon, California) or more than fifty miles from Mountain View, CA (in the case of Mr. Manor's offer letter) without the employee's prior written consent.

For purposes of the employment agreement and offer letters described above, "change in control" means: (i) an acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation, or sale of more than 50% of the outstanding voting stock of the Company); or (ii) a sale of all or substantially all of the assets of the Company, so long as, in either case, the Company's stockholders of record immediately prior to such event will, immediately after such event, hold less than 50% of the voting power of the surviving or acquiring entity.

Non-Equity Incentive Plan Compensation

The 2013 Bonus Plan provided for bonus payments to eligible employees on a quarterly basis based upon each eligible employee's target base bonus amount, or Bonus Target Payout and a weighting of our achievement of financial performance objectives, or Corporate Objectives, and individual personal objectives, or Personal Objectives, determined at the beginning of the year by our board of directors.

The bonus pool for Corporate Objectives was funded based on our achievement against quarterly targets of: (i) an 80% weighting of a revenue target ("Revenue Target") and (ii) a 20% weighting of a normalized cash flow target ("Normalized Cash Flow Target"). For the bonuses to fund under the Revenue Target for a given quarter, we had to achieve at least 90% of the quarterly revenue target. Upon reaching the 90% level, we would fund 70% of the bonus pool, with funding of the pool scaling upwards to a maximum of 130% of the bonus pool if we achieved 110% of our Revenue Target. For bonus payout under our Normalized Cash Flow Target, we had to achieve a quarterly normalized cash flow target as determined by the board of directors. The quarterly Normalized Cash Flow Target is considered to have been met if normalized cash flow for the quarter is within $100,000 of the target or higher.

Up to 50% of an employee's bonus payments were based on Personal Objectives tailored to each executive which included certain strategic business goals that are established and measured quarterly.

The target bonuses for 2013 were $196,607, $116,145, and $48,016 for Messrs. Burkland, Zwarenstein and Manor, respectively. The total cash incentive payments paid to our named executive officers for fiscal 2013 are described in the "Non-Equity Incentive Compensation" column of the 2013 Summary Compensation Table.

Perquisites

We generally do not provide special employee benefits for our named executive officers. Currently, we offer a limited travel and lodging allowance to certain officers who would otherwise have long daily commutes to increase the time these executives have to focus on their responsibilities to us. We believe the benefit to us outweighs the cost to us.

Outstanding Equity Awards at Fiscal Year End for 2013

The following table sets forth information regarding outstanding stock options held by our named executive officers as of December 31, 2013.

	Option Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Michael Burkland(1)	856,496	—	0.12	May 20, 2018
Michael Burkland(2)	168,189	62,471	0.52	April 29, 2021
Michael Burkland(3)	42,466	142,842	4.84	January 25, 2023
Michael Burkland(4)	5,239	246,260	9.48	November 22, 2023
Barry Zwarenstein(5)	58,645	209,446	0.96	April 27, 2022
Barry Zwarenstein(6)	1,890	88,860	9.48	November 22, 2023
Moni Manor(7)	—	392,363	6.68	August 1, 2023
Moni Manor(8)	994	46,756	9.48	November 22, 2023

(1) These options vested as to 1/48th of the total options on the 24th of each month after January 24, 2008. All of these options were vested as of December 31, 2013.

(2) These options vest, subject to Mr. Burkland's continued role as a service provider to us, with 1/48th of the total options vesting monthly from January 1, 2011. 62,471 of these options were unvested as of December 31, 2013.

(3) These options vest, subject to Mr. Burkland's continued role as a service provider to us, with 1/48th of the total options vesting monthly from January 25, 2013. 142,842 of these options were unvested as of December 31, 2013.

(4) These options vest, subject to Mr. Burkland's continued role as a service provider to us, with 1/48th of the total options vesting monthly from November 22, 2013. 246,260 of these options were unvested as of December 31, 2013.

(5) These options vest, subject to Mr. Zwarenstein's continued role as a service provider to us, as to 1/4th of the total options on the one-year anniversary of January 11, 2012, with 1/48th of the total options vesting monthly thereafter. 209,446 of these options were unvested as of December 31, 2013.

(6) These options vest, subject to Mr. Zwarenstein's continued role as a service provider to us, with 1/48th of the total options vesting monthly from November 22, 2013. 88,860 of these options were unvested as of December 31, 2013.

(7) These options vest, subject to Mr. Manor's continued role as a service provider to us, as to 1/4th of the total options on the one-year anniversary of July 25, 2013, with 1/48th of the total options vesting monthly thereafter. In November 2013, our board of directors amended Mr. Manor's grant to allow for the early exercise of 14,970 of these options. All of these options were unvested as of December 31, 2013.

(8) These options vest, subject to Mr. Manor's continued role as a service provider to us, with 1/48th of the total options vesting monthly from November 22, 2013. 46,756 of these options were unvested as of December 31, 2013. In February 2014, our board of directors amended Mr. Manor's grant to allow for the early exercise of 10,548 of these options.

Potential Payments upon Termination or Change in Control

In connection with this offering, our board of directors has approved the Key Employee Severance Benefit Plan (the "Severance Plan") to provide consistency in severance benefit rights for our executive officers. Severance is conditioned on signing an effective release of claims and compliance with on-going confidentiality and proprietary information obligations.

Under the Severance Plan, we will provide as severance benefits to each executive officer who is subject to an involuntary termination without cause: (1) a lump sum cash payment of the number of months of base salary determined based on the officer's position, and (2) payment of the premiums for continued post-termination health insurance coverage for up to the same number of months. Benefits are 12 months for our Chief Executive Officer, nine months for our Chief Financial Officer, and six months for our other executive officers.

In addition, under the Severance Plan, if the executive officer's employment is terminated in connection with a change in control, we will provide as severance benefits to each executive officer who is subject to either an involuntary termination without cause or resignation for good reason: (1) a lump sum cash payment of the number of months of base salary determined based on the officer's position, (2) payment of the premiums for continued post-termination health insurance coverage for up to the same number of months, (3) pro-rated target cash incentive bonus for the year of termination, and (4) 100% vesting of then outstanding unvested equity awards. Benefits are 18 months for our Chief Executive Officer, 15 months for our Chief Financial Officer, and 12 months for our other executive officers.

If an executive officer has rights under an existing offer letter or equity award agreement providing for a greater number of months of benefits or greater percentage of accelerated vesting, those incremental benefits will be incorporated into that individual's rights under the Severance Plan, to avoid duplication of benefits. The Severance Plan provides for "better after tax" treatment if payments would be "parachute payments" for purposes of Section 280G of the Code – that is, the payment will be paid in full, or reduced, whichever results in the greater after tax benefit after taking into account all taxes including the excise tax under Section 4999 of the Code.

Employee Benefit and Stock Plans

Amended and Restated 2004 Equity Incentive Plan, as Amended

Our board of directors and stockholders originally adopted our 2004 Plan in June 2004. Our 2004 Plan was last amended and restated in June 2012, and was most recently amended in November 2013. Our 2004 Plan allows for the grant of incentive stock options to our employees and to our parent and subsidiary corporations' employees, and for the grant of nonqualified stock options, restricted stock awards and stock bonus awards to employees, officers, directors and consultants of ours and our parent and subsidiary corporations.

We expect to terminate our 2004 Plan on the effectiveness of this offering and, accordingly, no shares will be available for issuance pursuant to new awards under the 2004 Plan following the completion of this offering. We expect that any shares subject to the available share reserve of the 2004 Plan at that time will become available for grant under the 2014 Plan that we expect to adopt in connection with this offering, and that any shares that would otherwise return to the 2004 Plan after the offering will instead return to the 2014 Plan.

Authorized Shares. The maximum share reserve under our 2004 Plan was 11,982,832 shares as of March 6, 2014. As of March 6, 2014, under our 2004 Plan, 96,135 shares were available for issuance in the form of stock options or stock awards, options to purchase 7,634,386 shares of our common stock remained outstanding at a weighted average exercise price of approximately $3.80 per share and, as of March 6, 2014, we retained repurchase rights over unvested equity awards covering 23,529 unvested shares of our common stock. Currently, shares subject to stock awards granted under our 2004 Plan (i) that expire or terminate without being exercised in full, (ii) that are forfeited under an award, or (iii) that are subject to an award that otherwise terminates without shares being issued, will return to the 2004 Plan share reserve for future grant.

Plan Administration. Our board of directors currently administers our 2004 Plan. Subject to the provisions of our 2004 Plan, the administrator has the power to interpret and administer our 2004 Plan and any award agreement and to determine the terms of awards, including the recipients, the number of shares subject to each award, the exercise price (if any), the vesting schedule, and to make all other determinations necessary or advisable for the administration of our 2004 Plan. The administrator may, at any time, authorize the issuance of new awards in substitution for outstanding awards or the cashing out or net settlement of awards, and may also reduce the exercise price of options to a price not below the fair market value on the date of the repricing.

Options. Stock options may be granted under our 2004 Plan. 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 ten years. An incentive stock option granted to a participant who owns more than 10% of the total combined voting power of all classes of our stock on the date of grant, 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, cancellation of indebtedness, surrender of previously acquired shares or through a same day sale mechanism. After a participant's termination of service, the participant generally may exercise his or her options, to the extent vested as of such date of termination, for three months after termination. If termination is due to death or disability, the participant may generally exercise his or her options, to the extent then-vested, for twelve months after termination. However, in no event may an option be exercised later than the expiration of its term.

Restricted Stock and Stock Bonuses. Restricted stock and stock bonuses may be granted under our 2004 Plan. Restricted stock awards and stock bonus awards are grants of shares of our common stock that are subject to various restrictions, including restrictions on transferability and forfeiture provisions. Shares subject to these awards will vest, and the restrictions on such shares will lapse, in accordance with terms and conditions established by the administrator.

Transferability or Assignability of Awards. Our 2004 Plan generally does not allow for the transfer or assignment of awards, other than by will or the laws of descent and distribution.

Certain Adjustments. In the event of certain changes in our capitalization, the exercise prices of and number of shares subject to outstanding options and purchase price of and numbers of shares subject to outstanding awards will be proportionately adjusted, subject to any required action by our board of directors or stockholders. The available share reserve and the limit on the number of incentive stock options that may be granted under the 2004 Plan will also be proportionately adjusted.

Merger or Change in Control. Our 2004 Plan provides that in connection with a merger involving a substantial change in ownership, a dissolution or liquidation, a sale of all assets, or other "corporate transaction" as defined under the incentive stock option rules, each outstanding award may be assumed, replaced or substituted for an equivalent award. If awards are not assumed, replaced or substituted for, then outstanding awards will then generally terminate on the closing of the corporate transaction. For awards granted to persons who were providing services on or before February 23, 2010, the awards that are not assumed, replaced or substituted for will become fully vested immediately prior to the closing.

Amendment; Termination. Our board of directors may amend our 2004 Plan at any time, provided that such amendment does not impair the rights under outstanding awards without the participant's written consent. As noted above, upon completion of this offering, we expect to terminate our 2004 Plan, in which case no further awards will be granted under our 2004 Plan, although all outstanding awards will continue to be governed by their existing terms.

2014 Equity Incentive Plan

Our board of directors adopted our 2014 Plan, and the shares authorized for issuance thereunder, on March 6, 2014. Our stockholders approved the 2014 Plan, and the shares authorized for issuance thereunder, on March 17, 2014. The 2014 Plan will become effective immediately upon the signing of the underwriting agreement for this offering, and we call this date the plan effective date. The 2014 Plan provides for the grant of

incentive stock options to our employees and non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock awards, performance-based cash awards and other forms of equity compensation to our employees, directors and consultants. Additionally, our 2014 Plan provides for the grant of performance cash awards to our employees, directors and consultants.

The discussion below summarizes the terms of the 2014 Plan.

Authorized shares. The maximum number of shares of our common stock that may be issued under our 2014 Plan consists of (i) an initial share reserve of 5,300,000 shares of our common stock, (ii) the shares of our common stock remaining available for new grants under the 2004 Plan on the plan effective date and (iii) the shares of our common stock subject to awards granted under the 2004 Plan that are outstanding on the plan effective date that expire or terminate for any reason prior to exercise or settlement, are forfeited because of the failure to vest in those shares or are otherwise reacquired or withheld to satisfy a tax withholding obligation in connection with such awards if, as and when such shares are subject to such events. The aggregate number of shares under (i) (ii) and (iii) will not exceed 13,100,000 shares, with such shares subject to adjustment to reflect any split or combination of our common stock. Additionally, the number of shares of our common stock reserved for issuance under our 2014 Plan will automatically increase on January 1 of each year, beginning on January 1, 2015 and ending on and including January 1, 2024, by 5% of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our board of directors. The maximum number of shares that may be issued on the exercise of incentive stock options under our 2014 Plan is 26,200,000 (subject to adjustment to reflect any split or combination of our common stock). Shares issued under our 2014 Plan include authorized but unissued or reacquired shares of our common stock. Shares subject to stock awards granted under our 2014 Plan that expire or terminate without being exercised in full, or that are paid out in cash rather than in shares, do not reduce the number of shares available for issuance under our 2014 Plan. Additionally, shares issued pursuant to stock awards under our 2014 Plan that we repurchase or that are forfeited, as well as shares used to pay the exercise price of a stock award or to satisfy the tax withholding obligations related to a stock award will become available for future grant under our 2014 Plan.

Plan administration. Our board of directors, or a duly authorized committee of our board of directors, may administer our 2014 Plan and is referred to as the administrator. The administrator may also delegate to one or more of our officers the authority to (i) designate employees (other than officers) to receive specified stock awards and (ii) determine the number of shares of our common stock to be subject to such stock awards. Subject to the terms of our 2014 Plan, the administrator has the authority to determine the terms of awards, including recipients, the exercise, purchase or strike price of stock awards, if any, the number of shares subject to each stock award, 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 form of consideration, if any, payable on exercise or settlement of the award and the terms of the award agreements.

The administrator has the power to modify outstanding awards under our 2014 Plan. The administrator has the authority to reprice any outstanding option or stock appreciation right, cancel any outstanding stock award in exchange for new stock awards, cash or other consideration or take any other action that is treated as a repricing under generally accepted accounting principles, with the consent of any adversely affected participant.

Section 162(m) limits. At such time as necessary for compliance with Section 162(m) of the Code, no participant may be granted stock awards covering more than 2,000,000 shares of our common stock (subject to adjustment to reflect any split or combination of our common stock) under our 2014 Plan during any calendar year pursuant to stock options, stock appreciation rights and other stock awards whose value is determined by reference to an increase over an exercise price or strike price of at least 100% of the fair market value of our common stock on the date of grant. Additionally, no participant may be granted in a calendar year a performance stock award covering more than 2,000,000 shares of our common stock (subject to adjustment to reflect any split or combination of our common stock) or a performance cash award having a maximum value in excess of $3,000,000 under our 2014 Plan. These limitations are intended to help give us the flexibility to grant compensation that will not be subject to the $1,000,000 annual limitation on the income tax deductibility imposed by Section 162(m) of the Code.

Performance awards. We believe our 2014 Plan permits the grant of performance-based stock and cash awards that may qualify as performance-based compensation that is not subject to the $1,000,000 limitation on the income tax deductibility imposed by Section 162(m) of the Code. Our compensation committee may structure awards so that the stock or cash will be issued or paid only following the achievement of certain pre-established performance goals during a designated performance period. However, we retain the discretion to grant awards under the 2014 Plan that may not qualify for full deductibility.

Our compensation committee may establish performance goals by selecting from one or more performance criteria, including:

- earnings (including earnings per share and net earnings)
- earnings before interest, taxes and depreciation
- earnings before interest, taxes, depreciation and amortization
- earnings before interest, taxes, depreciation, amortization and legal settlements
- earnings before interest, taxes, depreciation, amortization, legal settlements and other income (expense)
- earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense) and stock-based compensation
- earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense), stock-based compensation, changes in deferred revenue and acquisition deal costs
- total stockholder return, either absolutely or relative to an index
- return on equity or average stockholder's equity
- return on assets, investment, or capital employed
- stock price
- margin (including gross margin)
- income (before or after taxes)
- operating income
- operating income after taxes
- pre-tax profit
- sales or revenue targets
- increases in revenue or components of revenue
- expenses and cost reduction goals
- improvement in or attainment of working capital levels
- economic value added (or an equivalent metric)
- market share
- cash flow, operating cash flow, cash flow per share, free cash flow (operating cash flow less capital expenditures and capitalized software), or normalized cash flow (EBITDA less debt service)
- share price performance, either absolutely or relative to an index
- debt reduction
- employee retention
- stockholders' equity

- capital expenditures
- debt levels
- operating profit or net operating profit
- workforce diversity
- growth of net income or operating income
- billings
- bookings
- to the extent that an award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the administrator.

Corporate transactions. Our 2014 Plan provides that in the event of certain specified significant corporate transactions, as defined under our 2014 Plan, each outstanding award will be treated as the administrator determines. The administrator may (i) arrange for the assumption, continuation or substitution of a stock award by a successor corporation, (ii) arrange for the assignment of any reacquisition or repurchase rights held by us to a successor corporation, (iii) accelerate the vesting, in whole or in part, of the stock award and provide for its termination prior to the transaction and arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by us or (iv) cancel the stock award prior to the transaction in exchange for a cash payment, if any, determined by our board of directors. The plan administrator is not obligated to treat all stock awards or portions of stock awards, even those that are of the same type, in the same manner.

Plan amendment or termination. Our board of directors has the authority to amend, suspend or terminate our 2014 Plan, provided that such action does not materially impair the existing rights of any participant without such participant's written consent. No incentive stock options may be granted after the tenth anniversary of the date our board of directors adopts our 2014 Plan, unless our stockholders reapprove the incentive stock option limitation.

2014 Employee Stock Purchase Plan

Our board of directors adopted our 2014 Employee Stock Purchase Plan, or the ESPP, and the shares authorized for issuance thereunder, on March 6, 2014. Our stockholders approved the ESPP, and the shares authorized for issuance thereunder, on March 17, 2014. The ESPP will become effective on the plan effective date.

Authorized Shares. The maximum aggregate number of shares of our common stock that may be issued under our ESPP is 880,000 shares (subject to adjustment to reflect any split or combination of our common stock). Additionally, our ESPP provides that the number of shares of our common stock reserved for issuance under our ESPP will increase automatically each year, beginning on January 1, 2015 and continuing through and including January 1, 2024, by the lesser of (i) 1% of the total number of shares of our common stock outstanding on December 31 of the preceding calendar year; (ii) 1,000,000 shares of common stock (subject to adjustment to reflect any split or combination of our common stock); or (iii) such lesser number as determined by our board of directors. Shares subject to purchase rights granted under our ESPP that terminate without having been exercised in full will not reduce the number of shares available for issuance under our ESPP.

Plan Administration. Our board of directors, or a duly authorized committee of our board of directors, will administer our ESPP. Our board of directors and/or our compensation committee, that is, the administrator, may approve offerings with a duration of not more than 27 months and may specify one or more shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of our common stock will be purchased for the employees who are participating in the offering. The administrator, in its discretion, may determine the terms of offerings under our ESPP, including determining which of our designated affiliates will be eligible to participate in the Code Section 423 component of our ESPP and which of our designated affiliates will be eligible to participate in the non-Code Section 423 component of our ESPP.

Payroll Deductions. Our ESPP permits participants to purchase shares of our common stock through payroll deductions or other methods with up to 15% of their earnings. The purchase price of the shares may not be less than 85% of the lower of the fair market value of our common stock on the first day of an offering or on the date of purchase.

Eligibility. Our employees, including executive officers, may have to satisfy one or more of the following service requirements before participating in our ESPP, as determined by the administrator for each offering: (i) customary employment for more than 20 hours per week and more than five months per calendar year or (ii) continuous employment for a minimum period of time, not to exceed two years. An employee may not be granted rights to purchase stock under our ESPP if such employee (i) immediately after the grant would own stock possessing 5% or more of the total combined voting power or value of our common stock or (ii) holds rights to purchase stock under our ESPP that would accrue at a rate that exceeds $25,000 worth of our stock for each calendar year that the rights remain outstanding. Under our ESPP, we may grant purchase rights that do not meet the requirements of an employee stock purchase plan because of deviations necessary to permit participation by employees who are foreign nationals or employed outside of the United States, as required by applicable foreign laws.

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

Merger or Change in Control. In the event of a specified corporate transaction, such as a merger or change in control, a successor corporation may assume, continue or substitute each outstanding purchase right. If the successor corporation does not assume, continue or substitute for the outstanding purchase rights, the offering in progress may be shortened and a new exercise date will be set, so that the participants' purchase rights can be exercised and terminate immediately thereafter.

Termination. Our ESPP will remain in effect until terminated by the administrator in accordance with the terms of the ESPP. Our board of directors has the authority to amend, suspend or terminate our ESPP, at any time and for any reason.

401(k) Plan

We have a 401(k) plan to provide tax deferred salary deductions for all eligible employees. Participants may make voluntary contributions to the 401(k) plan, limited by certain Internal Revenue Service restrictions. We are responsible for the administrative costs of the 401(k), and we do not match employee contributions.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a summary of transactions that occurred on or after January 1, 2010 to which we were a party in which the amount involved exceeded $120,000 and in which any of our executive officers, directors or beneficial holders of more than 5% of our capital stock had or will have a direct or indirect material interest. We believe the terms of the transactions described below were comparable to terms we could have obtained in arm's-length dealings with unrelated third parties. The information under "—Private Placements" below does not give effect to the conversion of the preferred stock nor the 4:1 reverse stock split of our common stock, each of which will occur in connection with this offering.

Private Placements

Series B-2 Preferred Stock Financing

In January 2011, we sold an aggregate of 18,565,794 shares of series B-2 preferred stock at a per share purchase price of $0.4309 pursuant to a stock purchase agreement. Purchasers of the series B-2 preferred stock included venture capital funds that held 5% or more of our capital stock and were represented on our board of directors. The following table summarizes the purchases of series B-2 preferred stock by such investors:

Stockholder	Shares of series B-2 preferred stock	Total Purchase Price
Entities affiliated with Partech Ventures(1)	1,160,363	$ 500,000
Hummer Winblad Venture Partners V, L.P.(2)	1,160,363	$ 500,000

(1) Shares were purchased by the following affiliates of Partech Ventures, whose shares are aggregated for purposes of reporting stock ownership: Partech U.S. Partners IV LLC, Partech International Growth Capital I LLC, Partech International Growth Capital II LLC, Partech International Growth Capital III LLC, AXA Growth Capital II LP, 45th Parallel LLC and PAR SF II, LLC. Tim Wilson, a member of our board of directors, was a Partner of Partech International, LLC, a venture capital firm, at the time of this purchase.

(2) Mitchell Kertzman, a member of our board of directors, is a managing director of the general partner of the purchaser.

Series C-2 Preferred Stock Financing

In April 2012, we sold an aggregate of 12,903,226 shares of series C-2 preferred stock at a per share purchase price of $0.9300 pursuant to a stock purchase agreement. Purchasers of the series C-2 preferred stock included venture capital funds that held 5% or more of our capital stock and were represented on our board of directors. The following table summarizes the purchases of series C-2 preferred stock by such investors:

Stockholder	Shares of series C-2 preferred stock	Total Purchase Price
Entities affiliated with Adams Street Partners(1)	9,677,419	$ 9,000,000
Entities affiliated with Partech Ventures(2)	1,075,269	$ 1,000,000
Hummer Winblad Venture Partners V, L.P.(3)	2,150,538	$ 2,000,000

(1) Shares were purchased by the following affiliates of Adams Street Partners, whose shares are aggregated for purposes of reporting stock ownership: Adams Street 2008 Direct Fund, L.P., Adams Street 2009 Direct Fund, L.P., Adams Street 2010 Direct Fund, L.P. and Adams Street 2011 Direct Fund LP. David Welsh, a member of our board of directors, is a Partner of Adams Street Partners, LLC, the managing member of the general partner of each of the purchasers.

(2) Shares were purchased by the following affiliates of Partech Ventures, whose shares are aggregated for purposes of reporting stock ownership: Partech U.S. Partners IV LLC, Partech International Growth Capital I LLC, Partech International Growth Capital II LLC, Partech International Growth Capital III LLC, AXA Growth Capital II LP, 45th Parallel LLC and PAR SF II, LLC. Tim Wilson, one of our directors, is a non-managing member of (i) 47th Parallel, LLC, which is the managing member of Partech U.S. Partners IV,

LLC, (ii) 48th Parallel, LLC, which is the investment general partner of AXA Growth Capital II L.P., and (iii) 45th Parallel LLC, which is the managing member of 46th Parallel, LLC, which is the managing member of Partech International Growth Capital I, LLC, Partech International Growth Capital II, LLC and Partech International Growth Capital III, LLC.

(3) Mitchell Kertzman, a member of our board of directors, is a managing director of the general partner of the purchaser.

Series D-2 Preferred Stock Financing

In April 2013, we sold an aggregate of 15,269,294 shares of series D-2 preferred stock at a per share purchase price of $1.4408 pursuant to a stock purchase agreement. Purchasers of the series D-2 preferred stock included venture capital funds that held 5% or more of our capital stock and were represented on our board of directors. The following table summarizes the purchases of series D-2 preferred stock by such investors:

Stockholder	Shares of series D-2 preferred stock	Total Purchase Price
Entities affiliated with Adams Street Partners(1)	2,776,235	$ 3,999,999
Entities affiliated with Partech Ventures(2)	1,388,118	$ 2,000,000
Hummer Winblad Venture Partners V, L.P.(3)	1,388,117	$ 1,999,999

(1) Shares were purchased by the following affiliates of Adams Street Partners, whose shares are aggregated for purposes of reporting stock ownership: Adams Street 2008 Direct Fund, L.P., Adams Street 2009 Direct Fund, L.P., Adams Street 2010 Direct Fund, L.P. and Adams Street 2011 Direct Fund LP. David Welsh, a member of our board of directors, is a Partner of Adams Street Partners, LLC, the managing member of the general partner of each of the purchasers.

(2) Shares were purchased by the following affiliates of Partech Ventures, whose shares are aggregated for purposes of reporting stock ownership: Partech U.S. Partners IV LLC, Partech International Growth Capital I LLC, Partech International Growth Capital II LLC, Partech International Growth Capital III LLC, AXA Growth Capital II LP, 45th Parallel LLC and PAR SF II, LLC.

(3) Mitchell Kertzman, a member of our board of directors, is a managing director of the general partner of the purchaser.

Stockholders' Agreement

We are party to the Eighth Amended and Restated Stockholders' Agreement dated as of October 28, 2013, as amended, which provides, among other things, that certain holders of our capital stock have the right to demand that we file a registration statement or request that their shares of our capital stock be covered by a registration statement that we are otherwise filing. See "Description of Capital Stock — Registration Rights" for additional information regarding these registration rights.

Under the Stockholders' Agreement, certain holders of our capital stock, including entities with which certain of our directors are affiliated, have agreed to vote their shares of our capital stock on certain matters, including for the election of directors. Upon the completion of this offering, these voting provisions will terminate and none of our stockholders will have any special rights regarding the election or designation of members of our board of directors.

Other Transactions

Pursuant to our 2004 Plan, we or our assignees have a right to purchase certain shares of our common stock which stockholders propose to sell to other parties. These rights will terminate upon the completion of this offering. See "Principal Stockholders" for additional information regarding beneficial ownership of our capital stock.

We have adopted a change in control plan providing certain of our executive officers with certain severance and change in control benefits. See “Executive Compensation — Potential Payments upon Termination or Change in Control” for additional information regarding this plan.

As a managing director of Hummer Winblad Venture Partners, one of our directors, Mr. Kertzman, has an indirect ownership interest in Birst, Inc., or Birst. In 2012, we incurred $0.5 million of expense for data warehousing services rendered to us by Birst. In the year ended December 31, 2013, we incurred $0.3 million of expense for data warehousing services rendered to us by Birst.

Limitation of Liability and Indemnification of Officers and Directors

Our current amended and restated certificate of incorporation limits the liability of our directors for monetary damages for a breach of fiduciary duty as a director to the fullest extent permitted by the Delaware General Corporation Law. Consequently, our directors are not personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for (i) any breach of their duty of loyalty to our company or our stockholders; (ii) any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law; (iii) unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or (iv) any transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to that amendment or repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law. We adopted a new amended and restated certificate of incorporation, which will become effective prior to the completion of this offering, and which contains similar provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law.

Our current amended and restated bylaws provide that we (i) will indemnify any person who was or is a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that he or she is or was one of our directors or officers or, while a director or officer, is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise and (ii) must advance expenses incurred by or on behalf of a director or officer in advance of the final disposition of any action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by us. We adopted new amended and restated bylaws, which will become effective prior to the completion of this offering, which contain similar provisions that limit the liability of our directors and officers.

We have entered into indemnification agreements with our directors, executive officers and certain other officers pursuant to which they are provided indemnification rights that are broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements generally require us, among other things, to indemnify our directors, executive officers and certain other officers against liabilities that may arise by reason of their status or service. These indemnification agreements also require us to advance all expenses incurred by the directors, executive officers and certain other officers in investigating or defending any such action, suit or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and officers. Prior to the completion of this offering, we expect to enter into new indemnification agreements with each of our directors, executive officers and certain other officers which will contain similar provisions.

The limitation of liability and indemnification provisions that are expected to be included in our new amended and restated certificate of incorporation, amended and restated bylaws and the indemnification agreements that we enter into with our directors, executive officers and certain other officers may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if

successful, might benefit us and other 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 as required by these indemnification provisions. At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees or other agents or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made for breach of fiduciary duty or other wrongful acts as a director or executive officer and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law. Prior to the completion of this offering, we will enter into additional insurance arrangements to provide coverage to our directors and executive officers against loss arising from claims relating to public securities matters.

Certain of our non-employee directors may, through their relationships with their employers, be insured and/or indemnified against certain liabilities incurred in their capacity as members of our board of directors.

The underwriting agreement will provide for indemnification by the underwriters of us and our officers, directors and employees for certain liabilities arising under the Securities Act of 1933, as amended, or Securities Act, or otherwise.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Policies and Procedures for Related Party Transactions

Following the completion of this offering, our audit committee will have the primary responsibility for reviewing and approving or disapproving "related party transactions," which are transactions between us and related persons in which the aggregate amount involved exceeds or may be expected to exceed $120,000 and in which a related person has or will have a direct or indirect material interest. Upon the completion of this offering, our policy regarding transactions between us and related persons will provide that a related person is defined as a director, executive officer, nominee for director or greater than 5% beneficial owner of our common stock, in each case since the beginning of the most recently completed fiscal year, and any of their immediate family members. Our audit committee charter that will be in effect upon the completion of this offering will provide that our audit committee shall review and approve or disapprove any related party transactions.

PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership of our shares of common stock as of March 6, 2014 for:

- each person known to us to be the beneficial owner of more than 5% of our shares of common stock;
- each of our named executive officers;
- each of our directors; and
- all of our executive officers and directors as a group.

We have determined beneficial ownership in accordance with the rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares that they beneficially own, subject to community property laws where applicable. In computing the number of shares of our common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of our common stock subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of March 6, 2014. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

We have based percentage ownership of our common stock prior to this offering on 36,354,786 shares of our common stock outstanding as of March 6, 2014, which (i) includes 30,553,921 shares of common stock resulting from the conversion of our convertible preferred stock in connection with this offering, as if this conversion had occurred as of March 6, 2014 and (ii) includes the effect of a 4:1 reverse stock split of our common stock, which will be effected prior to the completion of this offering. Percentage ownership of our common stock after this offering assumes the sale by us of 10,000,000 shares of common stock in this offering.

Unless otherwise noted, the address of each beneficial owner listed on the table below is c/o Five9, Inc., Bishop Ranch 8, 4000 Executive Parkway, Suite 400, San Ramon, CA 94583. Beneficial ownership representing less than 1% is denoted with an asterisk (*). The statements concerning voting and investment power included in the footnotes to this table shall not be construed as admissions that such persons are the beneficial owners of such shares of common stock.

	Shares Beneficially Owned Prior to this Offering		Shares Beneficially Owned After this Offering	
Name of Beneficial Owner	Number	%	Number	%
Named Executive Officers and Directors:				
Michael Burkland(1)	2,257,817	6.0	2,257,817	4.8
Barry Zwarenstein(2)	235,650	*	235,650	*
Moni Manor(3)	26,512	*	26,512	*
Jack Acosta(4)	84,375	*	84,375	*
Kimberly Alexy(5)	10,937	*	10,937	*
Jayendra Das(6)	2,429,206	6.7	2,429,206	5.2
David DeWalt(7)	132,700	*	132,700	*
Mitchell Kertzman(8)	8,412,380	23.1	8,412,380	18.1
David S. Welsh(9)	7,174,677	19.7	7,174,677	15.5
Tim Wilson(10)	—	*	—	*
Robert Zollars(11)	7,291	*	7,291	*
All current directors and executive officers as a group (15 persons)(12)	21,539,504	56.0	21,539,504	44.4
5% Stockholders:				
Hummer Winblad Venture Partners V, L.P.(13)	8,412,380	23.1	8,412,380	18.1
Entities affiliated with Adams Street Partners(14)	7,174,677	19.7	7,174,677	15.5
Entities affiliated with Partech International(15)	6,312,689	17.3	6,312,689	13.6
Mosaic Venture Partners(16)	6,307,484	17.3	6,307,484	13.6
SAP Ventures Fund I, L.P.(17)	2,429,206	6.7	2,429,206	5.2

(1) Includes 1,132,817 shares issuable upon exercise of options exercisable within 60 days after March 6, 2014. Prior to completion of this offering, Mr. Burkland will transfer 212,500 shares of common stock to an irrevocable trust for the benefit of his children (the "Trust Shares") and gift an aggregate of 9,000 shares to various other recipients (the "Gift Shares"). Mr. Burkland will not serve as trustee of the Trust Shares and will not have beneficial ownership of the Trust Shares or the Gift Shares after the consummation of such transfers.

(2) Includes 24,317 shares issuable upon exercise of options exercisable within 60 days after March 6, 2014 and 60,000 shares owned by Mr. Zwarenstein's children over which he exercises voting control.

(3) Includes 994 shares issuable upon exercise of options exercisable within 60 days after March 6, 2014.

(4) Consists of 84,375 shares issuable upon exercise of options exercisable within 60 days after March 6, 2014.

(5) Consists of 10,937 shares issuable upon exercise of options exercisable within 60 days after March 6, 2014.

(6) Consists of shares listed in footnote (17) below, which are held by SAP Ventures Fund I, L.P., or SAPV. Mr. Das, one of our directors, is a managing member of SAP Ventures (GPE) I, L.L.C., the general partner of SAPV.

(7) Consists of 132,700 shares issuable upon exercise of options exercisable within 60 days after March 6, 2014.

(8) Consists of shares listed in footnote (13) below, which are held by Hummer Winblad Venture Partners V, L.P., or HWVP. Mr. Kertzman, one of our directors, is a managing director of Hummer Winblad Venture Partners.

(9) Consists of shares listed in footnote (14) below, which are held by entities affiliated with Adams Street Partners. Mr. Welsh, one of our directors, is a partner with Adams Street Partners, LLC. Mr. Welsh was formerly a partner of Partech International, LLC.

(10) Mr. Wilson, one of our directors, is a non-managing member of (i) 47th Parallel, LLC, which is the managing member of Partech U.S. Partners IV, LLC, (ii) 48th Parallel, LLC, which is the investment general partner of AXA Growth Capital II L.P., and (iii) 45th Parallel LLC, which is the managing member of 46th Parallel, LLC, which is the managing member of Partech International Growth Capital I, LLC, Partech International Growth Capital II, LLC and Partech International Growth Capital III, LLC, but does not have voting control or investment power over the shares owned by Partech U.S. Partners IV, LLC, AXA Growth Capital II L.P., Partech International Growth Capital I, LLC, Partech International Growth Capital II, LLC, Partech International Growth Capital III, LLC, or 45th Parallel, LLC.

(11) Consists of 7,291 shares issuable upon exercise of options exercisable within 60 days after March 6, 2014.

(12) Includes 672,085 shares issuable upon exercise of options exercisable within 60 days after March 6, 2014 held by our executive officers not listed in the table.

(13) Includes 43,895 shares issuable upon exercise of warrants exercisable within 60 days after March 6, 2014. These shares are held by Hummer Winblad Venture Partners V, L.P., as nominee for Hummer Winblad Venture Partners V, L.P. and Hummer Winblad Equity Partners V, L.L.C., its general partner. Mr. Kertzman, one of our directors, is a managing director of Hummer Winblad Equity Partners V, L.L.C., and may be deemed to have voting and investment power over the shares held by Hummer Winblad Venture Partners V, L.P. The address for these entities is Pier 33 South, The Embarcadero, San Francisco, California 94111.

(14) Adams Street 2008 Direct Fund, L.P., or AS 2008, is the record owner of 2,584,821 shares, Adams Street 2009 Direct Fund, L.P., or AS 2009, is the record owner of 2,235,689 shares, Adams Street 2010 Direct Fund, L.P., or AS 2010, is the record owner of 1,269,991 shares and Adams Street 2011 Direct Fund, L.P., or AS 2011, is the record owner of 1,084,176 shares. The shares owned by AS 2008, AS 2009, AS 2010 and AS 2011 may be deemed to be beneficially owned by Adams Street Partners, LLC, the managing member of the general partner of each of AS 2008, AS 2009, AS 2010 and AS 2011. David Brett, Jeffrey T. Diehl, Elisha P. Gould III, Michael S. Lynn, Robin P. Murray, Sachin Tulyani, Craig D. Waslin and David S. Welsh, each of whom is a partner of Adams Street Partners, LLC (or a subsidiary thereof) may be deemed to have shared voting and investment power over the shares owned by each of AS 2008, AS 2009, AS 2010 and AS 2011. The address for each of these entities is One North Wacker Drive, Suite 2200, Chicago, Illinois 60606.

(15) Consists of (i) 3,513,443 shares held by Partech U.S. Partners IV, LLC, or Partech US, 19,510 shares of which are issuable upon exercise of warrants exercisable within 60 days after March 6, 2014, (ii) 678,273 shares held by Partech International Growth Capital I LLC, or Partech I, 3,207 shares of which are issuable

upon exercise of warrants exercisable within 60 days after March 6, 2014 (iii) 1,117,362 shares held by Partech International Growth Capital II LLC, or Partech II, 5,284 shares of which are issuable upon exercise of warrants exercisable within 60 days after March 6, 2014, (iv) 678,275 shares held by Partech International Growth Capital III LLC, or Partech III, 3,207 shares of which are issuable upon exercise of warrants exercisable within 60 days after March 6, 2014, (v) 276,160 shares held by AXA Growth Capital II LP, or AXA, 1,305 shares of which are issuable upon exercise of warrants exercisable within 60 days after, (vi) 24,588 shares held by 45th Parallel LLC, or 45th Parallel, 135 shares of which are issuable upon exercise of warrants exercisable within 60 days after March 6, 2014, and (vii) 24,588 shares held by PAR SF II, LLC, or Par SF, 135 shares of which are issuable upon exercise of warrants within 60 days of March 6, 2014. Vincent R. Worms is (A) the sole member of Par SF, (B) the managing member of 47th Parallel, LLC, which is the managing member of Partech US, (C) the managing member of 45th Parallel, which is the managing member of 46th Parallel, LLC, which is the managing member of Partech I, Partech II and Partech III, and (D) the managing member of 48th Parallel, LLC, which is the investment general partner of AXA, and he has voting and investment power over the securities held by Par SF, Partech US, 45th Parallel, Partech I, Partech II, Partech III and AXA. The address for these entities is 50 California Street, Suite 3200, San Francisco, CA 94111.

(16) Consists of shares held by Mosaic Venture Partners II, Limited Partnership, or Mosaic. 1369904 Ontario, Inc., or Ontario, as the general partner of Mosaic, has voting and investment control of the shares held by Mosaic. David Samuel is Managing Director of Ontario and may be deemed to share voting and investment power with respect to the shares held by Mosaic. The address for these entities is 6300 Northam Drive, Mississauga, Ontario, Canada L4V 1H7.

(17) SAP Ventures (GPE) I, L.L.C. is the general partner of SAPV. The shares owned by SAPV may be deemed to be beneficially owned by Nino Nikola Marakovic, Jayendra Das, David Armin Hartwig, Richard Douglas Higgins, Ing Jorg Sievert and Andreas Markus Weiskam, the managing members of SAP Ventures (GPE) I, L.L.C. who share voting and dispositive power over the shares held by SAPV. The address for these entities is 3412 Hillview Avenue, Palo Alto, CA 94304.

DESCRIPTION OF CAPITAL STOCK

The following description summarizes certain important terms of our capital stock, as they are expected to be in effect prior to the completion of this offering. We adopted an amended and restated certificate of incorporation and amended and restated bylaws that will become effective prior to the completion of this offering, and this description summarizes the provisions that are included in such documents. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description of the matters set forth in this section, you should refer to our amended and restated certificate of incorporation, amended and restated bylaws and the Stockholders' Agreement, which are included as exhibits to the registration statement of which this prospectus forms a part, and to the applicable provisions of Delaware law.

General

Immediately following the completion of this offering, our authorized capital stock will consist of 455,000,000 shares of capital stock, $0.001 par value per share, of which:

450,000,000 shares are designated as common stock; and

5,000,000 shares are designated as preferred stock.

Assuming the conversion of all outstanding shares of our convertible preferred stock into shares of our common stock, which will occur in connection with this offering, and the reverse stock split but before the consummation of this offering, as of December 31, 2013, there were 36,047,510 shares of our common stock outstanding, held by 139 stockholders of record, and no shares of our preferred stock outstanding. Following this offering we expect to have 46,047,510 shares of common stock outstanding and no shares of preferred stock outstanding. Our board of directors is authorized to issue additional shares of our capital stock without stockholder approval, except as required by the listing standards of NASDAQ.

Common Stock

Voting Rights

The holders of our common stock are entitled to one vote per share on any matter to be voted upon by stockholders. Our amended and restated certificate of incorporation does not provide for cumulative voting in connection with the election of directors, and accordingly, holders of more than 50% of the shares voting will be able to elect all of the directors. The holders of a majority of the shares of common stock issued and outstanding constitute a quorum at all meetings of stockholders for the transaction of business.

Dividends

The holders of our common stock are entitled to dividends if, as and when declared by our board of directors, from funds legally available therefor, subject to the preferential rights of the holders of our preferred stock, if any, and certain contractual limitations on our ability to declare and pay dividends. See "Dividend Policy."

Other Rights

Upon the consummation of this offering, no holder of our common stock will have any preemptive right to subscribe for any shares of our capital stock issued in the future.

Upon any voluntary or involuntary liquidation, dissolution, or winding up of our affairs, the holders of our common stock are entitled to share ratably in all assets remaining after payment of creditors and subject to prior distribution rights of our preferred stock, if any.

Preferred Stock

Following the consummation of this offering, no shares of our preferred stock will be outstanding. Our amended and restated certificate of incorporation will provide that our board of directors may, by resolution,

establish one or more classes or series of preferred stock having the number of shares and relative voting rights, designations, dividend rates, liquidation, and other rights, preferences, and limitations as may be fixed by them without further stockholder approval. The holders of our preferred stock may be entitled to preferences over common stockholders with respect to dividends, liquidation, dissolution, or our winding up in such amounts as are established by the resolutions of our board of directors approving the issuance of such shares.

The issuance of our preferred stock may have the effect of delaying, deferring or preventing a change in control of us without further action by our stockholders and may adversely affect voting and other rights of holders of our common stock. In addition, issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions, financings and other corporate purposes, could make it more difficult for a third party to acquire a majority of our outstanding shares of voting stock. At present, we have no plans to issue any shares of preferred stock.

Options

As of March 6, 2014, we had outstanding options to purchase an aggregate of 7,634,386 shares of our common stock, with a weighted average exercise price of approximately $3.80 per share, under the 2004 Plan.

Warrants

As of March 6, 2014, we had outstanding warrants to purchase up to 7 shares of our common stock at an exercise price of $3,800.00 per share. These warrants are exercisable at any time on or before November 27, 2016, with respect to 3 shares, and August 8, 2017, with respect to 4 shares.

As of March 6, 2014, we had outstanding warrants to purchase up to 377,646 shares of our common stock, on an as-converted basis, at an exercise price of $0.652 per share. These warrants are exercisable at any time on or before February 28, 2015, with respect to 30,672 shares, March 25, 2015, with respect to 69,375 shares, July 14, 2015, with respect to 30,674 shares, July 15, 2015, with respect to 46,006 shares, June 5, 2016, with respect to 32,208 shares, February 26, 2020, with respect to 130,368 shares, and June 30, 2020 with respect to 38,343 shares.

As of March 6, 2014, we had an outstanding warrant to purchase 13,013 shares of our common stock, on an as-converted basis, at an exercise price of $5.7632 per share. This warrant is exercisable at any time on or before October 18, 2023.

In February 2014, we issued warrants to purchase 177,865 shares of our common stock at an exercise price of $10.12 per share. These warrants are exercisable, once vested, at any time on or before February 20, 2024.

Registration Rights

After the completion of this offering, certain holders of our common stock and warrants to purchase our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act. These registration rights are contained in our Stockholders' Agreement. The shares of common stock into which certain of our warrants are convertible shall be deemed "Registrable Securities" for purposes of the registration rights under the Stockholders' Agreement. We and certain holders of our preferred stock are parties to the Stockholders' Agreement. The registration rights set forth in the Stockholders' Agreement will expire five years following the completion of this offering, or, with respect to any particular stockholder, when such stockholder is able to sell all of its shares pursuant to Rule 144 of the Securities Act or a similar exemption during any 90-day period. We will pay the registration expenses (other than underwriting discounts, commissions and stock transfer taxes) of the holders of the shares registered pursuant to the registrations described below. In an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares such holders may include. Our stockholders have waived their rights under the Stockholders' Agreement (i) to notice of this offering and (ii) to include their registrable shares in this offering. In addition, each stockholder that has registration rights has agreed not to sell, otherwise dispose of any securities or exercise registration rights without the prior written consent of the underwriters for a period of 180 days after the date of this prospectus, subject to certain terms and conditions. See "Underwriting" for additional information regarding such restrictions.

Demand Registration Rights

After the completion of this offering, pursuant to the Stockholders' Agreement, the holders of up to approximately 31,122,452 shares of our common stock (including shares of common stock issuable upon exercise of our warrants) will be entitled to certain demand registration rights. At any time beginning 180 days after the effective date of this offering, the holders of at least 30% of these shares can request that we register the offer and sale of their shares. We are obligated to effect only two such registrations. Such request for registration must cover securities the anticipated aggregate public offering price of which is expected to exceed $10,000,000. If we determine that it would be seriously detrimental to us or our stockholders to effect such a demand registration, we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 120 days from the date of receipt of the request from such holders.

Form S-3 Registration Rights

After the completion of this offering, pursuant to the Stockholders' Agreement, the holders of up to approximately 31,122,452 shares of our common stock (including shares of common stock issuable upon exercise of our warrants) will be entitled to certain Form S-3 registration rights. Any such holder may make a written request that we register the offer and sale of its shares on a registration statement on Form S-3 if we are eligible to file a registration statement on Form S-3 so long as the request covers securities the anticipated aggregate public offering price of which is at least $1,000,000. These stockholders may make an unlimited number of requests for registration on Form S-3; however, we will not be required to effect a registration on Form S-3 if we have effected two such registrations within the 12-month period preceding the date of the request. In addition, we will not be required to effect such a registration in any jurisdiction in which we would be required to qualify to do business or to execute a general consent to service of process in effecting such registration. Finally, if we determine that it would be seriously detrimental to us and our stockholders to effect such a registration, we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 90 days after receipt of the request of such holder or holders.

Piggyback Registration Rights

After the completion of this offering, pursuant to the Stockholders' Agreement, if we propose to register the offer and sale of our common stock under the Securities Act, in connection with the public offering of such common stock the holders of up to approximately 31,122,452 shares of our common stock (including shares of common stock issuable upon exercise of our warrants) will be entitled to certain "piggyback" registration rights allowing the holders to include their shares in such registration, subject to certain marketing and other limitations. As a result, whenever we propose to file a registration statement under the Securities Act, other than with respect to (1) a Form S-3 registration, (2) a registration related to any employee benefit plan or (3) a registration on any registration form which does not include substantially the same information as would be required to be included in a registration statement covering the public offering of our common stock, the holders of these shares are entitled to notice of the registration and have the right, subject to certain limitations, to include their shares in the registration.

Anti-takeover Provisions

Delaware Anti-takeover Law

We are subject to Section 203 of the Delaware General Corporation Law. Section 203 generally prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which 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 by which such stockholder became an interested stockholder commenced, excluding

for purposes of determining the number of shares outstanding (a) shares owned by persons who are directors and also officers and (b) 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

- on or subsequent to the date of the transaction, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation at any time within three years immediately prior to the date of determination and any entity or person affiliated with or controlling or controlled by the entity or person.

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaw Provisions

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our common stock. Among other things, our amended and restated certificate of incorporation and amended and restated bylaws:

- provide that our board of directors is classified into three classes of directors;
- provide that stockholders may remove directors only for cause;
- provide that the authorized number of directors may be changed only by resolution of the board of directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- provide that our stockholders may not take action by written consent, and may only take action at annual or special meetings of our stockholders;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder's notice;
- restrict the forum for certain litigation against us to Delaware;
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election);
- provide that special meetings of our stockholders may be called only by the chairman of the board, our chief executive officer or the board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors;

- provide that stockholders will be permitted to amend our amended and restated bylaws only upon receiving at least 66 2/3% of the votes entitled to be cast by holders of all outstanding shares then entitled to vote generally in the election of directors, voting together as a single class; and
- provide that certain provisions of our amended and restated certificate of incorporation may only be amended upon receiving at least 66 2/3% of the votes entitled to be cast by holders of all outstanding shares then entitled to vote, voting together as a single class.

Choice of Forum

Unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be, to the fullest extent permitted by law, the sole and exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or to our stockholders; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law; or any action asserting a claim against us that is governed by the internal affairs doctrine.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC.

Listing

We have applied to have our shares of common stock approved for listing on NASDAQ under the symbol “FIVN.”

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. Future sales of substantial amounts of common stock in the public market could adversely affect prevailing market prices. Furthermore, since only a limited number of shares will be available for sale shortly after this offering because of contractual and legal restrictions on resale described below, sales of substantial amounts of shares of common stock in the public market after the restrictions lapse could adversely affect the prevailing market price for our shares of common stock as well as our ability to raise equity capital in the future.

Based on the number of shares of common stock outstanding as of December 31, 2013, upon completion of this offering, 46,047,510 shares of common stock will be outstanding, assuming no exercise of the underwriters' option to purchase additional shares and no exercise of options. Only the 10,000,000 shares sold in this offering will be freely tradable unless purchased by our "affiliates" as that term is defined in Rule 144 under the Securities Act. Except as set forth below, the 36,047,510 remaining shares of common stock outstanding after this offering will be "restricted securities" as that term is defined in Rule 144 under the Securities Act and may be subject to lock-up agreements. These remaining shares will generally become available for sale in the public market as follows:

- no restricted shares will be eligible for immediate sale upon the closing of this offering; and
- 36,047,510 shares will be eligible for sale upon expiration of the lock-up agreements 181 days after the date of this prospectus, subject to any volume and other limitations applicable to the holders of such shares.

Rule 144

In general, under Rule 144 as currently in effect, a person or persons who is an affiliate, or whose shares are aggregated and who owns shares that were acquired from the issuer or an affiliate at least six months ago, would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of (i) 1% of our then outstanding shares of common stock, which would be approximately 460,475 shares of common stock immediately after this offering, or (ii) an amount equal to the average weekly reported volume of trading in our common stock on all national securities exchanges and/or reported through the automated quotation system of registered securities associations during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC. Sales in reliance on Rule 144 are also subject to other requirements regarding the manner of sale, notice and availability of current public information about us.

A person or persons whose common shares are aggregated, and who is not deemed to have been one of our affiliates at any time during the 90 days immediately preceding the sale, may sell restricted securities in reliance on Rule 144(b)(1) without regard to the limitations described above, subject to our compliance with Exchange Act reporting obligations for at least three months before the sale, and provided that six months have expired since the date on which the same restricted securities were acquired from us or one of our affiliates, and provided further that such sales comply with the current public information provision of Rule 144 (until the securities have been held for one year). As defined in Rule 144, an "affiliate" of an issuer is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, that same issuer.

Rule 701

Subject to certain limitations on the aggregate offering price of a transaction and other conditions, Rule 701 under the Securities Act, as in effect on the date of this prospectus, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions of Rule 144, including the holding period requirement. Most of our employees, executive officers or directors who purchased shares under a written compensatory plan

or contract, including the 2004 Plan, may be entitled to rely on the resale provisions of Rule 701, but all holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling their shares. However, substantially all Rule 701 shares are subject to lock-up agreements as described below and under "Underwriting" and will become eligible for sale upon the expiration of the restrictions set forth in those agreements. We will file a registration statement on Form S-8 under the Securities Act to register common stock issuable under our equity incentive plans.

Lock-up agreements

We have agreed that we will not, without the prior written consent of the Representatives, (i) offer, pledge, announce the intention to sell, 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 or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, or (ii) enter into any swap or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any shares of common stock or any such other securities (regardless of whether any of these transactions are to be settled by the delivery of shares of common stock or such other securities, in cash or otherwise) for a period of 180 days after the date of this prospectus, subject to certain exceptions.

All of our directors and executive officers and holders of substantially all of our outstanding stock, have agreed that, without the prior written consent of the Representatives, they will not directly or indirectly, (1) 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, or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities directly or indirectly convertible into or exercisable or exchangeable for common stock (including without limitation, common stock or such other securities which may be deemed to be beneficially owned in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant) or publicly disclose the intention to make any offer, sale, pledge or disposition, (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common stock or such other securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common stock or such other securities, in cash or otherwise, or (3) 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, for a period of 180 days after the date of this prospectus. Each of the lock-up agreements executed by our directors, executive officers and stockholders contain certain exceptions, including the disposition of shares of common stock purchased in open market transactions after the consummation of this offering and the establishment of a Rule 10b5-1 trading plan; provided, in the case of a 10b5-1 trading plan, that (i) such plan does not provide for the transfer of shares of common stock during the 180-day period, and (ii) no filing by any party under the securities laws or other public announcement shall be voluntarily made in connection with the establishment of such plan, and to the extent a public announcement or filing by any party is required under the securities laws regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of common stock may be made under such plan during the 180-day period. See "Underwriting."

Registration Rights

Upon the closing of this offering, the holders of 31,122,452 shares of common stock (including shares of common stock issuable upon exercise of our warrants) will be entitled to rights with respect to the registration of their shares of common stock under the Securities Act, subject to the lock-up arrangement described above. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act (except for shares held by affiliates) immediately upon the effectiveness of such registration. Any sales of securities by these stockholders could adversely affect the trading price of our shares of common stock. See "Description of Capital Stock — Registration Rights."

Registration Statement on Form S-8

We intend to file a registration statement on Form S-8 under the Securities Act promptly after the completion of this offering to register shares of our common stock subject to outstanding options, as well as reserved for future issuance, under our equity incentive plans, including our ESPP. The registration statement on Form S-8 is expected to become effective immediately upon filing, and shares of our common stock covered by the registration statement will then become eligible for sale in the public market, subject to the Rule 144 limitations applicable to affiliates, vesting restrictions and any applicable market standoff agreements and lock-up agreements. See “Executive Compensation — Employee Benefit and Stock Plans” for a description of our equity incentive plans.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS RELEVANT TO NON-U.S HOLDERS

The following is a summary of certain U.S. federal income tax considerations relevant to the ownership and disposition of our common stock by non-U.S. holders, but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated thereunder, administrative rulings and judicial decisions, all as of the date hereof. These authorities may be changed, possibly retroactively, so as to result in U.S. federal income tax consequences different from those set forth below.

This summary is limited to non-U.S. holders who purchase our common stock issued pursuant to this offering and who hold shares of our common stock as capital assets within the meaning of Section 1221 of the Code (generally, for investment purposes). This summary does not address the tax considerations arising under the laws of any non-U.S., state or local jurisdiction or under U.S. federal gift and estate tax laws. In addition, this discussion does not address tax considerations applicable to an investor's particular circumstances or to investors that may be subject to special tax rules, including, without limitation:

- banks, insurance companies or other financial institutions;
- persons subject to the alternative minimum tax;
- tax-exempt organizations;
- controlled foreign corporations, passive foreign investment companies and corporations that accumulate earnings to avoid United States federal income tax;
- brokers or dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- persons that own, or are deemed to own, more than five percent of our capital stock (except to the extent specifically set forth below);
- certain former citizens or former long-term residents of the United States;
- persons who hold our common stock as a position in a hedging transaction, "straddle," "conversion transaction" or other risk reduction transaction; or
- persons deemed to sell our common stock under the constructive sale provisions of the Code.

In addition, if a partnership (including an entity or arrangement classified as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner 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, should consult their tax advisors.

YOU ARE URGED TO CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS TO YOUR PARTICULAR SITUATION, AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE UNITED STATES FEDERAL ESTATE OR GIFT TAX RULES, UNITED STATES ALTERNATIVE MINIMUM TAX RULES OR UNDER THE LAWS OF ANY STATE, LOCAL, NON-U.S. OR OTHER TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Non-U.S. Holder Defined

For purposes of this discussion, you are a non-U.S. holder if you are any holder (other than a partnership or entity or arrangement classified as a partnership for U.S. federal income tax purposes) that is not:

- an individual citizen or resident of the United States;
- a corporation or other entity taxable as a corporation created or organized in the United States or under the laws of the United States or any political subdivision thereof;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or

- a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (y) which has made an election to be treated as a U.S. person.

Distributions

We have not made any distributions on our common stock, and we do not plan to make any distributions for the foreseeable future. However, if we do make distributions on our common stock, other than certain pro rata distributions of common stock, those payments will constitute dividends for U.S. tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed both our current and our accumulated earnings and profits, they will constitute a return of capital and will first reduce your basis in our common stock, but not below zero, and then will be treated as gain from the sale of stock, subject to the tax treatment described below in "— Gain on Sale or Other Taxable Disposition of Common Stock."

Any dividend paid to you generally will be subject to U.S. withholding tax at a rate of 30% of the gross amount of the dividend, or such lower rate as may be specified by an applicable income tax treaty, except to the extent that the dividends are "effectively connected" dividends, as described below. In order to be eligible for a reduced treaty rate, you must provide us with an IRS Form W-8BEN or other appropriate version of IRS Form W-8 certifying qualification for the reduced rate. A non-U.S. holder of shares of our common stock eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS. 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, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries.

We may withhold up to 30% of the gross amount of the entire distribution even if greater than the amount constituting a dividend, as described above, to the extent provided for in the Treasury Regulations. If tax is withheld on the amount of a distribution in excess of the amount constituting a dividend, then a refund of any such excess amounts may be obtained if a claim for refund is timely filed with the Internal Revenue Service, or the IRS.

Dividends received by you that are effectively connected with your conduct of a U.S. trade or business (and, if an income tax treaty applies, attributable to a permanent establishment or fixed base maintained by you in the United States) are exempt from such withholding tax. In order to obtain this exemption, you must provide us with an IRS Form W-8ECI or other applicable IRS Form W-8 properly certifying such exemption. Such effectively connected dividends, although not subject to withholding tax, are generally taxed at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. In addition, if you are a corporate non-U.S. holder, dividends you receive that are effectively connected with your conduct of a U.S. trade or business may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty.

Gain on Sale or Other Taxable Disposition of Common Stock

You generally will not be required to pay U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- the gain is effectively connected with your conduct of a U.S. trade or business (and, if an income tax treaty applies, the gain is attributable to a permanent establishment or fixed base maintained by you in the United States);
- you are an individual who is present in the United States for a period or periods aggregating 183 days or more during the calendar year in which the sale or disposition occurs and certain other conditions are met; or
- our common stock constitutes a U.S. real property interest by reason of our status as a "United States real property holding corporation" for U.S. federal income tax purposes, or a USRPHC, at any time within the shorter of the five-year period preceding the disposition or your holding period for our common stock.

In general, we would be a USRPHC if interests in U.S. real property comprised at least 50% of the fair market value of our assets. We believe that we are not currently and will not become a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, however, as long as our common stock is regularly traded on an established securities market, such common stock will be treated as a U.S. real property interest only if you actually or constructively hold more than five percent of such regularly traded common stock at any time during the applicable period described above.

If you are a non-U.S. holder described in the first bullet above, you will generally be required to pay tax on the gain derived from the sale (net of certain deductions or credits) under regular graduated U.S. federal income tax rates generally applicable to U.S. persons, and corporate non-U.S. holders described in the first bullet above may be subject to branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. If you are an individual non-U.S. holder described in the second bullet above, you will be required to pay a flat 30% tax on the gain derived from the sale, which tax may be offset by U.S. source capital losses (even though you are 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. You should consult any applicable income tax or other treaties that may provide for different rules.

Backup Withholding and Information Reporting

Generally, we must report annually to the IRS the amount of dividends paid to you, your name and address, and the amount of tax withheld, if any. A similar report will be sent to you. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in your country of residence.

Payments of dividends or of proceeds on the disposition of stock made to you may be subject to additional information reporting and backup withholding at a current rate of 28% unless you establish an exemption, for example by properly certifying your non-U.S. status on a Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we or our paying agent has actual knowledge, or reason to know, that you are a U.S. person or that the conditions of any other exemption are not, in fact, satisfied.

Backup withholding is not an additional tax; rather, the U.S. income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may generally be obtained from the IRS, provided that the required information is furnished to the IRS in a timely manner.

Foreign Account Tax Compliance Act (or FATCA)

New rules under Sections 1471 through 1474 of the Code (“FATCA”) generally will impose a U.S. federal withholding tax of 30% on dividends and the gross proceeds of a disposition of our common stock paid to a “foreign financial institution” (as specially defined under these rules) unless such institution enters into (or is otherwise subject to) an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). FATCA also will generally impose a U.S. federal withholding tax of 30% on dividends and the gross proceeds of a disposition of our common stock paid to a non-financial foreign entity unless such entity provides the withholding agent with a certification identifying the direct and indirect U.S. owners of the entity or certifies that it does not have any substantial U.S. owners. Foreign financial institutions and non-financial foreign entities located in jurisdictions that have an intergovernmental agreement with the United States governing these withholding and reporting requirements may be subject to different rules. If an investor does not provide us with the information necessary to comply with the legislation, it is possible that distributions to such investor of certain withholdable payments, such as dividends, will be subject to the 30% withholding tax. Under certain transition rules, any obligation to withhold under FATCA with respect to dividends on our common stock will not begin until July 1, 2014 and with respect to gross proceeds on a

disposition of our common stock will not begin until January 1, 2017. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in our common stock.

THE PRECEDING DISCUSSION OF UNITED STATES FEDERAL TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY. IT IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR UNITED STATES FEDERAL, STATE AND LOCAL AND NON-U.S. TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

UNDERWRITING

J.P. Morgan Securities LLC and Barclays Capital Inc., or the Representatives, are acting as the representatives of the underwriters in connection with this offering. Under the terms of an underwriting agreement, which will be filed as an exhibit to the registration statement, each of the underwriters named below has severally agreed to purchase from us, and we have severally agreed to sell, the respective number of shares of common stock shown opposite its name below:

Underwriters	Number of Shares
J.P. Morgan Securities LLC	
Barclays Capital Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Pacific Crest Securities LLC	
Canaccord Genuity Inc.	
Needham & Company, LLC	
Total	10,000,000

The underwriting agreement provides that the underwriters' obligation to purchase shares of common stock depends on the satisfaction of the conditions contained in the underwriting agreement, including:

- the obligation to purchase all of the shares of common stock offered hereby (other than those shares of common stock covered by their option to purchase additional shares as described below), if any of the shares are purchased;
- the representations and warranties made by us to the underwriters are true;
- there is no material adverse change in our business or in the financial markets; and
- we deliver customary closing documents to the underwriters.

Commissions and Expenses

The following table summarizes the underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to 1,500,000 additional shares from us. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay to us for the shares we have agreed to sell to them.

Paid by Us	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

The Representatives have advised us that the underwriters propose to offer the shares of common stock directly to the public at the public offering price on the cover of this prospectus and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of $ per share. After the offering, the Representatives may change the offering price and other selling terms.

The expenses of this offering, which are payable by us, are estimated to be approximately $3.8 million (excluding underwriting discounts and commissions), which includes approximately $19,475 that we have agreed to reimburse the underwriters for certain FINRA-related expenses incurred by them in connection with this offering.

Option to Purchase Additional Shares

We have granted the underwriters an option exercisable for 30 days after the date of this prospectus to purchase, from time to time, in whole or in part, up to an aggregate of 1,500,000 shares of common stock at the

public offering price less underwriting discounts and commissions. To the extent that the underwriters exercise this option, each underwriter will be committed, so long as the conditions of the underwriting agreement are satisfied, to purchase a number of additional shares of common stock proportionate to that underwriter's initial commitment as indicated in the preceding table, and we will be obligated to sell the additional shares of common stock to the underwriters.

Lock-Up Agreements

We have agreed that we will not, without the prior written consent of the Representatives, (i) offer, pledge, announce the intention to sell, 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 or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, or (ii) enter into any swap or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any shares of common stock or any such other securities (regardless of whether any of these transactions are to be settled by the delivery of shares of common stock or such other securities, in cash or otherwise) for a period of 180 days after the date of this prospectus, subject to certain exceptions.

All of our directors and executive officers and holders of substantially all of our outstanding stock, have agreed that, without the prior written consent of the Representatives, they will not directly or indirectly, (1) 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, or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities directly or indirectly convertible into or exercisable or exchangeable for common stock (including without limitation, common stock or such other securities which may be deemed to be beneficially owned in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant) or publicly disclose the intention to make any offer, sale, pledge or disposition, (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common stock or such other securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common stock or such other securities, in cash or otherwise, or (3) 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, for a period of 180 days after the date of this prospectus. Each of the lock-up agreements executed by our directors, executive officers and stockholders contain certain exceptions, including the disposition of shares of common stock purchased in open market transactions after the consummation of this offering and the establishment of a Rule 10b5-1 trading plan; provided, in the case of a 10b5-1 trading plan, that (i) such plan does not provide for the transfer of shares of common stock during the 180-day period, and (ii) no filing by any party under the securities laws or other public announcement shall be voluntarily made in connection with the establishment of such plan, and to the extent a public announcement or filing by any party is required under the securities laws regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of common stock may be made under such plan during the 180-day period.

The Representatives, in their 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 with or without notice. When determining whether or not to release common stock and other securities from lock-up agreements, the Representatives 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 the event the Representatives release any common stock and other securities subject to the lock-up agreements held by our executive officers and directors, we have agreed to publicly announce the impending release or waiver at least two business days before the effective date of the release or waiver.

As described below under "Directed Share Program," any participants in the Directed Share Program shall be subject to a 180-day lock up with respect to any shares sold to them pursuant to that program. This lock up will have similar restrictions as the lock-up agreement described above for the officers and directors. Any shares sold in the Directed Share Program to our directors or officers shall be subject to the lock-up agreement described above.

Directed Share Program

At our request, the underwriters have reserved for sale at the initial public offering price up to 5% of the common stock being offered by this prospectus for sale to our employees, executive officers, directors, business associates and related persons who have expressed an interest in purchasing common stock in this offering. All participants that purchase shares of common stock as part of the directed share program will be subject to the 180-day lock-up restriction as described above in "—Lock-Up Agreements." We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. Any reserved shares of our common stock that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of our common stock offered by this prospectus. We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act, in connection with sales of the reserved shares.

Offering Price Determination

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be negotiated between the Representatives and us. In determining the initial public offering price of our common stock, the Representatives will consider:

- the history and prospects for the industry in which we compete;
- our financial information;
- an assessment of management and our business potential and earnings prospects;
- the prevailing securities market conditions at the time of this offering; and
- the recent market prices of, and the demand for, publicly traded shares of generally comparable companies.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, liabilities arising from breaches of the representations and warranties contained in the underwriting agreement, and to contribute to payments that the underwriters may be required to make for these liabilities.

Stabilization, Short Positions and Penalty Bids

The underwriters may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of our common stock, in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- A short position involves a sale by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of shares involved in the sales made by the underwriters in excess of the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in their option to purchase additional shares. The underwriters may close out any short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions.
- Penalty bids permit the Representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on NASDAQ or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the Representatives will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Distribution

A prospectus in electronic format may be made available on internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the Representatives on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter's or selling group member's website and any information contained in any other website maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors in deciding whether to purchase any shares of common stock.

Stock Exchange

We have applied to list our shares of common stock on NASDAQ under the symbol "FIVN."

Discretionary Sales

The underwriters have informed us that they do not intend to confirm sales to discretionary accounts that exceed 5% of the total number of shares offered by them.

Stamp Taxes

If you purchase shares of common stock offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

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, investment research, principal investment, hedging, financing and brokerage activities.

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and certain of our executive officers and may provide from time to time in the future certain commercial banking, financial

advisory, investment banking and other services for us and such affiliates and executive officers in the ordinary course of their business, including personal loans to certain of our executive officers, for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future. 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 such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

The common stock is being offered for sale in those jurisdictions in the United States, Europe and elsewhere where it is lawful to make such offers.

European Economic Area

In relation to each Member State of the European Economic Area (each, a "Relevant Member State"), no offer of shares may be made to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- 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; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require the Company or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The Company, the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

This prospectus has been prepared on the basis that any offer of shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Relevant Member State of shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for the Company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the underwriters have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for the Company or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression “an offer to the public” in relation to any shares 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 the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) 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

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). The securities are only available to and any invitation, offer or agreement to subscribe purchase or otherwise acquire such securities will be enjoyed in only with relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Switzerland

The shares may not be publicly offered in 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 document 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 document 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 document nor any other offering or marketing material relating to the offering, the Company, the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document 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.

Dubai International Financial Centre

This prospectus supplement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“DFSA”). This prospectus supplement 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 supplement nor taken steps to verify the information set forth herein and has no responsibility for the prospectus supplement. The shares to which this prospectus supplement 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 supplement you should consult an authorized financial advisor.

Australia

This prospectus is not a formal disclosure document and has not been lodged with the Australian Securities and Investments Commission, or ASIC. It does not purport to contain all information that an investor or their professional advisers would expect to find in a prospectus for the purposes of Chapter 6D.2 of the Australian Corporations Act 2001, or the Act, in relation to the securities or our company.

This prospectus is not an offer to retail investors in Australia generally. Any offer of securities in Australia is made on the condition that the recipient is a "sophisticated investor" within the meaning of section 708(8) of the Act or a "professional investor" within the meaning of section 708(11) of the Act, or on condition that the offer to that recipient can be brought within the exemption for 'Small-Scale Offerings' (within the meaning of section 708(1) of the Act). If any recipient does not satisfy the criteria for these exemptions, no applications for securities will be accepted from that recipient. Any offer to a recipient in Australia, and any agreement arising from acceptance of the offer, is personal and may only be accepted by the recipient.

If a recipient on-sells their securities within 12 months of their issue, that person will be required to lodge a disclosure document with ASIC unless either:

- the sale is pursuant to an offer received outside Australia or is made to a "sophisticated investor" within the meaning of 708(8) of the Act or a "professional investor" within the meaning of section 708(11) of the Act; or
- it can be established that our company issued, and the recipient subscribed for, the securities without the purpose of the recipient on-selling them or granting, issuing or transferring interests in, or options or warrants over them.

Hong Kong

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of the issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) or any rules made thereunder.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275 (1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire

share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole whole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; (iii) by operation of law; or (iv) as specified in Section 276(7) of the SFA.

By accepting this prospectus, the recipient hereof represents and warrants that he is entitled to receive it in accordance with the restrictions set forth above and agrees to be bound by limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

LEGAL MATTERS

Jones Day, Silicon Valley, will pass upon the validity of our shares of common stock offered by this prospectus. The underwriters have been represented by Goodwin Procter LLP, Menlo Park, California.

EXPERTS

The consolidated financial statements of Five9, Inc. as of December 31, 2012 and 2013, and for each of the years in the three-year period ended December 31, 2013, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The financial statements of Face It, Corp., as of and for the years ended December 31, 2011 and 2012, included in this registration statement and prospectus have been audited by Moss Adams LLP, independent auditors, as stated in their report appearing in the Registration Statement. Such financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

CHANGE IN ACCOUNTANTS

(a) Dismissal of Independent Auditors

We dismissed Deloitte & Touche LLP ("Deloitte") as our independent auditors effective June 5, 2012. Deloitte issued an audit report, dated September 1, 2011, on our consolidated financial statements for the three years ended December 31, 2010. Deloitte did not perform any audit or issue any audit reports on our consolidated financial statements subsequent to the year ended December 31, 2010. Deloitte subsequently communicated its audit report should no longer be associated with the consolidated financial statements for the year ended December 31, 2010. Deloitte has no outstanding audit reports associated with the Company's consolidated financial statements.

During our fiscal years ended December 31, 2010 and 2011, and the subsequent period, (i) there were no disagreements (as that term is used in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) between the Company and Deloitte on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Deloitte, would have caused Deloitte to originally make reference thereto in its report that should no longer be relied upon on our audited consolidated financial statements for the year ended December 31, 2010, and (ii) there were no "reportable events" as such term is defined in Item 304(a)(1)(v) of Regulation S-K (a "Reportable Event") other than a material error the Company communicated existed in its previously issued consolidated financial statements for the year ended December 31, 2010 that resulted in Deloitte's communication that its audit report should no longer be associated with such consolidated financial statements and two material weaknesses in our internal control over financial reporting identified by Deloitte during its audit of our financial statements for our fiscal year ended December 31, 2010. With respect to the two material weaknesses, the Company did not have a sufficient number of accounting personnel with adequate technical expertise to ensure the preparation of its consolidated financial statements in accordance with U.S. generally accepted accounting principles and the Company had design deficiencies in general computer controls. Our audit committee discussed the material weaknesses with Deloitte and the Company authorized Deloitte to respond fully to the inquiries of KPMG LLP ("KPMG") concerning these material weaknesses.

We have provided Deloitte with a copy of the disclosures set forth under the heading "Change in Accountants" included in this prospectus and have requested that Deloitte furnish a letter addressed to the Securities Exchange Commission stating whether or not Deloitte agrees with statements related to them made by the Company under the heading "Change in Accountants" in this prospectus. A copy of that letter is filed as Exhibit 16.1 to the registration statement of which this prospectus forms a part.

(b) Newly Appointed Independent Registered Public Accountant

We engaged KPMG as our independent registered public accounting firm effective June 18, 2012. The decision to change our principal independent registered public accounting firm was approved by our audit committee.

During our fiscal years ended December 31, 2010 and 2011, and the subsequent period preceding our engagement of KPMG as our independent registered public accounting firm in June 2012, we did not consult with KPMG on matters that involved the application of accounting principles to a specified transaction, the type of audit opinion that might be rendered on our financial statements or any other matter that was either the subject of a disagreement or Reportable Event disclosed above.

Our audit committee discussed the material error disclosed above in (a) with KPMG and the Company authorized KPMG to respond fully to the inquiries of Deloitte concerning the material error.

We remediated the material weaknesses disclosed above prior to December 31, 2012.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to our shares of common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. Some items are omitted in accordance with the rules and regulations of the SEC. For further information with respect to us and the shares of common stock offered hereby, we refer you to the registration statement and the exhibits and schedules filed therewith. Statements contained in this prospectus as to the contents of any contract, agreement or any other document are summaries of the material terms of such contract, agreement or other document. With respect to each of these contracts, agreements or other documents filed as an exhibit to the registration statement, reference is made to the exhibits for a more complete description of the matter involved. A copy of the registration statement, and the exhibits and schedules thereto, may be inspected without charge at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, and copies of these materials may be obtained from those offices upon the payment of the fees prescribed by the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facility. The SEC maintains a web site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The address of the SEC's website is http://www.sec.gov.

Upon completion of this offering, we will be required to file periodic reports, proxy statements and other information with the SEC pursuant to the Exchange Act. To comply with these requirements, we will file periodic reports, proxy statements and other information with the SEC. In addition, we intend to make available on or through our internet website, *http://www.five9.com*, our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

When the transaction referred to in the eighth paragraph of Note 14 of the Notes to the Consolidated Financial Statements for the years ended December 31, 2011, 2012 and 2013 has been consummated, we will be in a position to render the following report

/s/ KPMG LLP

Santa Clara, California
March 24, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Five9, Inc.:

We have audited the accompanying consolidated balance sheets of Five9, Inc. and subsidiaries (the Company) as of December 31, 2012 and 2013, and the related consolidated statements of operations and comprehensive loss, stockholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Five9, Inc. and subsidiaries as of December 31, 2012 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

[unsigned]

Santa Clara, California
March 3, 2014, except as to the eighth paragraph in
Note 14 to the consolidated financial
statements, which is as of……

FIVE9, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 31,		Pro Forma December 31,
	2012	2013	2013 (unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 5,961	$ 17,748	$ 37,309
Short-term investments	2,490	—	
Accounts receivable, net	5,441	6,970	
Prepaid expenses and other current assets	942	1,651	
Total current assets	14,834	26,369	
Property and equipment, net	10,874	11,607	
Intangible assets, net	—	3,065	
Goodwill	—	11,798	
Other assets	899	3,439	
Total assets	$ 26,607	$ 56,278	$ 75,839
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Accounts payable	$ 4,649	$ 4,306	
Accrued and other current liabilities	3,470	5,929	
Accrued federal fees	401	4,206	
Sales tax liability	105	98	
Notes payable	415	1,522	
Capital leases	3,572	4,857	
Deferred revenue	4,269	4,375	
Total current liabilities	16,881	25,293	
Revolving line of credit	—	12,500	
Accrued federal fees — less current portion	7,703	—	
Sales tax liability	3,195	5,350	
Notes payable — less current portion	16	7,095	$ 25,690
Capital leases — less current portion	4,191	4,358	
Convertible preferred stock warrant liability	1,979	3,935	—
Other long-term liabilities	709	715	
Total liabilities	34,674	59,246	73,906
Commitments and contingencies (Note 10)			
Stockholders' equity (deficit):			
Convertible preferred stock, $0.001 par value; 108,458 and 125,115 authorized shares as of December 31, 2012 and 2013, respectively; 106,947 and 122,216 shares issued and outstanding as of December 31, 2012 and 2013, respectively; aggregate liquidation preference of $32,303 and $54,303 as of December 31, 2012 and 2013, respectively, actual; no shares issued and outstanding, pro forma (unaudited)	31,940	53,734	—
Common stock, $0.001 par value — 155,000 and 200,000 authorized shares as of December 31, 2012 and 2013, respectively; 3,504, and 5,494 shares issued and outstanding as of December 31, 2012 and 2013, respectively, actual; 36,047 shares issued and outstanding, pro forma (unaudited)	4	5	36
Additional paid-in capital	19,471	34,089	92,693
Accumulated deficit	(59,482)	(90,796)	(90,796)
Total stockholders' equity (deficit)	(8,067)	(2,968)	$ 1,933
Total liabilities and stockholders' equity (deficit)	$ 26,607	$ 56,278	$ 75,839

See accompanying notes to consolidated financial statements.

FIVE9, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except per share data)

	Year Ended December 31,		
	2011	2012	2013
Revenue	$ 43,188	$ 63,822	$ 84,132
Cost of revenue	24,563	39,306	48,807
Gross profit	18,625	24,516	35,325
Operating expenses:			
Research and development	8,739	13,217	17,529
Sales and marketing	10,207	16,808	28,065
General and administrative	6,990	11,546	18,053
Total operating expenses	25,936	41,571	63,647
Loss from operations	(7,311)	(17,055)	(28,322)
Other expense, net:			
Change in fair value of convertible preferred stock warrant liability	(55)	(1,674)	(1,871)
Interest expense	(457)	(557)	(1,080)
Other income, net	15	14	29
Total other expense, net	(497)	(2,217)	(2,922)
Loss before provision for income taxes	(7,808)	(19,272)	(31,244)
Provision for income taxes	64	62	70
Net loss	$ (7,872)	$ (19,334)	$ (31,314)
Net loss per share:			
Basic and diluted	$ (2.99)	$ (5.82)	$ (7.82)
Shares used in computing net loss per share:			
Basic and diluted	2,635	3,321	4,006
Pro forma net loss per share (unaudited):			
Basic and diluted			$ (0.88)
Shares used in computing pro forma net loss per share (unaudited):			
Basic and diluted weighted average			33,347
Other comprehensive loss:			
Net loss	$ (7,872)	$ (19,334)	$ (31,314)
Other comprehensive loss	—	—	—
Comprehensive loss	$ (7,872)	$ (19,334)	$ (31,314)

See accompanying notes to consolidated financial statements.

FIVE9, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance as of December 31, 2010	71,645	$ 11,533	2,161	$ 2	$ 18,423	$ (32,276)	$ (2,318)
Issuance of Series B-2 convertible preferred stock (net of issuance costs of $92)	18,566	7,908	—	—	—	—	7,908
Conversion of related-party notes payable into shares of Series A-2 convertible preferred stock	3,833	624	—	—	—	—	624
Issuance of common stock upon exercise of stock options	—	—	694	1	108	—	109
Stock-based compensation	—	—	—	—	357	—	357
Net loss and comprehensive loss	—	—	—	—	—	(7,872)	(7,872)
Balance as of December 31, 2011	94,044	20,065	2,855	3	18,888	(40,148)	(1,192)
Issuance of Series C-2 convertible preferred stock (net of issuance costs of $125)	12,903	11,875	—	—	—	—	11,875
Issuance of common stock upon exercise of stock options	—	—	649	1	119	—	120
Stock-based compensation	—	—	—	—	464	—	464
Net loss and comprehensive loss	—	—	—	—	—	(19,334)	(19,334)
Balance as of December 31, 2012	106,947	31,940	3,504	4	19,471	(59,482)	(8,067)
Issuance of Series D-2 convertible preferred stock (net of issuance costs of $200)	15,269	21,794	—	—	—	—	21,794
Issuance of common stock and stock options to acquire Face It, Corp.	—	—	1,423	1	12,067	—	12,068
Issuance of common stock upon exercise of stock options	—	—	448	—	602	—	602
Issuance of restricted common stock	—	—	119	—	—	—	—
Stock-based compensation	—	—	—	—	1,949	—	1,949
Net loss and comprehensive loss	—	—	—	—	—	(31,314)	(31,314)
Balance as of December 31, 2013	122,216	$ 53,734	5,494	$ 5	$ 34,089	$ (90,796)	$ (2,968)

See accompanying notes to consolidated financial statements.

FIVE9, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2011	2012	2013
Cash flows from operating activities:			
Net loss	$ (7,872)	$ (19,334)	$ (31,314)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,539	2,624	4,415
Provision for doubtful accounts	51	214	89
Stock-based compensation	357	464	1,949
Loss (gain) on the disposal of property and equipment	48	7	(5)
Non-cash interest expense	41	22	6
Changes in fair value of convertible preferred stock warrant liability	55	1,674	1,871
Changes in operating assets and liabilities:			
Accounts receivable	(1,898)	(2,125)	(1,574)
Prepaid expenses and other current assets	(243)	(350)	(322)
Other assets	(157)	18	(136)
Accounts payable	927	1,988	196
Accrued and other current liabilities	1,083	250	1,429
Accrued federal fees and sales tax liability	4,183	4,353	2,325
Deferred revenue	1,074	1,354	106
Other liabilities	113	540	6
Net cash used in operating activities	(699)	(8,301)	(20,959)
Cash flows from investing activities:			
Purchases of property and equipment	(3,142)	(2,680)	(554)
Cash paid to acquire Face It, Corp., net of cash acquired of $128	—	—	(2,836)
Cash restricted for financing activities	(700)	—	(121)
Purchases of short-term investments	(3,581)	(2,490)	—
Proceeds from sale of short-term investments	—	3,581	2,490
Net cash used in investing activities	(7,423)	(1,589)	(1,021)
Cash flows from financing activities:			
Net proceeds from the issuance of convertible preferred stock	7,908	11,875	21,794
Proceeds from exercise of common stock options	109	120	702
Proceeds from notes payable	—	—	5,000
Repayments of notes payable	(635)	(743)	(810)
Payments of capital leases	(520)	(2,185)	(4,598)
Proceeds from equipment financing	2,981	1,418	—
Payments for deferred offering costs	—	(12)	(821)
Proceeds from revolving line of credit	—	—	18,500
Repayments on revolving line of credit	—	—	(6,000)
Net cash provided by financing activities	9,843	10,473	33,767
Net increase in cash and cash equivalents	1,721	583	11,787
Cash and cash equivalents:			
Beginning of period	3,657	5,378	5,961
End of period	$ 5,378	$ 5,961	$ 17,748
Supplemental disclosures of cash flow data:			
Cash paid for interest	$ 415	$ 501	$ 1,088
Cash paid for income taxes	20	89	132
Non-cash investing and financing activities:			
Conversion of related-party notes payable to Series A-2 convertible preferred stock	$ 624	$ —	$ —
Equipment obtained under capital lease	442	5,455	4,747
Equipment purchased and unpaid at period-end	472	933	10
Common stock and stock options issued in connection with acquisition	—	—	12,068
Deferred initial public offering costs incurred but unpaid at period-end	—	—	1,346
Conversion of accrued federal fees to note payable, net	—	—	4,075

See accompanying notes to the consolidated financial statements.

FIVE9, INC.

Notes to Consolidated Financial Statements

1. Description of Business and Summary of Significant Accounting Policies

Five9, Inc. and its wholly-owned subsidiaries (the "Company") is a provider of cloud contact center software. The Company was incorporated in Delaware in 2001 and is headquartered in San Ramon, California. The Company has offices in Europe and Asia which primarily provide research, development and customer support services.

Basis of Presentation and Liquidity

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). All intercompany transactions and balances have been eliminated in consolidation. As the Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), it can delay the adoption of new accounting standards until those standards would otherwise apply to privately-held companies. However, the Company has elected to comply with all new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth publicly-held companies. Under the JOBS Act, such election is irrevocable.

The Company has funded its operations since 2008 through convertible preferred stock financings with net proceeds totaling $53,734,000 through December 31, 2013, sales of its solution and debt financing under its credit and leasing agreements. However, the Company has historically incurred losses and negative cash flows from operations. As of December 31, 2013, the Company had an accumulated deficit of $90,796,000. Management of the Company expects that operating losses and negative cash flows from operations will continue through at least December 31, 2014. The Company's existing sources of liquidity include cash and cash equivalents of $17,748,000 as of December 31, 2013 and an additional $19,561,000 of net proceeds from a borrowing under a loan facility entered into in February 2014, with the ability to draw down an additional $10,000,000 from the same loan facility for up to one year. The amount of funding available under the Company's line of credit at all times is subject to a borrowing capacity formula based on monthly recurring revenues and a dollar-based retention rate. The Company's line of credit and notes payable require maintenance of a minimum cash balance of $5,500,000. The Company's line of credit and loan facility entered in February 2014 include the occurrence of a material adverse event, as defined in the agreements and determined by the lender, as an event of default.

While management believes that the Company's existing sources of liquidity are adequate to fund operations through at least December 31, 2014, the Company may need to curtail future discretionary expenses related to sales and marketing and administration under various scenarios if the planned registered initial public offering is not closed as expected. In addition, the Company may need to raise additional debt or equity financing to fund operations until it generates positive cash flows from profitable operations. There can be no assurance that such additional debt or equity financing will be available on terms acceptable to the Company, or at all.

Unaudited Pro Forma Consolidated Balance Sheets

In connection with the initial public offering of the Company's common stock (the "IPO"), all of the Company's outstanding shares of convertible preferred stock will automatically convert into shares of common stock. In addition, the Company's outstanding convertible preferred stock warrants will automatically be converted into warrants to purchase common stock and the Company's convertible preferred stock warrant liability will be reclassified to additional paid-in capital. The unaudited pro forma balance sheet as of December 31, 2013, as set forth in the accompanying consolidated balance sheets, gives effect to the automatic conversion of all outstanding shares of convertible preferred stock, the additional borrowing of $19,561,000 as described in note 14 to the consolidated financial statements and the reclassification of the carrying value of the convertible preferred stock warrant liability to additional paid-in capital as of December 31, 2013. The shares of common stock issuable and proceeds expected to be received in the IPO are excluded from such pro forma information.

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The significant estimates made by management affect revenue, the allowance for doubtful accounts, intangible assets, including goodwill, loss contingencies, including the Company's accrual for federal fees and sales tax liability, accrued liabilities, stock-based compensation, fair value calculations of the convertible preferred stock warrant liability, provision for income taxes and uncertain tax positions. Management periodically evaluates such estimates and they are adjusted prospectively based upon such periodic evaluation. Actual results could differ from those estimates.

Foreign Currency

The functional currency of the Company's foreign subsidiaries is the U.S. dollar. For these subsidiaries, the monetary assets and liabilities are re-measured into U.S. dollars at the current exchange rate as of the balance sheet date, and all non-monetary assets and liabilities are re-measured into U.S. dollars at historical exchange rates. Revenues and expenses are converted using average rates in effect on a monthly basis. Exchange gains and losses resulting from foreign currency transactions were not significant and are reported in other expense, net for the years ended December 31, 2011, 2012 and 2013.

Cash and Cash Equivalents

The Company considers highly liquid instruments with a maturity of three months or less at the date of purchase to be cash equivalents. The Company deposits cash and cash equivalents with financial institutions that management believes are of high credit quality. Cash equivalents consist of money market funds and certificates of deposit with original maturities of three months or less, and are stated at cost plus accrued interest, which approximates fair value. As of December 31, 2012 and 2013, the Company had restricted cash of $700,000 classified in other assets on the accompanying consolidated balance sheets, which related to a letter of credit issued to the Company's landlord with respect to its lease obligation for its corporate offices. As of December 31, 2013, the Company had an additional $121,000 of restricted cash classified in other assets on the accompanying consolidated balance sheet under a letter of credit related to an insurance policy. As of December 31, 2013, the Company was also required to maintain $5,500,000 in deposits in connection with its credit agreement with a lender as a compensating balance.

Short-Term Investments

The Company considers all investments with original maturities of more than three months but less than one year to be short-term investments. As of December 31, 2012, short-term investments consisted of certificates of deposit with a financial institution with original maturities of twelve months. The carrying values of all of the Company's short-term investments approximate fair value. Interest and dividends are included in interest income when earned.

Concentration Risks

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist primarily of cash and cash equivalents, short-term investments and accounts receivable. A significant portion of the Company's cash and cash equivalents is held at one large reputable financial institution. Amounts in excess of insured limits were $7,922,000 and $16,569,000 as of December 31, 2012 and 2013, respectively. The Company has not experienced any losses in such accounts.

As of December 31, 2012 and 2013, no single client represented more than 10% of accounts receivable. For the years ended December 31, 2011, 2012 and 2013, no single client represented more than 10% of revenue.

Allowance for Doubtful Accounts

The Company records a provision for doubtful accounts based on historical experience and a detailed assessment of the collectability of its accounts receivable. In estimating the allowance for doubtful accounts, management considers, among other factors, the aging of the accounts receivable, historical write-offs and the

creditworthiness of each client. If circumstances change, such as higher-than-expected defaults or an unexpected material adverse change in a major client's ability to meet its financial obligations, the Company's estimate of the recoverability of the amounts due could be reduced by a material amount.

The following table presents the changes in the accounts receivable allowance for bad debt (in thousands):

	2011	2012	2013
Balance, beginning of period	$ 9	$ 23	$ 54
Add: bad debt expense	51	214	89
Less: write-offs, net of recoveries	(37)	(183)	(101)
Balance, end of period	$ 23	$ 54	$ 42

Property and Equipment, Net

Property and equipment is stated at cost less accumulated depreciation and amortization, and is depreciated using the straight-line method over the estimated useful lives of the assets. Computer hardware, software and furniture and fixtures are depreciated over useful lives ranging from three to seven years, and leasehold improvements are depreciated over the respective lease term or useful life, whichever is shorter. Maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the consolidated balance sheet and any resulting gain or loss is reflected in the consolidated statements of operations and comprehensive loss in the period realized.

The Company evaluates the recoverability of property and equipment for possible impairment whenever events or circumstances indicate that the carrying amount of such assets or asset groups may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets or asset groups are expected to generate. If such evaluation indicates that the carrying amount of the assets or asset groups is not recoverable, the carrying amount of such assets or asset groups is reduced to fair value. No impairment losses have been recognized in any of the periods presented.

Goodwill and Other Intangible Assets

The Company records goodwill when the consideration paid in a purchase acquisition exceeds the fair value of the net tangible assets and the identified intangible assets acquired. Goodwill is not amortized, but instead is required to be tested for impairment annually and under certain circumstances. The Company will perform testing for impairment of goodwill at the beginning of its fourth quarter, or as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. A qualitative assessment is first made to determine whether it is necessary to perform quantitative testing. This initial assessment includes, among other things, consideration of: (i) past, current and projected future earnings and equity; (ii) recent trends and market conditions; and (iii) valuation metrics involving similar companies that are publicly-traded and acquisitions of similar companies, if available. If this initial qualitative assessment indicates that it is more likely than not that impairment exists, a second analysis will be performed, involving a comparison between the estimated fair values of the Company's reporting unit with its respective carrying amount including goodwill. If the carrying value exceeds estimated fair value, there is an indication of potential impairment, and a third analysis is performed to measure the amount of impairment. The third analysis involves calculating an implied fair value of goodwill by measuring the excess of the estimated fair value of the reporting unit over the aggregate estimated fair values of the individual assets less liabilities. If the carrying value of goodwill exceeds the implied fair value of goodwill, an impairment charge is recorded for the excess.

Other intangible assets, consisting of acquired developed technology, domain names, customer relationships and non-compete agreements, are carried at cost less accumulated amortization. All other intangible assets have been determined to have definite lives and are amortized on a straight-line basis over their estimated remaining economic lives, ranging from three to seven years. Amortization expense related to developed technology is included in cost of revenue. Amortization expense related to customer relationships is included in sales and marketing expense. Amortization expense related to domain names and non-compete agreements is included in general and administrative expense.

Revenue Recognition

The Company's revenue consists of subscription services and related usage as well as professional services. The Company charges clients monthly subscription fees for access to the Company's solution. The monthly subscription fees are primarily based on the number of agent seats, as well as the specific Virtual Contact Center ("VCC") functionalities and applications deployed by the client. Agent seats are defined as the maximum number of named agents allowed to concurrently access the VCC cloud platform. Clients typically have more named agents than agent seats. Multiple named agents may use an agent seat, though not simultaneously. Substantially all of the Company's clients purchase both subscriptions and related usage. A small percentage of its clients subscribe to its platform but purchase telephony usage directly from a wholesale telecommunications service provider. The Company does not sell telephony usage on a stand-alone basis to any client. The related usage fees are based on the volume of minutes used for inbound and outbound client interactions. The Company also offers bundled plans, generally for smaller deployments, whereby the client is charged a single monthly fixed fee per agent seat that includes both subscription and unlimited usage in the contiguous 48 states and, in some cases, Canada. Professional services revenue is derived primarily from implementations, including application configuration, system integration, optimization, education and training services. Clients are not permitted to take possession of the Company's software.

The Company offers both annual and monthly contracts to its clients, with 30 days' notice required for changes in the number of agent seats. Larger clients typically choose annual contracts, which generally include an implementation and ramp period of several months. Fixed subscription fees (including bundled plans) are billed monthly in advance, while related usage fees are billed in arrears. Support activities include technical assistance for the Company's solution and upgrades and enhancements to the VCC cloud platform on a when-and-if-available basis, which are not billed separately.

The Company generally requires advance deposits from its clients based on estimated usage when such usage is not billed as part of a bundled plan. Fees for usage are applied against the advance deposit resulting in continuous consumption and therefore requires frequent replenishment of the deposit. Any unused portion of the deposit is refundable to the client upon termination of the arrangement, provided all amounts due have been paid. All fees, except usage deposits, are non-refundable.

Professional services are primarily billed on a fixed-fee basis and are performed by the Company directly, or clients may also choose to perform these services themselves or engage their own third-party service providers.

The Company's sales arrangements generally involve multiple deliverables, including subscription services and related usage as well as professional services, all of which have stand-alone value to the client. The Company allocates arrangement consideration to these deliverables based on the relative stand-alone selling price method in accordance with the selling price hierarchy, which includes: (i) Vendor Specific Objective Evidence ("VSOE") if available; (ii) Third-Party Evidence ("TPE") if VSOE is not available; and (iii) Best Estimate of Selling Price ("BESP") if neither VSOE nor TPE is available.

VSOE. The Company determines VSOE based on its historical pricing and discounting practices for the specific service when sold separately. In determining VSOE, the Company requires that a substantial majority of the selling prices for these services fall within a reasonably narrow pricing range. The Company limits its assessment of VSOE for each element to either the price charged when the same element is sold separately or the price established by management, having the relevant authority to do so, for an element not yet sold separately. The Company has not met the criteria to establish selling prices based on VSOE.

TPE. When VSOE cannot be established for deliverables in multiple element arrangements, the Company applies judgment with respect to whether it can establish a selling price based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. The Company's services are significantly differentiated such that the comparable pricing of deliverables with similar functionality cannot be obtained. Furthermore, the Company is unable to reliably determine the stand-alone selling prices of similar deliverables sold by competitors. As a result, the Company has not met the criteria to establish selling prices based on TPE.

BESP. Since the Company is unable to establish a selling price using VSOE or TPE, it uses BESP in its allocation of arrangement consideration. The objective of BESP is to determine the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis. The Company determines BESP for deliverables by considering multiple factors including prices it charges for similar offerings, market conditions and the competitive landscape. The Company limits the amount of allocable arrangement consideration to amounts that are fixed or determinable and that are not contingent on future performance or future deliverables.

The Company recognizes revenue for each unit of accounting when all of the following criteria have been met:

- persuasive evidence of an arrangement exists;
- delivery has occurred;
- the fee is fixed or determinable; and
- collection is reasonably assured.

Revenue allocated to the separate accounting units is recognized as follows:

- fixed subscription revenue is recognized on a straight-line basis over the applicable term, predominantly the monthly contractual billing period;
- variable usage revenue is recognized as actual usage occurs. Usage revenue in subscription arrangements that include bundled usage is recognized on a straight-line basis over the applicable term, as the Company cannot reliably estimate client usage patterns; and
- professional services revenue is recognized as services are performed using the proportional performance method, with performance measured based on labor hours, assuming all other revenue recognition criteria have been met.

At the time of each revenue transaction, the Company assesses whether fees under the arrangement are fixed or determinable and whether collection is reasonably assured. For arrangements where the fee is not fixed or determinable, the Company recognizes revenue as these amounts become due and payable. The Company assesses collection based on a number of factors, including past transaction history and the creditworthiness of the client. If the Company determines that collection of fees is not reasonably assured, it defers the revenue and recognizes revenue at such time when collection becomes reasonably assured, which is generally upon receipt of payment. The Company maintains a revenue reserve for potential credits to be issued in accordance with service level agreements or for other revenue adjustments. The revenue recognition standards include guidance relating to any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to, sales, use, value added and excise taxes. The Company records amounts billed to its clients for United Services Fund (“USF”) contributions and other regulatory costs on a gross basis in its consolidated statements of operations and comprehensive loss and records surcharges and sales, use and excise taxes billed to its clients on a net basis. The cost of gross USF contributions payable to the Universal Services Administration Company (“USAC”) and suppliers is presented as a cost of revenue in the consolidated statements of operations and comprehensive loss. Surcharges and sales, use and excise taxes incurred in excess of amounts billed to the Company’s clients are presented in general and administrative expense in the consolidated statements of operations and comprehensive loss.

Cost of Revenue

Cost of revenue consists primarily of fees that the Company pays to telecommunications providers for usage, personnel costs (including stock-based compensation), taxes due to federal agencies on usage fees, costs associated with the Company’s data centers, equipment and related costs, amortization of acquired technology and allocated facility costs. Personnel costs included as part of cost of revenue include those associated with support of the Company’s solution, clients and data center operations, as well as with providing professional services. Data center costs include costs to build out and setup, as well as colocation fees for the right to place the Company’s services in data centers owned by third parties.

Research and Development

Research and development expenses consist primarily of costs associated with personnel (including stock-based compensation), third-party contractors and allocated facility costs. Research and development costs are expensed as incurred. The Company reviews development costs incurred for internal-use software in the application development stage and assesses costs for capitalization. As of December 31, 2013, capitalized costs were not material.

Advertising Costs

Advertising costs are expensed as incurred and were $2,951,000, $4,699,000 and $7,296,000 for the years ended December 31, 2011, 2012 and 2013, respectively.

Commissions

Commissions consist of variable compensation earned by sales personnel. Sales commissions associated with the acquisition or renewal of a client contract are recognized as sales and marketing expense as incurred.

Stock-Based Compensation

All stock-based compensation granted to employees and directors is measured as the grant date fair value of the award and recognized as an expense in the consolidated statements of operations and comprehensive loss over the requisite service period, which is generally the vesting period. The Company estimates the fair value of stock options using the Black-Scholes option-pricing model. Compensation expense is recognized using the straight-line method net of estimated forfeitures.

Compensation expense for stock options granted to non-employees is calculated using the Black-Scholes option-pricing model and is recognized as an expense in the consolidated statements of operations and comprehensive loss over the service period on a straight-line basis. Compensation expense for non-employee stock options subject to vesting is revalued as of each reporting date until the stock options are vested.

The fair value of restricted stock awards is equal to the fair value of the Company’s common stock on the date of grant.

Convertible Preferred Stock Warrant liability

Freestanding convertible preferred stock warrants with provisions that potentially adjust the number of shares to be issued on settlement are classified as a liability on the Company’s consolidated balance sheets. The convertible preferred stock warrant liability is subject to re-measurement at each balance sheet date, and any change in fair value is recognized as a component of other expense, net. The Company will continue to adjust the liability for changes in fair value until the earlier of (i) the exercise or expiration of the warrants or (ii) the conversion of preferred stock into common stock which may occur automatically upon closing of a registered public offering for common stock or upon election by preferred stockholders, at which time all convertible preferred stock warrants will be converted into warrants to purchase common stock and the liability will be reclassified to additional paid-in capital.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year 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 operations in the period that includes the enactment date. The Company records a valuation allowance to reduce its deferred tax assets to the amount of future tax benefit that is more likely than not to be realized. As of December 31, 2012 and 2013, the Company recorded a full valuation allowance against the net deferred tax assets because of its history of operating losses. The Company classifies interest and penalties on unrecognized tax benefits as income tax expense.

Deferred Offering Costs

Deferred offering costs consisted primarily of accounting and legal fees related to the Company's proposed IPO. There were $2,179,000 of deferred offering costs included in other assets on the Company's consolidated balance sheet as of December 31, 2013. Upon completion of the IPO contemplated herein, these amounts will be recorded as a reduction of stockholders' equity as an offset against the proceeds of the offering. If the offering is terminated, the deferred offering costs will be expensed.

Net Loss Per Share

The Company applies the two-class method to calculate basic and diluted net loss per share of common stock as shares of convertible preferred stock are participating securities due to their dividend rights. The two-class method is an earnings allocation method under which earnings per share is calculated for common stock considering a participating security's rights to undistributed earnings as if all such earnings had been distributed during the period. The Company's participating securities are not included in the computation of net loss per share in periods of net loss because the preferred shareholders have no contractual obligation to participate in losses.

Indemnification

Certain of the Company's agreements with clients include provisions for indemnification against liabilities if its services infringe a third-party's intellectual property rights. To date, the Company has not incurred any material costs as a result of such indemnification provisions and the Company has not accrued any liabilities related to such obligations in the consolidated financial statements as of December 31, 2012 or 2013.

Segment Information

The Company has determined that its Chief Executive Officer is its chief operating decision maker. The Company's Chief Executive Officer reviews financial information presented on a consolidated basis for purposes of assessing performance and making decisions on how to allocate resources. Accordingly, the Company has determined that it operates in a single reportable segment.

Recently Issued Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-02 "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." ASU No. 2013-02 requires an entity to disaggregate the total change of each component of other comprehensive income either on the face of the income statement or as a separate disclosure in the notes. The new guidance became effective for reporting periods beginning after December 15, 2012 and is applied prospectively. The Company adopted this guidance during the year ended December 31, 2013, and the adoption did not have any impact on its financial position, results of operations or cash flows.

In July 2013, the FASB issued a new accounting standard update on the financial statement presentation of unrecognized tax benefits. The new guidance provides that a liability related to an unrecognized tax benefit would be presented as a reduction of a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. The new guidance becomes effective for the Company on January 1, 2014 and it should be applied prospectively to unrecognized tax benefits that exist at the effective date with retrospective application permitted. The Company is currently assessing the impact of this new guidance.

2. Acquisition of Face It, Corp.

On October 18, 2013 (the "Acquisition Date"), the Company completed its acquisition of Face It, Corp., a social engagement and mobile client care solution provider, pursuant to the Agreement and Plan of Merger (the "Agreement"). In accordance with the terms and subject to the conditions set forth in the Agreement, the Company acquired all of the outstanding equity securities of Face It, Corp. The acquisition was accounted for as a business combination in accordance with Accounting Standards Codifications Topic 805, "Business Combinations". The Company intends to integrate Face It, Corp. and its technology to add social engagement and mobile client care applications to its solution.

The Company acquired Face It, Corp. for a total purchase price of $15,032,000. The purchase price consisted of $2,964,000 of cash, 1,423,000 shares of common stock valued at $12,064,000, of which 303,000 shares were withheld in escrow; and 22,000 stock options with a total fair value of $115,000, of which $4,000 was allocated to the purchase price and $111,000 was allocated to post-combination stock-based compensation. Escrow shares were withheld in order to indemnify the Company from certain losses that may arise from any inaccuracies or breach of any of Face It, Corp.'s covenants, representations and warranties as of the Acquisition Date and were not treated as contingent consideration.

The total purchase price was allocated to the net assets acquired based upon their fair values as of the Acquisition Date as set forth below. The excess of the purchase price over the net assets acquired was recorded as goodwill. The goodwill represents Face It, Corp.'s assembled workforce, its know-how and the business development initiatives that allow Face It, Corp. to acquire new customers, create new technologies and generate revenue. Goodwill is not deductible for U.S. tax purposes. The following table summarizes the fair values of the assets acquired and liabilities assumed at the Acquisition Date (in thousands):

Tangible assets acquired	$ 177
Intangible assets:	
Developed technology	2,460
Customer relationships	520
Domain names	50
Non-compete agreements	140
Goodwill	11,798
Current liabilities	(113)
Total purchase price	**$15,032**

Upon the acquisition, the Company hired or contracted certain Face It, Corp.'s employees, including Face It, Corp.'s three founders (the "Founders"). In connection with the employment and service agreements, the Company issued 119,000 non-vested shares of restricted common stock to the Founders that are contingent upon continuing employment or services and therefore excluded from the purchase price of the acquisition (Note 7).

The fair values of the acquired intangible assets were determined using Level 3 inputs which are not observable in the market (Note 3). Details related to estimated useful lives and the valuation techniques utilized for estimating fair value of the intangible assets acquired are shown below:

Intangible Type	Valuation Technique	Useful Life
Developed technology	Excess earnings method	7 years
Customer relationships	Cost approach	5 years
Domain names	Relief from royalty method	5 years
Non-compete agreements	Modified discounted cash flow	3 years

The assets, liabilities and operating results of Face It., Corp. have been reflected in the consolidated financial statements from the Acquisition Date and approximately $42,000 of revenue and $797,000 of expenses related to the operations of Face It, Corp. have been included in the accompanying consolidated statement of operations and comprehensive loss for the year ended December 31, 2013. The Company expensed $574,000 of acquisition-related costs as general and administrative expenses in the consolidated statements of operations and comprehensive loss during the year ended December 31, 2013.

The following pro forma condensed financial information presents the results of operations of the Company and Face It, Corp. as if the acquisition had occurred on January 1, 2012. The pro forma financial information is provided for comparative purposes only and is not necessarily indicative of what the actual results would have been had the acquisition occurred at the beginning of fiscal year 2012 (unaudited and in thousands except for per share amounts):

	Pro Forma for the Years Ended December 31,	
	2012	2013
Revenue	$ 64,187	$ 84,260
Net loss	$(23,151)	$(32,787)

Pro forma net loss includes adjustments related to amortization expense in connection with intangible assets, interest expense on debt, stock-based compensation expense and acquisition-related costs.

3. Fair Value Measurements

The Company carries certain financial assets and liabilities consisting of money market funds, certificates of deposit and its convertible preferred stock warrant liability at fair value on a recurring basis. Fair value is based on the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 — Observable inputs which include unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are based on management's assumptions, including fair value measurements determined by using pricing models, discounted cash flow methodologies or similar techniques.

The fair value of assets and liabilities carried at fair value was determined using the following inputs (in thousands):

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
Assets				
Cash equivalents:				
Money market funds	$ 992	$ 992	$ —	$ —
Short-term investments:				
Certificates of deposit	2,490	—	2,490	—
Total Assets	$3,482	$ 992	$ 2,490	$ —
Liabilities				
Convertible preferred stock warrant liability	$1,979	$ —	$ —	$1,979

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Assets				
Cash equivalents:				
Money market funds	$ 738	$ 738	$ —	$ —
Liabilities				
Convertible preferred stock warrant liability	$3,935	$ —	$ —	$3,935

For the years ended December 31, 2012 and 2013, the Company had no unrealized gains or losses on cash and cash equivalents and short-term investments.

A reconciliation of the convertible preferred stock warrants measured and recorded at fair value on a recurring basis, using significant unobservable inputs (Level 3) is as follows (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Balance as of beginning of period	$ 250	$ 305	$ 1,979
Changes in fair value of warrants	55	1,674	1,871
Issuance of Series D-2 convertible preferred stock warrant in connection with debt agreement	—	—	85
Balance as of end of period	$ 305	$ 1,979	$ 3,935

The Company acquired intangible assets of $3,170,000 in connection with its acquisition of Face It, Corp. in October 2013. The fair value of the intangible assets acquired was determined using level 3 inputs. Key assumptions include the level and timing of expected future cash flows, and discount rates consistent with the level of risk and the economy in general. If the income projections increase or decrease, the fair value of the intangible assets would increase or decrease accordingly, in amounts that will vary based on the timing of the projected revenue and the discount rate used to calculate the present value of the expected income.

4. Financial Statement Components

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

	December 31,	
	2012	2013
Cash	$ 4,969	$ 17,010
Money market funds	992	738
Cash and cash equivalents	$ 5,961	$ 17,748

Accounts receivable, net consisted of the following (in thousands):

	December 31,	
	2012	2013
Trade accounts receivable	$ 5,141	$ 6,430
Unbilled trade accounts receivable, net of advance customer deposits	354	582
Allowance for doubtful accounts	(54)	(42)
Accounts receivable, net	$ 5,441	$ 6,970

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

	December 31,	
	2012	2013
Computer and network equipment	$ 18,330	$ 18,851
Computer software	998	1,550
Development costs	285	285
Furniture and fixtures	616	792
Leasehold improvements	451	539
Property and equipment	20,680	22,017
Accumulated depreciation and amortization	(9,806)	(10,410)
Property and equipment, net	$ 10,874	$ 11,607

Depreciation and amortization expense was $1,539,000, $2,624,000 and $4,310,000 for the years ended December 31, 2011 2012 and 2013, respectively.

Property and equipment capitalized under capital lease obligations consist primarily of computer equipment and were as follows (in thousands):

	December 31,	
	2012	2013
Gross	$ 10,376	$ 15,123
Less: accumulated depreciation and amortization	(2,155)	(5,591)
Total	$ 8,221	$ 9,532

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

	December 31,	
	2012	2013
Accrued expenses	$ 1,174	$ 2,453
Accrued compensation and benefits	2,296	3,476
Accrued and other current liabilities	$ 3,470	$ 5,929

5. Intangible Assets

Intangible assets are being amortized on a straight-line basis, which reflects the pattern in which the economic benefits of the intangible assets are being utilized, over an estimated useful life ranging from three to seven years. The components of identifiable intangible assets, which were acquired in connection with the Company's acquisition of Face It, Corp. in October 2013 (Note 2) are as follows (in thousands):

	Estimated Fair Value	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life (years)
Developed technology	$ 2,460	$ 72	$ 2,388	6.8
Customer relationships	520	21	499	4.8
Domain names	50	2	48	4.8
Non-compete agreements	140	10	130	2.8
Total	$ 3,170	$ 105	$ 3,065	6.3

Amortization expense related to intangible assets was $105,000 for the year ended December 31, 2013. As of December 31, 2013, the expected future amortization expense for purchased intangible assets for each of the Company's years ending is as follows (in thousands):

2014	$ 512
2015	512
2016	503
2017	465
2018	442
2019 and beyond	631
	$ 3,065

6. Long-term Debt

Loan and Security Agreement

In March 2013, the Company entered into a loan and security agreement ("Loan and Security Agreement") with a lender for a revolving line of credit (the "Credit Facility") of up to $12,500,000. The Loan and Security Agreement is collateralized by substantially all the tangible assets of the Company. Under the terms of the Credit Facility, the balance outstanding cannot exceed the lesser of (i) $12,500,000 or (ii) an amount equal to the Company's monthly recurring revenue for the three months prior multiplied by the average Dollar-Based Retention Rate over the prior twelve months, less the amount accrued for the Company's USF obligation (accrued federal fees). The Credit Facility carries a variable annual interest rate of the prime rate (3.25% as of December 31, 2013) plus 1.25% and matures in March 2015. As of December 31, 2013, the full amount available under the Revolving Line of $12,500,000 was outstanding.

In connection with the Company's acquisition of Face It, Corp., the Company amended its Loan and Security Agreement and borrowed an additional $5,000,000 under a term loan (the "Term Loan") to be used for acquisition-related costs. Monthly interest-only payments are due on the advance at the prime rate plus 1.50% through September 2014. Principal and interest payments are due in equal monthly installments from October 2014 through the maturity of the Term Loan in March 2017. In connection with the Term Loan, the Company issued a warrant to purchase 52,000 shares of its Series D-2 convertible preferred stock at an exercise price of $1.44 a share. The fair value of this warrant of $85,000 was recorded as a discount against the debt and is being recognized as additional interest expense over the term of the loan.

The Loan and Security Agreement contains certain covenants, including the requirement that the Company maintain $5,500,000 of cash deposited with the lender for the term of the Loan and Security Agreement. The Company was in compliance with these covenants as of December 31, 2013. The Loan and Security Agreement remains senior to other debt, including debt issued subsequently.

Promissory Note

In July 2013, the Company entered into a promissory note with the USAC for $4,075,000 as a financing arrangement for that amount of accrued federal fees. The promissory note carries a fixed annual interest rate of 12.75% and is repayable in 42 equal monthly installments of principal and interest payments beginning in August 2013. As of December 31, 2013, $3,679,000 of this promissory note was outstanding and is included as notes payable in the accompanying consolidated balance sheet (Note 10).

Equipment Financing Line

In February 2010, the Company entered into an equipment loan agreement ("Equipment Loan Agreement") with a lender for the purposes of financing up to $1,700,000 of its capital equipment needs. Each borrowing against this facility is payable monthly over a three-year period and is collateralized by the specific assets financed by the funds drawn. Interest owed pursuant to each borrowing is determined by the specific monthly loan rate factor in effect for the individual borrowing, which factor is indexed to the yield for U.S. Treasury notes maturing closest to the date 36 months from the commencement of the loan. The monthly loan rate factor in effect at the initial borrowing in February 2010 was 3.33%. In connection with the Equipment Loan Agreement, the lender was issued warrants to purchase 521,000 shares of the Company's Series A-2 convertible preferred stock (Note 7–Warrant F).

In June 2010, the Equipment Loan Agreement was amended and the available loan amount was increased from $1,700,000 to $2,200,000 with the same terms and conditions as originally set forth. The full loan amount available under the Equipment Loan Agreement was drawn during 2010 and 2011. The principal balance outstanding as of December 31, 2012 and 2013 was $431,000 and $16,000, respectively. These balances are included as notes payable in the accompanying consolidated balance sheets. In connection with the amendment to the Equipment Loan Agreement, the lender was issued warrants to purchase 153,000 shares of the Company's Series A-2 convertible preferred stock (Note 7–Warrant G).

The Company's outstanding notes payable were as follows (in thousands):

	December 31, 2012	December 31, 2013
Notes payable	$ 431	$ 8,695
Revolving credit line	—	12,500
	431	21,195
Less discount	—	(78)
Net carrying value of debt	431	21,117
Current portion of debt	(415)	(1,522)
Total debt, net of current portion	$ 16	$ 19,595

Maturities of the Company's outstanding debt as of December 31, 2013 are as follows (in thousands):

Year ending December 31,	
2014	$ 1,556
2015	15,680
2016	3,340
2017	619
Total	$ 21,195

7. Stockholders' Deficit

Convertible Preferred Stock

The Company has outstanding Series A-2 convertible preferred stock ("Series A-2"), Series B-2 convertible preferred stock ("Series B-2"), Series C-2 convertible preferred stock ("Series C-2") and Series D-2 convertible preferred stock ("Series D-2").

The following table summarizes convertible preferred stock authorized and issued and outstanding as of December 31, 2012 (in thousands):

	Shares authorized	Shares issued and outstanding	Net proceeds	Aggregate liquidation preference
Series A-2	76,989	75,478	$ 12,157	$ 12,303
Series B-2	18,566	18,566	7,908	8,000
Series C-2	12,903	12,903	11,875	12,000
	108,458	106,947	$ 31,940	$ 32,303

The following table summarizes convertible preferred stock authorized and issued and outstanding as of December 31, 2013 (in thousands):

	Shares authorized	Shares issued and outstanding	Net proceeds	Aggregate liquidation preference
Series A-2	76,989	75,478	$ 12,157	$ 12,303
Series B-2	18,566	18,566	7,908	8,000
Series C-2	12,903	12,903	11,875	12,000
Series D-2	16,657	15,269	21,794	22,000
	125,115	122,216	$ 53,734	$ 54,303

The holders of the Company's convertible preferred stock have the following rights, preferences and privileges:

Liquidation — In the event of liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, the holders of Series A-2, Series B-2, Series C-2 and Series D-2 are entitled to receive, on an equal priority pari passu basis, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of common stock, an amount per share equal to $0.16, $0.43, $0.93 and $1.44, respectively (subject to adjustment for stock splits, stock dividends, reclassifications and like events), and any declared but unpaid dividends. After the holders of convertible preferred stock have received their preference, any remaining assets would be distributed ratably to the holders of convertible preferred stock and common stock on a pro rata and as converted to common stock basis. If upon liquidation, dissolution, or winding up of the Company, the assets available for distribution are insufficient to pay the liquidation preference in full, then the entire proceeds legally available for distribution will be distributed ratably among the holders of the convertible preferred stock in proportion to the full preferential amount that each such holder is otherwise entitled to receive.

A liquidation, dissolution, or winding up of the Company is deemed to have occurred by any merger or consolidation of the Company in which its stockholders immediately prior to the transaction do not retain a majority of the voting power in the surviving corporation, or a sale or transfer of all or substantially all of the Company's assets.

Conversion — Each share of Series A-2, Series B-2, Series C-2 and Series D-2 is convertible at the option of the holder thereof into the number of fully paid and non-assessable shares of common stock that results from dividing the original issue price by the conversion price in effect at the time of the conversion, subject to adjustments for stock splits, stock dividends, reclassifications and like events. For all series of convertible preferred stock, the conversion price is equal to the original issuance price such that the conversion ratio to common stock is 1:1 as of all periods presented. All series of convertible preferred stock will automatically convert upon the earlier of (i) a firm commitment underwritten IPO of the Company's common stock where gross proceeds raised by the Company equal or exceed $35,000,000 at a per share price equal to or greater than $11.52 per share (appropriately adjusted) or (ii) the consent of holders holding at least 60% of each series of convertible preferred stock.

The issuance price of each series of convertible preferred stock exceeded the fair value of common stock on the date of issuance and there have been no subsequent adjustments to the conversion prices in the periods presented. Accordingly, no beneficial conversion amounts, measured as the intrinsic value of the conversion feature as of the issuance date, have resulted from issuances of convertible preferred stock.

Voting — The holders of each share of the Company's convertible preferred stock shall have the right to one vote for each share of common stock into which such convertible preferred stock could be converted. The holders of the Series A-2 have the right to elect two members of the board of directors, so long as at least 5,000,000 shares remain outstanding. The holders of the Series B-2 and Series D-2 each have the right to elect one member of the board of directors, so long as at least 1,000,000 shares remain outstanding of each series, respectively. The preferred stockholders, voting together as a class, are entitled to elect two members of the board of directors. The common stockholders are entitled to elect one member of the board of directors. Three members of the board of directors will be elected by the holders of a majority of the convertible preferred stock, voting as a separate class, and the holders of a majority of the common stock, voting as a separate class.

Dividends — The holders of shares of Series A-2, Series B-2, Series C-2 and Series D-2 are entitled to receive non-cumulative dividends equal to $0.016, $0.043, $0.093 and $0.144 per share, respectively, per annum (as adjusted for stock splits, stock dividends, reclassification and like events) when and if declared by the board of directors and on an equal pari passu basis, in preference to any dividend on shares of common stock. No dividends have been declared to date.

Warrants

Series A-2 Convertible Preferred Stock Warrants — The following table summarizes information about the convertible preferred stock warrants outstanding as of December 31, 2012 and 2013 (shares in thousands):

	Number of Shares	Exercise Price	Expiration
Warrant A	278	$ 0.163	March 2015
Warrant B	123	0.163	July 2015
Warrant C	123	0.163	February 2015
Warrant D	184	0.163	July 2015
Warrant E	129	0.163	June 2016
Warrant F	521	0.163	February 2020
Warrant G	153	0.163	June 2020
Total convertible preferred stock warrants	1,511		

Series D-2 Convertible Preferred Stock Warrants — As of December 31, 2013, there was a warrant outstanding for 52,000 shares of Series D-2 convertible preferred stock with an exercise price of $1.441 that expires in October 2023.

The Company estimates the fair value of each warrant on the date of issuance and at each reporting date using the Black-Scholes option-pricing model and using the assumptions noted in the below table. Expected volatility is based upon the historical and implied volatility of a peer group of publicly traded companies. The expected term of warrants represents the contractual term of the warrants. The risk-free rate for the expected term of the warrants is based on the U.S. Treasury Constant Maturity at the time of issuance. The fair value of the convertible preferred stock warrants at each valuation date was determined using the Black-Scholes option-pricing model with the following assumptions:

	December 31,	
	2012	2013
Fair value of Series A-2	$ 1.46	$ 2.69
Fair value of Series D-2	—	$ 2.81
Risk-free interest rate	0.25% to 1.18%	0.33% to 2.60%
Expected life	Remaining contractual life	Remaining contractual life
Expected dividends	—	—
Volatility	55.0 %	45.0 %

In connection with the closing of the IPO and the 4:1 reverse stock split, all outstanding Series A-2 convertible preferred stock warrants will automatically convert into warrants to purchase 378,000 shares of common stock at $0.65 per share. Further, all outstanding Series D-2 convertible preferred stock warrants will automatically convert into warrants to purchase 13,000 shares of common stock at $5.76 per share.

Common Stock

Common Stock — At December 31, 2013, there were 200,000,000 shares of common stock authorized, and 5,494,000 shares issued and outstanding. Holders of common stock are entitled to dividends, if and when declared by the board of directors.

Common Stock Subject to Repurchase or Forfeiture — In connection with the employment and service agreements related to the Company's acquisition of Face It, Corp. (Note 2), the Company issued 119,000 shares of non-vested restricted common stock that are contingent upon continuing employment or services and subject to forfeiture. The forfeiture rights lapse 50% on the first anniversary following the Acquisition Date and an additional 50% on the second anniversary following the Acquisition Date. These shares were valued at $1,005,000, based on the Acquisition Date fair value of the Company's common stock. This amount is being recorded as stock-based compensation on a straight-line basis over the two-year requisite service period. The

119,000 shares that are subject to forfeiture are included in issued and outstanding shares as of December 31, 2013. For the year ended December 31, 2013, $155,000 was included as stock-based compensation expense related to these shares.

In addition, the Company has the right to repurchase, at the original exercise price, unvested common shares pursuant to early exercise provisions upon termination of service of an employee. The consideration received for an exercise of an option is considered to be a deposit of the exercise price, and the related dollar amount recorded as a liability. The liability is reclassified as the award vests. The Company has recorded a liability in accrued liabilities of $100,000 related to 15,000 options that were exercised and are unvested at December 31, 2013. These 15,000 exercised but unvested shares that are subject to a repurchase right held by the Company are included in issued and outstanding shares as of December 31, 2013.

Common Stock Warrants — As of December 31, 2012 and 2013, the Company had outstanding warrants to purchase 7 shares of its common stock with an exercise price of $3,800 per share, which expire on various dates between 2016 and 2017.

Common Stock Reserved for Future Issuance — Shares of common stock reserved for future issuance relate to outstanding convertible preferred stock, warrants and stock options as follows (in thousands):

	December 31, 2013
Series A-2 convertible preferred stock (on an as converted post reverse stock split basis)	18,869
Series B-2 convertible preferred stock (on an as converted post reverse stock split basis)	4,642
Series C-2 convertible preferred stock (on an as converted post reverse stock split basis)	3,226
Series D-2 convertible preferred stock (on an as converted post reverse stock split basis)	3,817
Stock options outstanding	7,633
Stock options available for grant	304
Conversion of convertible preferred stock warrants and common stock warrants (on an as converted basis)	391
Total shares of common stock reserved	38,882

Stock Option Plans

The Company currently has options issued under the Amended and Restated 2004 Equity Incentive Plan, as amended (the “2004 Plan”). The 2004 Plan was adopted in June 2004 and most recently amended in November 2013 to increase the total stock options available for issuance to 11,883,000 to eligible employees, non-employee consultants and directors. Under the terms of the 2004 Plan, the Company has the ability to grant incentive and nonstatutory stock options. Incentive stock options may be granted only to Company employees. Nonstatutory stock options may be granted to Company employees, directors and consultants. Such options are to be exercisable at prices, as determined by the board of directors, generally equal to the fair value of the Company’s common stock at the date of grant and have a term of 10 years. Options granted to employees generally vest over a four-year period, with an initial vesting period of 12 months for 25% of the grant and the remaining 75% of the shares vesting monthly on a ratable basis over the remaining 36 months. Options are exercisable for a maximum period of 10 years after the grant date. Options are exercisable upon vesting and vested options generally expire 90 days after termination of the optionee’s employment or relationship as a consultant or director, unless otherwise extended by the terms of the stock option agreement. Any unvested options or vested but unexercised options are returned to the Company.

As of December 31, 2013, there were options outstanding to purchase 7,633,000 shares of common stock under the 2004 Plan. As of December 31, 2013, 304,000 options were available for issuance under the 2004 Plan.

A summary of the Company's stock option activity as of December 31, 2011, 2012 and 2013 is as follows (in thousands, except per share data):

	Number of Shares Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Balance as of December 31, 2011	4,864	$ 0.48	7.81	$ 1,754
Options granted (weighted average fair value of $1.23 per share)	1,738	2.22		
Options exercised	(649)	0.18		550
Options forfeited	(419)	0.81		
Balance as of December 31, 2012	5,534	1.04	7.72	17,682
Options granted (weighted average fair value of $4.19 per share)	2,825	7.42		
Options exercised	(448)	1.57		2,145
Options forfeited	(278)	2.99		
Balance as of December 31, 2013	7,633	3.30	7.68	$ 52,452
Options vested and expected to vest as of December 31, 2013	7,060	3.04	7.55	$ 50,310
Options exercisable as of December 31, 2013	3,625	0.79	6.07	$ 34,176

The Company has computed the aggregate intrinsic value amounts disclosed in the above table based on the difference between the original exercise price of the options and management's estimate of the fair value of the Company's common stock of $0.68, $4.12 and $10.12 as of December 31, 2011, 2012 and 2013, respectively.

The information about common stock options outstanding and exercisable as of December 31, 2013 is summarized as follows (in thousands, except years):

	Options Outstanding		Options Exercisable	
Exercise Prices	Number Outstanding	Weighted Average Life (Years)	Number Exercisable	Weighted Average Life (Years)
$0.12 to $0.28	2,224	4.98	2,215	4.98
$0.44 to $0.68	1,273	7.37	827	7.29
$0.96 to $2.60	898	8.32	333	8.25
$4.12 to $6.68	1,857	9.17	230	8.77
$8.48 to $10.12	1,381	9.90	20	9.82
	7,633	7.68	3,625	6.07

Stock-based compensation expense for the years ended December 31, 2011, 2012 and 2013 is as follows (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Cost of revenue	$ 17	$ 60	$ 194
Research and development	51	154	499
Sales and marketing	36	112	751
General and administrative	253	138	505
Total stock-based compensation	$ 357	$ 464	$ 1,949

As of December 31, 2013, there was $12,176,000 of total unrecognized compensation cost related to unvested stock options. That cost is expected to be recognized over a weighted average period of 3.5 years.

Stock-Based Awards to Employees — All stock-based compensation granted to employees and directors is measured at the grant date fair value of the award. The Company estimated the fair value of its common stock utilizing periodic contemporaneous valuations prepared by an independent third-party appraiser based upon several factors, including its operating and financial performance, progress and milestones attained in its business, and past sales of convertible preferred stock.

The Company estimates the fair value of each option award on the date of grant using the Black-Scholes option-pricing model and using the assumptions noted in the below table. Expected volatility is based upon the historical volatility of a peer group of publicly traded companies. The expected term of options granted is estimated by taking the average of the vesting term and the contractual term of the option. The risk-free rate for the expected term of the options is based on U.S. Treasury zero-coupon issues at the time of grant. The assumptions used to value options granted during the years ended December 31, 2011, 2012 and 2013 were as follows:

	Year Ended December 31,		
	2011	2012	2013
Expected term (years)	6.1	5.0 to 6.1	5.0 to 6.1
Volatility	66.0%	60.0%	59.0% to 60.0%
Risk-free interest rate	1.2% to 2.5%	0.7% to 1.1%	1.0% to 1.8%
Dividend yield	—	—	—

The Company recognized employee stock-based compensation expense for the years ended December 31, 2011, 2012 and 2013, which was calculated based upon awards ultimately expected to vest, and thus, this expense was reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Stock-Based Awards to Non-employees — The Company granted options to purchase shares of common stock to non-employees in conjunction with services performed. For non-employees the Company revalues the unvested portion of stock-based compensation using the Black-Scholes option-pricing model until performance is complete. As a result, the stock-based compensation will fluctuate as the fair value of the Company's common stock fluctuates. During the years ended December 31, 2011, 2012 and 2013, the Company granted options to purchase 320,000, 2,000 and 50,000 shares of common stock, respectively, to non-employees in conjunction with services performed. These options were valued at $120,000, $2,000 and $289,000 for the years ended December 31, 2011, 2012 and 2013, respectively, at the time of issuance. The assumptions used to value options granted to non-employees during the years ended December 31, 2011, 2012 and 2013 are as follows:

	Year Ended December 31,		
	2011	2012	2013
Contractual life (in years)	10.0	10.0	10.0
Volatility	66.0%	59.0%	59.0%
Risk-free interest rate	1.3% to 2.4%	1.7%	1.8% to 2.9%
Dividend yield	—	—	—

For the years ended December 31, 2011, 2012 and 2013, stock-based compensation expense to non-employees was $248,000, $59,000 and $76,000 respectively, and is included in total stock-based compensation expense in the table above.

In January 2012, in connection with a change in status from non-employee to employee, 219,000 options granted as non-employee awards commenced being accounted for as employee awards.

8. Net Loss Per Share and Unaudited Pro Forma Net Loss Per Share

Net Loss Per Share

The Company calculates its basic and diluted net loss per common share in conformity with the two-class method required for participating securities. Basic net loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period, and excludes any dilutive effects of employee stock-based awards and warrants. Diluted net income per share is computed giving effect to all potentially dilutive common shares, including common stock issuable upon exercise of stock options and warrants. As the Company had net losses for the years ended December 31, 2011, 2012 and 2013, all potential common shares were determined to be anti-dilutive.

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

	Year Ended December 31,		
	2011	2012	2013
Net loss	$(7,872)	$(19,334)	$(31,314)
Weighted average shares used in computing basic and diluted net loss per share	2,635	3,321	4,006
Basic and diluted net loss per share	$ (2.99)	$ (5.82)	$ (7.82)

The following securities were excluded from the calculation of diluted net loss per share attributable to common stockholders because their effect would have been anti-dilutive for the periods presented (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Convertible preferred stock (on an as converted post reverse stock split basis)	23,511	26,737	30,554
Stock options	4,864	5,534	7,633
Convertible preferred stock warrants and common stock warrants (on an as converted post reverse stock split basis)	378	378	391
Restricted common stock	—	—	134
Total	28,753	32,649	38,712

Unaudited Pro Forma Net Loss Per Share

Pro forma basic and diluted net loss per share was computed to give effect to the conversion of the Series A-2, Series B-2, Series C-2 and Series D-2 convertible preferred stock using the as-if converted method into common shares as though the conversion had occurred as of the beginning of the period or the original date of issuance, if later. Also, the numerator has been adjusted to reverse the fair value adjustments related to the convertible preferred stock warrants as they will become warrants to purchase common stock and at such time will no longer require periodic revaluation.

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

	Year Ended December 31, 2013
Net loss	$ (31,314)
Pro forma adjustment to reflect change in fair value of convertible preferred stock warrant liability	1,871
Pro forma net loss	$ (29,443)
Shares:	
Weighted-average shares used in computing basic net loss per share	4,006
Pro forma adjustment to reflect assumed conversion of convertible preferred stock to occur in connection with the Company's expected initial public offering	29,431
Weighted-average shares used in computing basic and diluted pro forma net loss per share	33,347
Pro forma basic and diluted net loss per share	$ (0.88)

9. Income Taxes

The following table presents domestic and foreign components of loss before provision for income taxes for the periods presented (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Domestic	$(7,730)	$(19,493)	$(31,628)
Foreign	(78)	221	384
Loss before provision for income taxes	$(7,808)	$(19,272)	$(31,244)

The components of the provision for income taxes are as follows (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Current:			
State	$ 25	$ 8	$ 9
Foreign	39	54	61
Total provision for income taxes	$ 64	$ 62	$ 70

Income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 34% to pre-tax loss as a result of the following (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Federal tax at statutory rate	$ (2,655)	$ (6,552)	$ (10,623)
Non-deductible expenses	172	670	1,383
State taxes	(235)	(191)	(786)
Stock-based compensation	—	126	444
Research and development credit	—	(56)	(339)
Other	183	(58)	(586)
Valuation allowance	2,599	6,123	10,577
Total provision for income taxes	$ 64	$ 62	$ 70

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table presents the significant components of the Company's deferred tax assets and liabilities for the periods presented (in thousands):

	Year Ended December 31,	
	2012	2013
Deferred tax assets:		
Net operating loss and credit carryforwards	$ 14,859	$ 26,076
Accrued liabilities	4,484	4,690
Allowance for doubtful accounts	38	98
Compensation accruals	358	439
Intangibles	30	27
Gross deferred tax assets	19,769	31,330
Valuation allowance	(19,068)	(29,841)
Net deferred tax assets	$ 701	$ 1,489
Deferred tax liability:		
Property and equipment	(701)	(370)
Amortized intangibles	—	(1,119)
Gross deferred tax liability	(701)	(1,489)
Net deferred taxes	$ —	$ —

A valuation allowance is provided for deferred tax assets where the recoverability of the assets is uncertain. The determination to provide a valuation allowance is dependent upon the assessment of whether it is more likely than not that sufficient future taxable income will be generated to utilize the deferred tax assets. Based on the weight of the available evidence, which includes the Company's historical operating losses, lack of taxable income, and the accumulated deficit, the Company provided a full valuation allowance against the net deferred tax assets. As of December 31, 2013, the Company had net operating loss carryforwards of approximately $68,356,000 for federal income taxes and $35,752,000 for state income taxes. If not utilized, these carryforwards will begin to expire in 2024 for federal purposes and 2014 for state purposes.

As of December 31, 2013, the Company had research and development credit carryforwards of approximately $1,031,000 and $842,000 for federal and state income taxes, respectively. If not utilized, the federal carryforwards will begin to expire in various amounts beginning in 2024. The state tax credit can be carried forward indefinitely.

Internal Revenue Code Section 382 limits the use of net operating loss and tax credit carryforwards in certain situations where changes occur in the stock ownership of a company. Currently, the utilization of the net operating loss and tax credit carryforwards is restricted under Internal Revenue Code Section 382. In the event that the Company has a change of ownership, utilization of the net operating loss and tax credit carryforwards may be further restricted.

The Company recognizes in the consolidated financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position.

A reconciliation of the beginning and ending amount of unrecognized tax benefits (excluding interest and penalties) for the years ended December 31, 2011, 2012 and 2013, is as follows (in thousands):

	December 31,		
	2011	2012	2013
Unrecognized benefit — beginning of period	$ 712	$ 994	$ 1,075
Gross increases — current year tax positions	291	91	381
Gross decreases — prior year tax positions	(9)	(10)	(2)
Unrecognized benefit — end of period	$ 994	$ 1,075	$ 1,455

The unrecognized tax benefits of $1,075,000 and $1,455,000 as of December 31, 2012 and 2013, respectively, would have an impact on the Company's effective tax rate if recognized.

The Company is currently unaware of any uncertain tax positions that could result in significant additional payments, accruals or other material deviation in this estimate over the next 12 months.

The Company is subject to taxation in the United States, various states and several foreign jurisdictions. In general, the Company's U.S. federal and state income tax returns are subject to examination by tax authorities for years 2003 forward due to tax attributes carryover. The Company's foreign tax returns are open to audit under the statutes of limitations of the respective foreign countries in which the subsidiaries are located. The Company considers all undistributed earnings of its foreign subsidiaries indefinitely reinvested.

10. Commitments and Contingencies

Leases

The Company has operating lease agreements for office, research and development, and sales and marketing facilities in the United States that expire at various dates through 2018. The Company recognizes rent expense on a straight-line basis over the lease term and records the difference between cash rent payments and the recognition of rent expense as a deferred rent liability. Rent expense was $585,000, $1,968,000 and $2,303,000 for the years ended December 31, 2011, 2012 and 2013, respectively.

The Company enters into capital leases to finance data center and other computer and networking equipment.

As of December 31, 2013, approximate remaining future minimum lease payments under non-cancelable leases are as follows (in thousands):

Year ending December 31,	Capital Leases	Operating Leases
2014	$ 5,505	$ 2,416
2015	3,536	1,802
2016	1,157	1,762
2017	37	1,689
2018	—	277
Total future minimum lease payment	$ 10,235	$ 7,946
Less — amount representing interest	(1,020)	
Total principal	9,215	
Capital lease obligation — current portion	(4,857)	
Capital lease obligation — net of current portion	$ 4,358	

Hosting and Telecommunication Usage Services

The Company has agreements with third parties to provide colocation hosting and telecommunication usage services. The agreements require payments per month for a fixed period of time in exchange for certain guarantees of network and telecommunication availability.

As of December 31, 2013, the future minimum payments under these arrangements are as follows (in thousands):

Year ending December 31,	Hosting Services	Usage Services
2014	$ 2,013	$ 4,024
2015	1,778	2,160
2016	1,317	—
2017	604	—
	$ 5,712	$ 6,184

Universal Services Fund Liability

During the third quarter of 2012, the Company determined that based on its business activities, it is classified as a telecommunications service provider for regulatory purposes and it should make direct contributions to the USF based on revenues it receives from the resale of interstate and international telecommunications services. Previously, the Company had believed that the telecommunications services were an integral part of an information service that the Company provides via its software and had instead made indirect USF contributions via payments to its wholesale telecommunications service providers. In order to comply with the obligation to make direct contributions, the Company has made a voluntary self-disclosure to the Federal Communications Commission (“FCC”) Enforcement Bureau and has registered with the Universal Service Administrative Company (“USAC”), which is charged by the FCC with administering the USF. The Company has filed exemption certificates with its wholesale telecommunications service providers in order to eliminate its obligation to reimburse such wholesale telecommunications service providers for their USF contributions calculated on services sold to the Company.

The Company’s registration with USAC subjects it to assessments for unpaid USF contributions, as well as interest thereon, due to its late registration and reporting of revenues. The Company will be required to pay assessments for periods prior to the Company’s registration. While the Company is in discussions with the FCC to limit such back assessments to the period 2008 through 2012, it is possible that it will be required to pay back

assessments for the period from 2003 through 2007. The Company will also face a regulatory and contractual challenge in seeking recovery or credit for its USF reimbursement payments previously made to its wholesale telecommunications service providers of up to $3,129,000 as of December 31, 2012 and 2013. Finally, the Company is exposed to the potential assessment by the FCC of monetary penalties due to its past failure to recognize its obligation as a USF contributor. The Company believes it may be able to reduce such penalties as a result of the Company's voluntary self-disclosure.

In July 2013, the Company and USAC agreed to a financing arrangement for the undisputed portion of the unpaid USF contributions and related interest for the periods 2008 through 2012 whereby the Company issued to USAC a promissory note payable in the amount of $4,075,000. The repayment terms of the promissory note payable are disclosed in Note 6. As of December 31, 2013, the balance of the promissory note payable was $3,679,000 and included in the notes payable amounts on the consolidated balance sheets. In addition to the promissory note payable, the Company had an accrued liability for USF contributions and related interest and penalties of $8,104,000 and $4,206,000 included in accrued federal fees on the consolidated balance sheets as of December 31, 2012 and 2013, respectively, of which $803,000 pertains to periods prior to 2008. For the years ended December 31, 2011, 2012 and 2013, the Company incurred expenses related to its USF obligations of $1,991,000, $3,245,000 and $3,873,000, respectively, which was recorded as a charge to cost of revenue. No amounts related to the potential recovery or credit of USF contributions paid by the Company to its wholesale telecommunications service providers were recognized in the accompanying consolidated financial statements.

State and Local Taxes and Surcharges

During 2011, the Company conducted an analysis of the taxability of sales of its subscription services. It was determined that the Company's activities may be asserted by a number of states to create nexus and thus an obligation to collect sales taxes on sales of subscriptions to clients in certain states. Prior to April 2012, the Company did not collect sales taxes related to these sales from its clients. In April 2012, the Company commenced collecting and remitting sales taxes on sales of subscription services in all applicable states. As of December 31, 2012 and 2013, the Company had an accrued sales tax liability related to its sales of subscriptions of $105,000 and $98,000, respectively.

During 2013, the Company further analyzed its activities and determined it may be obligated to collect and remit various state and local taxes and surcharges on its usage-based fees. The Company has not remitted state and local taxes on usage-based fees in any of the periods presented. As of December 31, 2012 and 2013, the Company accrued a sales tax liability for this contingency of $3,195,000 and $5,350,000, respectively. For the years ended December 31, 2011, 2012 and 2013, the Company recorded general and administrative expense related to its estimated sales tax liability on usage-based fees of $1,588,000, $1,607,000 and $2,155,000, respectively. The Company's estimate of the probable loss incurred under this contingency is based on analysis of the source location of its usage-based fees and the regulations and rules in each state.

Legal Matters

The Company is involved in various legal and regulatory matters arising from the normal course of business activities. In management's opinion, resolution of these matters is not expected to have a material impact on the Company's consolidated results of operations, cash flows, or its financial position. However, depending on the nature and timing of any such dispute, an unfavorable resolution of a matter could materially affect the Company's future consolidated results of operations, cash flows or financial position in a particular period.

The Company recognizes general and administrative expense for legal fees in the period the services are provided.

Patent Infringement Lawsuit

The Company is currently involved in one lawsuit as a defendant. In April 2012, a telecom solutions company named the Company in a patent infringement lawsuit in the U.S. District Court for the Eastern District of Texas seeking a permanent injunction, damages and attorneys' fees. The Company responded to the complaint and preliminary injunction request by asserting non-infringement and invalidity of the patent. In March 2013, the

court granted the Company's motion to transfer the case to the U.S. District Court for the Northern District of California. The Company has investigated the claims alleged in the complaint and believes that it has good defenses to the claims, and has not accrued a loss related to this matter as the Company does not believe that it is probable that a loss will be incurred.

Indemnification Agreements

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to clients, vendors, lessors, business partners and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by the Company or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with its directors, officers and certain employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon the Company to provide indemnification under such agreements and thus there are no claims that the Company is aware of that could have a material effect on the Company's consolidated balance sheets, consolidated statements of operations and comprehensive loss, or consolidated statements of cash flows.

11. Retirement Plans

The Company has a 401(k) plan to provide tax deferred salary deductions for all eligible employees. Participants may make voluntary contributions to the 401(k) plan, limited by certain Internal Revenue Service restrictions. The Company is responsible for the administrative costs of the 401(k) plan. The Company does not match employee contributions.

12. Related-Party Transactions

One of the Company's directors had a minority ownership interest in one of the Company's data warehousing vendors. The Company incurred expenses to this vendor of $459,000 and $265,000 for the years ended December 31, 2012 and 2013. As of December 31, 2013, the Company had $2,000 outstanding to this vendor included in accounts payable on the accompanying consolidated balance sheet.

13. Geographical Information

Revenue by geographical location has been determined based on client billing address and has been estimated based on the amounts billed to clients during the period.

	Year Ended December 31,		
	2011	2012	2013
United States	$39,273	$57,185	$75,374
International	3,915	6,637	8,758
Total revenue	$43,188	$63,822	$84,132

The following table summarizes total property and equipment, net in the respective locations (in thousands):

	As of December 31,	
	2012	2013
United States	$10,364	$11,079
International	510	528
Property and equipment, net	$10,874	$11,607

14. Subsequent Events

In January 2014, the Company received a formal letter of demand notice from the Philippine Bureau of Internal Revenue ("BIR") related to investigation of income tax liabilities for calendar year 2010. The BIR has assessed the Company approximately $320,000 related to this matter. The Company is currently in the process of protesting such demand letter and based on the facts, circumstances and suitable documentary evidence to dispute the BIR's position, resolution of this matter is not expected to have a material impact on the Company's consolidated results of operations, cash flows or its financial position. The Company believes that the possibility of loss is not probable and estimable and accordingly no provision for the same has been recorded as of December 31, 2013.

In January 2014, the Company modified its corporate office lease to expand its existing space for an additional commitment of $615,000 over the term of the original lease.

In February 2014, the Company's board of directors granted options to purchase a total of 107,000 shares of common stock with a total fair value of $681,000.

In February 2014, the Company entered into a loan and security agreement with two lenders in a syndicate for a term loan of up to $30,000,000. At closing, the Company borrowed $19,561,000 under the term loan, net of $439,000 in debt costs, with the remaining $10,000,000 available to be borrowed until February 2015. The term loan bears interest at a variable per annum rate equal to the greater of 10% or LIBOR plus 9%. Interest is due and payable on the last business day of each month during the term of the loan. Monthly principal payments will be due beginning in February 2016 based on 1/60th of the outstanding balance at that time and continue until all remaining principal outstanding under the term loan are due and payable in February 2019. The term loan is secured by all assets of the Company and is subordinate to the Company's Loan and Security Agreement (Note 6). In connection with the loan and security agreement, the Company issued warrants for 178,000 shares of common stock with an exercise price of $10.12 per share.

In February 2014, the preferred stockholders elected to convert all of the outstanding preferred stock into common stock, immediately prior to the effectiveness of the Company's registration statement filed with the SEC. Upon occurrence of this event and prior to the reverse stock split being effected, all outstanding preferred stock will convert to common stock on a 1:1 basis.

In March 2014, the Company's board of directors approved an increase of 100,000 shares of common stock authorized and to be issued under the Company's 2004 Plan and granted 250,000 stock options under this plan with a total fair value of $1,640,000.

In March 2014, the Company's board of directors approved the 2014 Equity Incentive Plan and 2014 Employee Stock Purchase Plan. Under the 2014 Equity Incentive Plan, the Company's board of directors approved 5,300,000 shares of common stock to be authorized and issued under this plan. Under the 2014 Employee Stock Purchase Plan, the Company's board of directors approved 880,000 shares of common stock to be authorized and issued under this plan.

In March 2014, the Company's board of directors authorized an amendment to the Company's certificate of incorporation to effect a reverse stock split of its outstanding common stock at a ratio of 4:1, which shall become effective prior to the closing of the IPO. Prior to the consummation of the initial public offering, the reverse stock split will be effected such that, (i) each 4 shares of outstanding common stock will be reduced to one share of common stock; (ii) the number of shares issuable upon exercise of outstanding options and warrants to purchase common stock will be proportionately reduced; and (iii) the exercise price of all outstanding warrants or stock options to purchase common stock will be proportionately increased. All information related to common stock, warrants to purchase common stock, stock options and earnings per share, as well as all references to convertible preferred stock or warrants to purchase convertible preferred stock as converted into common stock, has been retroactively adjusted to give effect to the 4:1 reverse stock split in the accompanying consolidated financial statements, without any change in the par value per share. Fractional shares resulting from the reverse stock split have been rounded down to the closest whole share.

On March 20, 2014, the Company experienced an interruption in service due to an issue with third-party equipment that affected their Santa Clara, California colocation facility. Many of the Company's larger clients utilize a geographic-redundancy option and successfully switched over to the Company's Atlanta, Georgia

colocation facility. The clients that remained in the Santa Clara, California colocation facility continued to be affected. Consistent with prior service interruptions, the Company anticipates that client credits will be issued and, therefore, revenue for the 3 months ended March 31, 2014 will be impacted by those credits issued. This interruption in service has no impact on revenue previously reported for any prior period. The Company cannot currently quantify the impact this interruption will have on revenues; however, the impact will likely result in revenues for the three months ended March 31, 2014 being less than revenue for the three months ended December 31, 2013.

The Company has evaluated and recognized subsequent events, as appropriate, through March 3, 2014, the date the consolidated financial statements as of and for the year ended December 31, 2013 were originally issued, and has evaluated for disclosures additional subsequent events occurring after such date through March 24, 2014, which is the date these consolidated financial statements were available for reissuance.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
and Stockholders of
Face It, Corp.

Report on Financial Statements

We have audited the accompanying financial statements of Face It, Corp. (also doing business as SoCoCare, Hyfiniti, Hold-Free Networks, and InAppCare) (the Company), which comprise the balance sheets as of December 31, 2011 and 2012, and the related statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and December 31, 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Moss Adams LLP

Campbell, California
January 16, 2014

Face It, Corp.
Balance Sheets
(in thousands, except share and per share data)

	December 31, 2011	December 31, 2012	September 30, 2013 (unaudited)
Assets			
Current assets:			
Cash	$2,890	$ 1,192	$ 240
Accounts receivable	–	15	66
Prepaid expenses and other current assets	4	7	14
Total current assets	2,894	1,214	320
Property and equipment, net	9	6	5
Total assets	$2,903	$ 1,220	$ 325
Liabilities and stockholders' equity (deficit)			
Current liabilities:			
Accounts payable	$ 2	$ 4	$ 20
Accrued expenses and other current liabilities	23	55	174
Due to related party	–	1	–
Deferred rent, current portion	2	13	8
Customer advances	60	–	–
Deferred revenue, current portion	135	9	27
Total current liabilities	222	82	229
Due to related party, net of current portion	–	–	500
Deferred rent, net of current portion	–	4	–
Total liabilities	222	86	729
Stockholders' equity (deficit):			
Common stock $0.001 par value: 50,000,000 shares authorized at December 31, 2011 and 2012 and September 30, 2013 (unaudited); 41,852,885 shares issued and outstanding at December 31, 2011 and 2012 and September 30, 2013 (unaudited)	11	11	11
Additional paid-in capital	3,220	3,223	3,228
Accumulated deficit	(550)	(2,100)	(3,643)
Total stockholders' equity (deficit)	2,681	1,134	(404)
Total liabilities and stockholders' equity (deficit)	$2,903	$ 1,220	$ 325

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

Face It, Corp.
Statements of Operations
(in thousands)

	Year Ended December 31,		Nine Months Ended September 30,	
	2011	2012	2012 (unaudited)	2013 (unaudited)
Net revenue	$ 173	$ 365	$ 310	$ 128
Costs and expenses:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)	29	144	104	135
Sales and marketing	52	552	390	652
Research and development	388	1,120	846	692
General and administrative	44	102	56	187
Depreciation and amortization	2	2	1	1
Loss from operations	(342)	(1,555)	(1,087)	(1,539)
Other income (expense):				
Interest expense	(61)	–	–	(5)
Other income (expenses)	1	5	4	1
Total other income (expense)	(60)	5	4	(4)
Net loss	$(402)	$(1,550)	$ (1,083)	$ (1,543)

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

Face It, Corp.
Statement of Stockholders' Equity (Deficit)
(in thousands, except share data)

	Common stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity (deficit)
	Shares	Amount			
Balances at December 31, 2010	27,785,808	$ —	$ 66	$ (148)	$ (82)
Issuance of common stock	11,322,870	11	2,514	—	2,525
Conversion of 2010 Notes	502,055	—	112	—	112
Conversion of 2011 Notes	2,242,152	—	503	—	503
Issuance of stock warrants	—	—	25	—	25
Net loss	—	—	—	(402)	(402)
Balances at December 31, 2011	41,852,885	11	3,220	(550)	2,681
Issuance of stock warrants	—	—	3	—	3
Net loss	—	—	—	(1,550)	(1,550)
Balances at December 31, 2012	41,852,885	11	3,223	(2,100)	1,134
Stock-based compensation (unaudited)	—	—	5	—	5
Net loss (unaudited)	—	—	—	(1,543)	(1,543)
Balances at September 30, 2013 (unaudited)	41,852,885	$ 11	$ 3,228	$ (3,643)	$ (404)

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

Face It, Corp.
Statements of Cash Flows
(in thousands)

	Year Ended December 31,		Nine Months Ended September 30,	
	2011	2012	2012 (unaudited)	2013 (unaudited)
Cash used in operations				
Net loss	$ (402)	$(1,550)	$ (1,083)	$ (1,543)
Adjustments to reconcile net loss to cash used in operating activities:				
Depreciation	2	3	1	1
Stock-based compensation	—	—	—	5
Issuance of stock warrants	25	3	3	—
Non-cash interest expense	67	—	—	—
Changes in operating assets and liabilities:				
Accounts receivable	—	(15)	—	(51)
Prepaid expenses and other current assets	(4)	(3)	2	(7)
Accounts payable	(5)	2	(1)	16
Due to related party	—	1	—	(1)
Accrued expenses and compensation	16	32	(4)	119
Customer advances	—	(60)	(60)	—
Deferred revenue	105	(122)	(114)	18
Deferred rent	2	11	9	(9)
Net cash used in operations	(194)	(1,698)	(1,247)	(1,452)
Cash flows from investing activities:				
Purchases of property and equipment	(2)	—	—	—
Net cash used in investing activities	(2)	—	—	—
Cash flows from financing activities:				
Proceeds from issuance of debt	500	—	—	500
Proceeds from issuance of common stock	2,500	—	—	1,550
Repurchase of common stock	—	—	—	(1,550)
Net cash provided by financing activities	3,000	—	—	500
Net increase (decrease) in cash and cash equivalents	2,804	(1,698)	(1,247)	(952)
Cash and cash equivalents at beginning of period	86	2,890	2,890	1,192
Cash and cash equivalents at end of period	$2,890	$ 1,192	$ 1,643	$ 240
Non-cash financing and investing activities				
Conversion of convertible notes and accrued interest into common stock	$ 615	$ —	—	$ —
Discount on convertible notes	$ (52)	$ —	—	$ —

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

FACE IT, CORP.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012 (UNAUDITED)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Face It, Corp. (also doing business as SoCoCare, Hyfiniti, Hold-Free Networks, and InAppCare – collectively, the "Company"), was incorporated in the state of Nevada as Face It, Inc. in 2009. The Company later changed the name of the business to Face It, Corp. The Company develops and markets cloud-based customer contact solutions focused on social media and mobile applications to provide sophisticated customer interactions and provide users with useful analytics to enhance the customer experience. The Company is headquartered in San Diego, California, and began operations in April 2009 and exited the development stage in 2012.

Basis of Presentation — The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates — The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain Significant Risks and Uncertainties — The Company is subject to those risks common in technology-driven markets, including, but not limited to, ability to obtain additional financing, advances and trends in new technologies and industry standards, changes in certain strategic relationships or customer relationships, market acceptance of the Company's products, litigation or other claims against the Company, the hiring, training, and retention of key employees, new product introductions by competitors, and regulatory environment.

Unaudited Interim Financial Information — The accompanying balance sheet and statement of stockholders' equity (deficit) as of September 30, 2013, and the statements of operations, and cash flows for the nine months ended September 30, 2012 and 2013 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position as of September 30, 2013 and results of operations and cash flows for the nine months ended September 30, 2012 and 2013. The financial data and the other information disclosed in these notes to the financial statements related to the nine month period is unaudited. The results of the nine months ended September 30, 2012 and 2013 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2013 or for any other interim period or other future year.

Cash — Cash consists of cash maintained in checking and savings accounts.

Concentration of Credit Risk — Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist primarily of cash and accounts receivable. A significant portion of the Company's cash is held at one large reputable financial institution. Amounts in excess of insured limits were $2,600,000 and $900,000 as of December 31, 2011 and 2012, respectively. There was no amount in excess of insured limits as of September 30, 2013 (unaudited). The Company has not experienced any losses in such accounts. The Company sells its services mostly to customers in North America.

Total revenues from customers that were 10% or greater of the respective total as of or for the years ended December 31, 2011 and 2012, and for the nine months ended September 30, 2012 and 2013 are as follows:

	Revenue			
	For the period ended			
	December 31,		September 30,	
Customer	2011	2012	2012	2013
			(unaudited)	
A	71%	*%	*%	*%
B	29%	38%	30%	46%
C	*%	59%	67%	30%
D	*%	*%	*%	12%

Total accounts receivable from customers that were 10% or greater of the respective total as of or for the years ended December 31, 2011 and 2012, and for the nine months ended September 30, 2013 are as follows:

	Accounts Receivable		
	As of		
	December 31,		September 30,
Customer	2011	2012	2013
			(unaudited)
B	*%	100%	39%
D	*%	*%	37%
E	*%	*%	21%

* Amount did not exceed 10% of total revenues or accounts receivable during the respective year.

Property and Equipment, net — Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the balance sheet and any resulting gain or loss is reflected in the statement of operations in the period realized. The Company's fixed assets consist primarily of furniture and fixtures and are depreciated over their useful life of five years.

Revenue Recognition —The Company's revenue consists of license, subscription and related usage as well as professional services. Revenue from subscription and related usage consists of fixed plan subscription fees for the delivery and support of the Company's hosted services through one of its main platforms: SoCoCare, InAppCare, and Hold-Free Networks, and variable usage-based fees. Professional services revenue may include development, implementation and training services.

The Company recognizes revenue when all of the following criteria have been met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred;
- The fee is fixed or determinable; and
- Collection is reasonably assured.

Access to and support for the Company's platforms are based on monthly user-based subscription fees, varying based on specific functionalities and services. Fixed subscription fees are primarily billed in advance on a monthly basis, while related usage fees are billed monthly in arrears. Support services include technical assistance for the Company's solution and upgrades and enhancements on a when-and-if available basis, which are not billed separately.

In cases where the developed software functions exclusively within the Company's hosted environment or when the customer has not taken title to the developed software ("Software-as-a- Service", or "SaaS arrangements"), subscription fees are recognized ratably over the applicable term and variable usage-based

fees are recognized as incurred. Typically, subscriptions automatically renew unless prior notice of cancellation is given by the customer. These fees are non-refundable, with the exception of some cases where credits may be given against usage-based fees for unplanned downtime. The Company does not have a history of providing such credits, so no reserve has been established.

At the time of each revenue transaction, the Company assesses whether fees under the arrangement are fixed or determinable and whether collection is reasonably assured. The Company assesses collection based on a number of factors, including past transaction history with the customer and the creditworthiness of the customer. If the Company determines that collection of fees is not reasonably assured, it defers the revenue and recognizes revenue at the time collection becomes reasonably assured, which is generally upon receipt of payment.

The Company's subscription service arrangements may involve multiple deliverables, including hosted services and related usage, which have stand-alone value to the customer, and professional services most commonly consisting of implementation and training. The Company has concluded that the implementation and training services do not have stand-alone value to the customer and are considered one unit of accounting.

For SaaS arrangements, the Company allocates revenue to the separate accounting units as follows:

- Fixed subscription revenue is recognized on a straight line basis over the applicable term, generally contractual monthly terms;
- Variable usage revenue is recognized as actual usage occurs as there is no additional obligation to the Company when billed;
- Professional services are recognized at the longer of the contractual term or estimated customer relationship period as these services do not have stand-alone value to the customer.

When contracts include acceptance clauses or when the Company has agreed to deliver software that is not yet generally available or requires further development prior to delivery, the Company defers all revenue under the arrangement until all products have been delivered and accepted by the customer.

The Company typically includes a warranty provision in its contracts for the functionality of the hosted solutions and workmanship of professional services. The Company does not have a history of claims under its warranty provision, and accordingly, has not recorded a warranty reserve.

Cost of Revenue — Costs of revenue consists primarily of payments to third-party providers for leases of data centers and servers, personnel costs associated with customer care and support of the Company's solution and data center operations, and for those employees providing application configuration, system integration, and education and training services to customers.

Research and Development — Research and development expenses include costs associated with the maintenance and ongoing development of the Company's technology, including compensation and employee benefits associated with the Company's engineering and research and development departments, as well as costs for contracted services, supplies, and allocated facility costs. The Company reviews costs incurred in the application development stage and assesses such costs for capitalization. As of September 30, 2013, there were no capitalized costs.

Sales and Marketing — Sales and marketing expenses consist primarily of compensation and employee benefits of sales and marketing personnel and related support teams, certain advertising costs, travel, trade shows, marketing materials, and allocated facility costs.

General and Administrative — General and administrative expenses include facility costs, executive and administrative compensation and benefits, depreciation, professional service fees, insurance costs, and other general overhead costs.

Advertising Costs — The Company advertises its services primarily via online advertising. Costs associated with these advertising efforts are expensed as incurred in selling and marketing expense on the accompanying statements of operations, and were $23,000 and $4,000 for the years ended December 31, 2011 and 2012, respectively, and $4,000 (unaudited) and $3,000 (unaudited) for the nine months ended September 30, 2012 and 2013, respectively.

Stock-Based Compensation — The Company measures compensation expense for all stock-based payment awards, including stock options granted to employees, based on the estimated fair values on the date of grant. The fair value of each stock option granted is estimated using the Black-Scholes option pricing model. Stock-based compensation is recognized on a straight-line basis over the requisite service period, net of estimated forfeitures.

Common Stock Warrants — Freestanding and detachable warrants are valued based on their respective fair value or relative fair value on the issuance dates, estimated using the Black-Scholes option pricing model. These warrants have been evaluated and classified as equity on the Company's balance sheets.

Beneficial Conversion Features — Embedded conversion features that are in-the-money at the date of issuance are measured at intrinsic value and recorded as a reduction in the carrying amount of the related instrument and amortized as additional interest expense through the maturity date or the earliest date of conversion.

Income Taxes — The Company accounts for income taxes using an asset and liability approach. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Operating loss and tax credit carryforwards are measured by applying currently enacted tax laws. Valuation allowances are provided when necessary to reduce net deferred tax assets to an amount that is more likely than not to be realized. As of December 31, 2011 and 2012 and as of September 30, 2013 (unaudited), the Company provided a full valuation allowance against its net deferred tax assets.

The Company recognizes the tax effects of an uncertain tax position only if it is more likely than not to be sustained based solely on its technical merits as of the reporting date then only in an amount more likely than not to be sustained upon review by the tax authorities. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes.

Recently Issued Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. This newly issued accounting standard requires an entity to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position as well as instruments and transactions executed under a master netting or similar arrangement and was issued to enable users of financial statements to understand the effects or potential effects of those arrangements on its financial position. This ASU is required to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. As this accounting standard only requires enhanced disclosure, the adoption of this standard is not expected to impact the Company's financial position or results of operations.

2. PROPERTY AND EQUIPMENT, NET

Property and equipment, net as of December 31, 2011 and 2012, and September 30, 2013 consisted of the following (in thousands):

	December 31,		September 30,
	2011	2012	2013 (unaudited)
Furniture and fixtures	$ 12	$ 12	$ 12
Less: accumulated depreciation	(3)	(6)	(7)
Net property and equipment	$ 9	$ 6	$ 5

3. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities as of December 31, 2011 and 2012, and September 30, 2013 consisted of the following (in thousands):

	December 31, 2011	December 31, 2012	September 30, 2013 (unaudited)
Accrued compensation	$ —	$ 13	$ 90
Accrued contractor expenses	6	8	1
Legal and other professional services		34	78
Accrued interest	—	—	5
Other accrued expenses	17	—	—
Total	$ 23	$ 55	$ 174

4. CONVERTIBLE NOTES AND DETACHABLE WARRANTS

2010 Note – In January 2010, the Company issued a convertible note (the "2010 Note") with an underlying principal value of $100,000. The 2010 Note accrued simple interest at an annual rate of 7%, had a maturity date of September 30, 2012 and was convertible at the price paid by investors in the next equity financing ("Next Equity Financing") as defined under the 2010 Note agreement.

In connection with the issuance of the 2010 Note, the Company issued a warrant to purchase common stock at a price determined in the Next Equity Financing. Upon issuance, the warrant was determined to have a fair value of $33,000 using the Black-Scholes option valuation model, which was recorded as a discount against the 2010 Note. The 2010 Note discount and the $33,000 intrinsic value of the beneficial conversion feature of the warrant were being amortized into interest expense using the effective interest method.

In October 2011, the Company completed the "Next Equity Financing" with the issuance of 11,322,870 shares of common stock for gross proceeds of approximately $2,525,000. On the same date, the 2010 Note, including accrued interest, was converted into 502,055 shares of common stock. In addition to the conversion, a warrant for 224,215 shares of common stock was issued pursuant to the original terms of the warrant arrangement.

2011 Note – In September 2011, the Company issued a convertible note ("2011 Note") to a shareholder of the Company with an underlying principal value of $500,000. The 2011 Note accrued simple interest at an annual rate of 8%, had a maturity date of August 31, 2012 and was convertible into shares of common stock at a conversion price of $0.23, which was the fair market value of the Company's common stock on the date of issuance.

In October 2011, the 2011 Note, including accrued interest, was converted into 2,242,152 shares of common stock, pursuant to the original terms of the agreement.

5. LONG TERM RELATED PARTY DEBT

In August 2013, the Company entered into a loan agreement with a lender that allowed for term debt draws of up to $1.5 million. Under the terms of the agreement, the total principal outstanding, accrued interest of 12% per year and a financing fee of up to $3.0 million is due in August 2015 and the loan is collateralized by all of the Company's assets. In September 2013, the lender entered into a stock purchase agreement with the Company and consequently is a related party.

As of September 30, 2013, the entire $500,000 (unaudited) outstanding under the loan agreement was classified as non-current in the accompanying balance sheet.

6. STOCKHOLDERS' DEFICIT

Common Stock — As of December 31, 2011 and 2012, and September 30, 2013 (unaudited), the Company had 50,000,000 shares of common stock authorized and 41,852,885 shares of common stock issued and outstanding, respectively. In addition to common stock outstanding, shares of common stock are reserved for future issuance related to outstanding warrants and stock options as follows:

	December 31, 2012	September 30, 2013 (unaudited)
Stock options outstanding	—	709,646
Stock options available for grant	—	5,484,928
Exercise of common stock warrants	948,754	948,754
Total Shares Reserved	948,754	7,143,328

Stock Option Plans — The Company currently has options issued under its 2013 Equity Incentive Plan (the "2013 Plan"). The 2013 Plan was adopted in July 2013 and a total of 6,194,574 common shares were made available for issuance to eligible employees, non-employee consultants, and directors. Under the terms of the 2013 Plan, the Company has the ability to grant the following types of Stock Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) Stock Appreciation Rights, (iv) Restricted Stock Awards, (v) Restricted Stock Unit Awards and (vi) Other Stock Awards. Options generally vest over a four-year period, with an initial vesting period of 12 months for 25% of the grant and the remaining 75% of the shares vesting monthly on a ratable basis over the remaining 36 months. Options are exercisable for a maximum period of 10 years after the grant date. Options are exercisable upon vesting and vested options generally expire 90 days after termination of the optionee's employment or relationship as a consultant or director, unless otherwise extended by the terms of the stock option agreement. Any unvested options or vested but unexercised options are returned to the Company.

A summary of the Company's stock option activity as of September 30, 2013 is as follows (no options were granted prior to December 31, 2012):

	Number of Shares Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Balance at December 31, 2012	—			
Options granted (weighted average fair value of $0.06 per share (unaudited)	709,646	$ 0.11		$ —
Options exercised (unaudited)	—			
Options forfeited (unaudited)	—			
Balance at September 30, 2013 (unaudited)	709,646	$ 0.11	6.08	$ —

	Number of Shares Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Options vested and expected to vest—December 31, 2012	—	—	—	—
Options exercisable—December 31, 2012	—	—	—	—
Options vested and expected to vest—September 30, 2013 (unaudited)	709,646	$ 0.11	6.08	$ —
Options exercisable— September 30, 2013 (unaudited)	58,438	$ 0.11	6.08	$ —

The Company has computed the aggregate intrinsic value amounts disclosed in the above tables based on the difference between the original exercise price of the options and management's estimate of the fair value of the Company's common stock of $0.11 as of September 30, 2013 (unaudited).

The information about common stock options outstanding and exercisable at September 30, 2013 (unaudited), is summarized as follows:

	Options Outstanding		Options Exercisable	
Exercise Price	Number of Shares Outstanding	Weighted-Average Life (in Years)	Number of Shares Exercisable	Weighted-Average Life (in Years)
$ 0.11	709,646	6.08	58,438	6.08

For the 9 months ended September 30, 2013, the Company recorded approximately $5,000 (unaudited) as stock-based compensation expense. At September 30, 2013, there was approximately $40,000 (unaudited) of total unrecognized compensation cost related to unvested stock options. That cost is expected to be recognized over a weighted average period of 3.30 years.

Stock-based compensation expense for the nine months ended September 30, 2013 is as follows (in thousands):

	Nine Months Ended September 30, 2013 (unaudited)
Cost of revenue	$ 1
Sales and marketing	2
Research and development	1
General and administrative	1
Total	$ 5

Stock-Based Awards to Employees — All options granted were intended to be exercisable at a price per share not less than fair market value of the shares of the Company's stock underlying those options on their respective dates of grant. The Company estimated the fair value of its common stock utilizing valuations based on actual transactions involving the Company's common stock.

The Company estimates the fair value of each option award on the date of grant using the Black-Scholes option pricing model and using the assumptions noted in the below table. Expected volatility is based upon the historical volatility of a peer group of publicly traded companies. The expected term of options granted is estimated by taking the average of the vesting term and the contractual term of the option. The risk-free rate for the expected term of the options is based on the U.S. Treasury Constant Maturity at the time of grant. The assumptions used to value options granted during the nine months ended September 30, 2013 were as follows:

	Nine Months Ended September 30, 2013 (unaudited)
Expected term (years)	6.08
Volatility	60%
Risk-free interest rate	1.93%
Dividend yield	—

The Company recognized employee stock-based compensation expense for the nine months ended September 30, 2013 calculated based upon awards ultimately expected to vest, thus expense has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Common Stock Warrants — As of December 31, 2011 and 2012, and September 30, 2013 (unaudited), the Company had outstanding warrants to purchase 923,754, 948,754, and 948,754 shares of common stock,

respectively, with exercise prices ranging from $0.001 to $0.223 per share, and with expiration dates between 2017 to 2021.

The Company estimated the fair value of each warrant on the date of issuance using the Black-Scholes option pricing model, which management determines approximates fair value, using the assumptions noted in the below table. Expected volatility is based upon the historical volatility of a peer group of publicly traded companies. The expected term of warrants represents the contractual term of the warrants. The risk-free rate for the expected term of the warrants is based on the U.S. Treasury Constant Maturity at the time of issuance.

The following table summarizes the valuation assumptions and other information related to all common stock warrants outstanding at September 30, 2013:

	Warrant A	Warrant B	Warrant C	Warrant D	Warrant E
Issuance Date	9/30/2011	9/30/2011	10/17/2011	11/17/2011	8/30/2012
Number of shares	263,823	285,808	224,215	149,908	25,000
Exercise price	$0.001	$0.001	$0.001	$0.223	$0.223
Expiration Date	September 2021	September 2021	March 2018	November 2021	August 2017
Expected term (years)	10.0	10.0	6.4	10.0	5.0
Volatility	66%	66%	66%	66%	55%
Risk-free interest rate	1.92%	1.92%	1.37%	1.96%	0.66%
Dividends	0%	0%	0%	0%	0%
Fair value per share on date of issuances	$ 0.001	$ 0.001	$0.222	$ 0.163	$ 0.105

7. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table presents the significant components of the Company's deferred tax assets and liabilities for the periods presented (in thousands):

	December 31,	
	2011	2012
Deferred tax assets:		
Net operating loss and credit carryforwards	$ 79	$ 720
Accrued liabilities	1	7
Gross deferred tax assets	80	727
Valuation allowance	(79)	(726)
Net deferred tax assets	1	1
Deferred tax liability:		
Fixed assets	(1)	(1)
Gross deferred tax liability	(1)	(1)
Net deferred tax assets	$ —	$ —

A valuation allowance is provided for deferred tax assets where the recoverability of the assets is uncertain. The determination to provide a valuation allowance is dependent upon the assessment of whether it is more likely than not that sufficient future taxable income will be generated to utilize the deferred tax assets. Based on the weight of the available evidence, which includes the Company's historical operating losses, lack of taxable income, and the accumulated deficit, the Company provided a full valuation allowance against the

deferred tax assets resulting from the tax loss and credits carried forward. As of December 31, 2012, the Company had net operating loss carryforwards of approximately $1.8 million for federal income taxes and $1.7 million for state income taxes. If not utilized, these carryforwards will begin to expire in 2030 for both federal and state purposes.

As of December 31, 2012, the Company had research and development credit carryforwards of approximately, $1,000 and $0 for federal and state income taxes, respectively. If not utilized, the federal carryforwards will begin to expire in various amounts beginning in 2030. The state tax credit can be carried forward indefinitely.

Internal Revenue Code Section 382 limits the use of net operating loss and tax credit carryforwards in certain situations where changes occur in the stock ownership of a company. In the event that the Company had a change of ownership, utilization of the net operating loss and tax credit carryforwards may be restricted.

The Company recognizes in the financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position.

A reconciliation of the beginning and ending amount of unrecognized tax benefits (excluding interest and penalties) for the periods presented, is as follows (in thousands):

	December 31,	
	2011	2012
Unrecognized benefit – beginning of period	$ 1	$ 1
Gross increases – current year tax positions	—	—
Gross decreases – prior year tax positions	—	—
Unrecognized benefit – end of period	$ 1	$ 1

The unrecognized tax benefits of approximately $1,000 and $1,000 as of December 31, 2011 and 2012, respectively, would have an impact on the Company's effective tax rate if recognized.

The Company's policy is to record interest and penalties related to unrecognized tax benefits as income tax expense. At December 31, 2012 and 2011 the Company had no cumulative interest and penalties related to the uncertain tax position.

The Company is currently unaware of any uncertain tax positions that could result in significant additional payments, accruals, or other material deviation in this estimate over the next 12 months.

The Company's federal and state returns are open to audit under the statute of limitations for all years presented in these financial statements due to unutilized net operating loss carryovers from such years.

8. COMMITMENTS AND CONTINGENCIES

Leases — The Company has operating lease agreements for office, data center, research and development, and sales and marketing space in the United States that expire at various dates through 2014. The Company recognizes rent expense on a straight-line basis over the lease term and records the difference between cash rent payments and the recognition of rent expense as a deferred rent liability. Rent expense was approximately $8,000 and $158,000 for the years ended December 31, 2011 and 2012, respectively, and $119,000 (unaudited) and $150,000 (unaudited) for the nine months ended September 30, 2012 and 2013, respectively.

Approximate remaining future minimum lease payments under non-cancelable leases as of December 31, 2012, were as follows (in thousands):

Year ending December 31,	Operating Leases
2013	$ 234
2014	67
Total minimum lease payments	$ 301

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated from December 31, 2012 through January 16, 2014.

Increase in authorized common shares – In October 2013, the Company increased the authorized common shares for issuance from 50,000,000 to 55,000,000; increasing the total number of authorized shares from 100,000,000 to 105,000,000 shares.

Issuance of stock awards – In October 2013, the Company issued 4,202,500 stock awards to certain persons and entities in exchange for services provided to the Company and 174,908 stock awards to certain persons in exchange for the cancellation of warrants previously issued to those persons under the terms of the 2013 Equity Incentive Plan at an exercise price of $0.223 per share.

Sale of the Company – In October 2013, 100% of the Company's assets and liabilities were acquired by Five9, Inc.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Effective October 18, 2013, Five9, Inc. (“the Company”) completed an acquisition of Face It, Corp., also referred to as SoCoCare, a privately-held company that provides social engagement and mobile customer care applications.

The following unaudited pro forma condensed combined statement of operations was prepared using the acquisition method of accounting in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 805 “Business Combinations” (“ASC 805”) and with the assumptions and adjustments described in the accompanying notes to the unaudited pro forma combined condensed financial statements. There are no significant differences between the accounting policies of the Company and Face It, Corp. The total cost of the acquisition has been allocated to the assets acquired and the liabilities assumed based upon their respective fair values as determined by the Company. The pro forma condensed combined financial statements do not include the realization of any cost savings from operating efficiencies, synergies or other restructurings resulting from the acquisition.

The unaudited pro forma condensed combined statement of operation is based on the respective historical consolidated statements of operations and the accompanying notes of the Company and Face It, Corp. The unaudited pro forma condensed combined statement of operations assumes that the acquisition took place as of January 1, 2013, the first day of the Company’s 2013 fiscal year.

The unaudited pro forma condensed statement of operation is based on the assumptions set forth in the notes to such statements. The unaudited pro forma adjustments made in connection with the development of the unaudited pro forma information have been made solely for purposes of developing such unaudited pro forma information for illustrative purposes necessary to comply with the disclosure requirements of the Securities and Exchange Commission. The unaudited pro forma condensed combined financial statements do not purport to be indicative of the results of operations for future periods or the combined financial position or the results that actually would have been realized had the entities been a single entity during these periods.

The unaudited pro forma condensed combined statement of operations should be read in conjunction with the Company’s historical consolidated financial statements and notes thereto included in the Company’s amended Form S-1, as well as the historical consolidated financial statements and accompanying notes thereto of Face It, Corp. included in the amended Form S-1.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the year ended December 31, 2013
(in thousands, except per share data)

	Five9, Inc. Year Ended December 31, 2013	From the period January 1, 2013 to October 17, 2013	Pro forma adjustments	Pro forma combined
Revenues	$ 84,132	$ 142	$ —	$ 84,274
Cost of revenues	48,807	136	280 (a)	49,223
Gross profit	35,325	6	(280)	35,052
Operating expenses:				
Research and development	17,529	733	399 (b)	18,661
Sales and marketing	28,065	681	83 (c)	28,829
General and administrative	18,053	355	(542)(d)	17,865
Total operating expenses	63,647	1,769	(60)	65,356
Loss from operations	(28,322)	(1,762)	(220)	(30,304)
Other income (expense), net:				
Interest expense	(1,080)	(9)	(191)(e)	(1,279)
Change in fair value of convertible preferred stock warrant liability	(1,871)	—	— (f)	(1,871)
Other income, net	29	1	—	30
Other income (expense), net	(2,922)	(8)	(191)	(3,120)
Loss before income taxes	(31,244)	(1,770)	(410)	(33,424)
Provision for income taxes	70	—	— (g)	70
Net loss	$ (31,314)	$ (1,770)	$ (410)	$ (33,494)
Net loss per share:				
Basic and diluted	$ (7.82)			$ (8.36)
Weighted average shares used for calculations:				
Basic and diluted	4,006			4,006

See accompanying notes

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRO FORMA PRESENTATION

On October 18, 2013, the Company acquired Face It, Corp. to add social engagement and mobile customer care applications. Upon acquisition, Face It, Corp. merged into a wholly-owned subsidiary of the Company. The total purchase consideration, which was valued at $15,032,000, included $2,964,000 of cash, 1,423,000 shares of common stock valued at $12,064,000 and 22,000 options for common stock with a total fair value of $115,000, of which $4,000 allocated to the purchase consideration and $111,000 was allocated to post-combination stock-based compensation. Of the shares of common stock included in the purchase consideration, 303,000 shares were withheld in order to indemnify the Company from certain losses that may arise from any inaccuracies or breach of any of Face It, Corp.'s covenants, representations and warranties as of the acquisition date, and were not treated as contingent consideration. The Company incurred costs of $574,000 directly related to the acquisition of Face It, Corp., which were expensed as incurred.

Under the acquisition method of accounting, the total purchase price is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the date of acquisition. The pro forma purchase price adjustments are preliminary and have been made solely for the purpose of providing the unaudited pro forma condensed combined financial statements.

The excess of the purchase price over the tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill.

The allocation of the purchase price at the acquisition date is as follows (dollars in thousands):

Tangible assets acquired	$ 177
Intangible assets:	
Developed technology	2,460
Customer relationships	520
Domain names	50
Non-compete agreements	140
Goodwill	11,798
Current liabilities	(113)
Net assets acquired	$15,032

Identifiable intangible assets

The fair value of the acquired developed technology was determined by discounting the estimated net future cash flows of the technology. The fair value of the acquired customer relationships was determined based on the estimated costs to replace such relationships. The fair value of the acquired domain names was determined by estimating a benefit from owning the asset rather than paying a royalty to a third party for the use of the asset. The fair value of the non-compete agreements was determined by estimating the cost savings of having these agreements in place. The following table sets forth the components of these intangible assets and their estimated useful lives (dollars in thousands):

	Estimated Fair Value	Estimated Useful Life
Developed technology	$ 2,460	7 years
Customer relationships	520	5 years
Domain names	50	5 years
Non-compete agreements	140	3 years
Total	$ 3,170	

NOTE 2. PRO FORMA ADJUSTMENTS

The following is a description of pro forma adjustments reflected in the unaudited pro forma condensed combined statement of operations:

a. Cost of Revenue

The adjustment reflects the amortization for acquired technology, which is being recognized in the statement of operations using a straight-line method over a term of 7 years.

b. Research and Development

The adjustment reflects stock compensation expense for the Founders' shares subject to forfeiture being recognized over the one and two year vesting periods.

c. Sales and Marketing

The adjustment reflects the amortization for the acquisition of customer relationships, which is being recognized in the statement of operations using a straight-line method over a term of 5 years.

d. General and Administrative

The adjustment reflects (i) the amortization for the domain names and non-compete intangible assets acquired, which are being recognized in the statement of operations using a straight-line method over a term of 5 and 3 years, respectively, (ii) stock compensation expense of $200,000 for the Founders' shares subject to forfeiture being recognized over the one and two year vesting periods, and (iii) the reduction of direct transaction-related costs of $787,000 for the year ended December 31, 2013.

e. Interest Expense

The adjustment reflects the interest expense associated with the Company's $5,000,000 term loan agreement which relates to the acquisition. The term loan carries a variable interest rate of prime rate plus 1.50%. The interest rate used to compute the pro forma interest expense adjustment was 4.75%, which was the rate in effect upon borrowing. An increase in the interest rate by 0.0125% would increase the interest expense by $4,000 for the year ended December 31, 2013.

f. Warrant Revaluation and Amortization

A pro forma adjustment for the revaluation and related amortization of the warrant issued in conjunction with the term loan was not made as it was not deemed feasible and not expected to be material.

g. Income Taxes

There is no income tax impact because the pro forma adjustments would impact the net deferred tax assets in the United States which have a corresponding full valuation allowance.

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10,000,000 Shares

Common Stock

Prospectus

J.P. Morgan **Barclays** **BofA Merrill Lynch**

Pacific Crest Securities **Canaccord Genuity** **Needham & Company**

, 2014

Part II: Information Not Required in Prospectus

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth all costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the issuance and distribution of the shares of common stock being registered. All amounts shown are estimates except for the SEC registration fee, FINRA filing fee and the exchange listing fee.

	Amount to be paid
SEC registration fee	$ 16,294
FINRA filing fee	$ 19,475
Printing and engraving expense	$ 350,000
Legal fees and expenses	$ 1,300,000
Accounting fees and expenses	$ 1,261,000
Blue sky fees and expenses	$ 10,000
NASDAQ listing fees	$ 150,000
Transfer agent fees and expenses	$ 5,000
Miscellaneous expenses	$ 728,275
Total	$ 3,840,044

Item 14. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement in connection with specified actions, suits and proceedings, other than a derivative action by or in the right of the corporation, if they acted in good faith and in a manner they 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 their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification extends only to expenses, including attorneys' fees, incurred in connection with the defense or settlement of such action and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. The statute provides that it is not exclusive of other indemnification that may be granted by a corporation's certificate of incorporation, bylaws, disinterested director vote, stockholder vote, agreement or otherwise.

Our current amended and restated certificate of incorporation limits the liability of our directors for monetary damages for a breach of fiduciary duty as a director to the fullest extent permitted by the Delaware General Corporation Law. Consequently, our directors are not personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for (i) any breach of their duty of loyalty to our company or our stockholders; (ii) any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law; (iii) unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or (iv) any transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to that amendment or repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law. We expect to adopt a new amended and restated certificate of incorporation, which will become effective immediately prior to the completion of this offering, and which will contain similar provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law.

Our current amended and restated bylaws provide that we (i) will indemnify any person who was or is a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that he or she is or was one of our directors or officers or, while a director or officer, is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise and (ii) must advance expenses incurred by or on behalf of a director or officer in advance of the final disposition of any action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by us. We expect to adopt new amended and restated bylaws, which will become effective immediately prior to the completion of this offering, which will contain similar provisions that limit the liability of our directors and officers.

We have entered into indemnification agreements with our directors, executive officers and certain other officers pursuant to which they are provided indemnification rights that are broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements generally require us, among other things, to indemnify our directors, executive officers and certain other officers against liabilities that may arise by reason of their status or service. These indemnification agreements also require us to advance all expenses incurred by the directors, executive officers and certain other officers in investigating or defending any such action, suit or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and officers. Prior to the completion of this offering, we expect to enter into new indemnification agreements with each of our directors, executive officers and certain other officers which will contain similar provisions.

The limitation of liability and indemnification provisions that are expected to be included in our new amended and restated certificate of incorporation, amended and restated bylaws and the indemnification agreements that we enter into with our directors, executive officers and certain other officers may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other 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 as required by these indemnification provisions. At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees or other agents or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made for breach of fiduciary duty or other wrongful acts as a director or executive officer and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law. Prior to the completion of this offering, we will enter into additional insurance arrangements to provide coverage to our directors and executive officers against loss arising from claims relating to public securities matters.

The underwriting agreement filed as Exhibit 1.1 to this registration statement provides for indemnification by the underwriters of us and our officers and directors for certain liabilities arising under the Securities Act and otherwise.

Item 15. Recent Sales of Unregistered Securities.

Except as set forth below, in the three years preceding the filing of this registration statement, we have not issued any securities that were not registered under the Securities Act.

Preferred Stock Issuances

On January 12, 2011, the Registrant sold 4,641,444 shares of its series B-2 preferred stock to twelve accredited investors at a purchase price per share of $1.7236 for aggregate gross proceeds of approximately $8.0 million.

On April 4, 2012, the Registrant sold 3,225,802 shares of its series C-2 preferred stock to twelve accredited investors at a purchase price per share of $3.72 for aggregate gross proceeds of approximately $12.0 million.

On April 26, 2013, the Registrant sold 3,817,320 shares of its series D-2 preferred Stock to thirteen accredited investors at a purchase price per share of $5.7632 for aggregate gross proceeds of approximately $22.0 million

On October 18, 2013, the Registrant issued a warrant to purchase 13,013 shares of series D-2 preferred stock to an accredited investor in connection with amending its credit agreement.

On February 20, 2014, the Registrant issued warrants to purchase 177,865 shares of common stock to accredited investors in connection with entering into a loan and security agreement.

Stock Plan-Related Issuances

From January 1, 2011 through March 6, 2014, the Registrant granted to its directors, employees, consultants and other service providers options to purchase an aggregate of 6,518,570 shares of common stock under the Registrant's 2004 Plan at exercise prices ranging from $0.52 to $12.24 per share, for an aggregate exercise price of approximately $30.0 million (inclusive of the options granted on October 25, 2013 noted below).

From January 1, 2011 through March 6, 2014, the Registrant issued and sold to its directors, employees, consultants and other service providers an aggregate of 2,099,569 shares of common stock upon the exercise of options under the 2004 Plan at exercise prices ranging from $0.12 to $10.12 per share, for an aggregate purchase price of approximately $1.3 million.

On October 25, 2013, the Registrant issued options to purchase an aggregate of 26,489 shares of its common stock to three individuals in connection with its acquisition of all the outstanding shares of SoCoCare.

Stock Issued in Connection with Acquisition

On October 18, 2013, the Registrant issued 1,465,401 shares of its common stock to fifteen individuals and entities that were accredited investors in connection with its acquisition of all the outstanding shares of SoCoCare. The securities issued in connection with the SoCoCare acquisition were offered and sold in reliance upon an exemption from registration pursuant to Section 4(2) of the Securities Act in a transaction not involving a public offering. The Company made the determination that the exemption from registration provided by Section 4(2) of the Securities Act was available based on the representations of the investors which included, that each such investor was an "accredited investor" within the meaning of Rule 501 of Regulation D and that (i) such investor was acquiring the securities for its own account for investment and not with a view to, or for resale in connection with, any distribution within the meaning of the Securities Act, (ii) such investor agreed not to sell or otherwise transfer the securities unless they are registered under the Securities Act or an exemption or exemptions from such registration are available, (iii) such investor had the capacity to protect his or her own interests in connection with the purchase of the securities by virtue of his or her business or financial expertise or that of his or her professional advisors, and (iv) such investor was aware of the Company's business affairs and financial condition and acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the securities.

The issuances of options, shares upon the exercise of options, preferred stock and common stock described above were deemed exempt from registration under Section 4(2) of the Securities Act, and in certain circumstances, in reliance on Rule 701 promulgated thereunder as transactions by an issuer not involving a public offering or as transactions pursuant to compensatory benefit plans and contracts relating to compensation. All of the foregoing securities are deemed restricted securities for purposes of the Securities Act. The recipients of securities in the transactions exempt under Section 4(2) of the Securities Act represented that they were accredited investors and that they were acquiring the securities for investment purposes only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the stock certificates and instruments issued in such transactions.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

Exhibit number	Description
1.1	Form of Underwriting Agreement.
2.1§#‾	Agreement and Plan of Merger, dated as of October 18, 2013, by and among the Registrant, Five9 Nevada Inc., Five9 Acquisition LLC, Face It, Corp. and the representative listed therein.
3.1‾	Amended and Restated Certificate of Incorporation, as currently in effect.
3.2	Forms of Amendments to Certificate of Incorporation, to be in effect prior to the completion of this offering.
3.3	Form of Amended and Restated Certificate of Incorporation, to be in effect upon the completion of this offering.
3.4‾	Amended and Restated Bylaws, as currently in effect.
3.5	Form of Amended and Restated Bylaws, to be in effect upon the completion of this offering.
4.1	Form of Common Stock Certificate.
4.2	Eighth Amended and Restated Stockholders' Agreement, dated October 28, 2013, among the Registrant and certain holders of its capital stock, as amended by the First Amendment dated December 20, 2013 and the Second Amendment dated December 30, 2013.
4.3‾	Form of Warrant to purchase shares of series A-2 preferred stock.
4.4‾	Warrant to purchase shares of series D-2 preferred stock issued to City National Bank.
4.5‾	Form of Warrant to purchase shares of common stock.
4.6‾	Form of Warrant to purchase shares of common stock issued to Fifth Street Finance Corp. and Fifth Street Mezzanine Partners V, L.P.
5.1	Opinion of Jones Day.
10.1+	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.
10.2+‾	Employment Agreement between the Registrant and Michael Burkland.
10.3+‾	Confirmation Letter between the Registrant and Barry Zwarenstein.
10.4+‾	Offer Letter between the Registrant and Dan Burkland and amendment.
10.5+‾	Offer Letter between the Registrant and Tom Schollmeyer and amendment.
10.6+‾	Offer Letter between the Registrant and David Milam.
10.7+‾	Offer Letter between the Registrant and Moni Manor.
10.8+‾	Five9, Inc. 2004 Equity Incentive Plan and related form agreements.
10.9+	Five9, Inc. 2014 Equity Incentive Plan and related form agreements.
10.10+	Five9, Inc. 2014 Employee Stock Purchase Plan.
10.11+‾	2013 Bonus Plan.
10.12+‾	Key Employee Severance Benefit Plan.
10.13	Office Lease for Bishop Ranch Building, dated December 16, 2011, between the Registrant and Alexander Properties Company and First Lease Addendum dated October 24, 2012.
10.14‾	Second Lease Addendum for Bishop Ranch Building, dated January 23, 2014, between the Registrant and Alexander Properties Company.
10.15‾	Loan and Security Agreement, dated March 8, 2013, by and between the Registrant and City National Bank.

Exhibit number	Description
10.16¯	First Amendment to Loan and Security Agreement, dated as of October 18, 2013, by and between the Registrant and City National Bank.
10.17¯	Consent and Second Amendment to Loan and Security Agreement, dated as of February 20, 2014, by and between the Registrant and City National Bank.
10.18¯	Loan and Security Agreement, dated as of February 20, 2014, by and among the Registrant, Five9 Acquisition LLC, Fifth Street Finance Corp. and Fifth Street Mezzanine Partners V, L.P. as lenders, and Fifth Street Finance Corp. as agent.
10.19¯	Equipment Lease Agreement, dated October 27, 2011, between the Registrant and Cisco Systems Capital Corporation.
10.20¯	Equipment Lease Agreement, dated November 8, 2012, between the Registrant and Winmark Capital Corporation.
10.21¯	Equipment Lease Agreement, dated December 16, 2010, between the Registrant and Fountain Partners.
10.22¯	Equipment Lease Agreement, dated November 1, 2010, between the Registrant and Hewlett-Packard Financial Services.
10.23§¯	Master Space Agreement, dated November 1, 2012, between the Registrant and Quality Investment Properties Metro, LLC.
10.24§¯	Addendum to Master Space Agreement, dated January 2, 2013, between the Registrant and Quality Investment Properties Metro, LLC.
10.25§¯	Master License and Service Agreement, dated November 1, 2011, between the Registrant and Coresite Coronado Stender, L.L.C. and Coresite Services, Inc.
10.26¯	Promissory Note, dated July 16, 2013, between the Registrant and Universal Service Administrative Company.
16.1¯	Letter from Deloitte & Touche LLP to the Securities and Exchange Commission.
21.1¯	Subsidiaries of the Company.
23.1	Consent of KPMG LLP, independent registered public accounting firm.
23.2	Consent of Moss Adams LLP, independent auditors.
23.3	Consent of Jones Day (included in Exhibit 5.1).
24.1¯	Power of Attorney.

¯ Previously filed.

§ Portions of this exhibit will be omitted pending a determination by the Securities and Exchange Commission as to whether these portions should be granted confidential treatment.

Pursuant to Item 601(b)(2) of Regulation S-K, the Registrant agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

+ Indicates management contract or compensatory plan.

(b) Financial Statement Schedules

All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto. See the Index to Financial Statements included on page F-1 for a list of the financial statements and schedules included in this registration statement.

Item 17. Undertakings.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing 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 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 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 against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, 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.

Signatures

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Ramon, State of California, on the 21st day of March, 2014.

FIVE9, INC.

By: /s/ Michael Burkland
Michael Burkland
Chief Executive Officer and President

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Michael Burkland Michael Burkland	Director, Chief Executive Officer and President (Principal Executive Officer)	March 21, 2014
/s/ Barry Zwarenstein Barry Zwarenstein	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 21, 2014
* Jack Acosta	Director	March 21, 2014
* Kimberly Alexy	Director	March 21, 2014
* Jayendra Das	Director	March 21, 2014
* David DeWalt	Director	March 21, 2014

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Signatures	Title	Date
*	Director	March 21, 2014
Mitchell Kertzman		
*	Director	March 21, 2014
David Welsh		
*	Director	March 21, 2014
Tim Wilson		
*	Director	March 21, 2014
Robert Zollars		

* By: /s/ Michael Burkland
As Attorney-in-fact

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EXHIBIT INDEX

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23.2	Consent of Moss Adams LLP, independent auditors.
23.3	Consent of Jones Day (included in Exhibit 5.1).
24.1¯	Power of Attorney.

¯ Previously filed.

§ Portions of this exhibit will be omitted pending a determination by the Securities and Exchange Commission as to whether these portions should be granted confidential treatment.

Pursuant to Item 601(b)(2) of Regulation S-K, the Registrant agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

+ Indicates management contract or compensatory plan.

Exhibit 1.1

FIVE9, INC.

Shares of Common Stock, par value $0.001

Underwriting Agreement

, 2014

J. P. Morgan Securities LLC
Barclays Capital Inc.
As Representatives of the
several Underwriters listed
in Schedule 1 hereto

c/o J. P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179

c/o Barclays Capital Inc.
745 Seventh Avenue
New York, New York 10019

Ladies and Gentlemen:

Five9, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to the several Underwriters listed in Schedule 1 hereto (the "Underwriters"), for whom you are acting as representatives (the "Representatives"), an aggregate of [ ] shares of common stock, par value $0.001 per share (the "Common Stock"), of the Company (the "Underwritten Shares") and, at the option of the Underwriters, up to an additional [ ] shares of Common Stock of the Company (the "Option Shares"). The Underwritten Shares and the Option Shares are herein referred to as the "Shares". The shares of Common Stock of the Company to be outstanding after giving effect to the sale of the Shares are referred to herein as the "Stock".

Barclays Capital Inc. has agreed to reserve a portion of the Shares to be purchased by it under this Agreement, up to [ ] Shares, for sale to the Company's employees, executive officers, directors, business associates and related persons (collectively, "Participants"), as set forth in the Prospectus (as hereinafter defined) under the heading "Underwriting" (the "Directed Share Program"). The Shares to be sold by Barclays Capital Inc. and its affiliates pursuant to the Directed Share Program are referred to hereinafter as the "Directed Shares". Any Directed Shares not orally confirmed for purchase by any Participant by [ ], New York City time on the business day on which this Agreement is executed will be offered to the public by the Underwriters as set forth in the Prospectus.

The Company hereby confirms its agreement with the several Underwriters concerning the purchase and sale of the Shares, as follows:

1. Registration Statement. The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Securities Act"), a registration statement on Form S-1 (File No. 333-194258), including a prospectus, relating to the Shares. Such registration statement, as amended at the time it became effective, including the information, if any, deemed pursuant to Rule 430A under the Securities Act to be part of the registration statement at the time of its

effectiveness ("Rule 430A Information"), is referred to herein as the "Registration Statement"; and as used herein, the term "Preliminary Prospectus" means each prospectus included in such registration statement (and any amendments thereto) before effectiveness, any prospectus filed with the Commission pursuant to Rule 424(a) under the Securities Act and the prospectus included in the Registration Statement at the time of its effectiveness that omits Rule 430A Information, and the term "Prospectus" means the prospectus in the form first used (or made available upon request of purchasers pursuant to Rule 173 under the Securities Act) in connection with confirmation of sales of the Shares. If the Company has filed an abbreviated registration statement pursuant to Rule 462(b) under the Securities Act (the "Rule 462 Registration Statement"), then any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462 Registration Statement. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Registration Statement and the Prospectus.

At or prior to the Applicable Time (as defined below), the Company had prepared the following information (collectively with the pricing information set forth on Annex B, the "Pricing Disclosure Package"): the Preliminary Prospectus dated [ ], 2014 contained in the Registration Statement at the time of its effectiveness and each "free-writing prospectus" (as defined pursuant to Rule 405 under the Securities Act) listed on Annex B hereto.

"Applicable Time" means [ ] P.M., New York City time, on [ ], 2014.

2. Purchase of the Shares by the Underwriters.

(a) The Company agrees to issue and sell the Underwritten Shares to the several Underwriters as provided in this Agreement, and each Underwriter, on the basis of the representations, warranties and agreements set forth herein and subject to the conditions set forth herein, agrees, severally and not jointly, to purchase from the Company the respective number of Underwritten Shares set forth opposite such Underwriter's name in Schedule 1 hereto at a price per share (the "Purchase Price") of $[ ].

In addition, the Company agrees to issue and sell the Option Shares to the several Underwriters as provided in this Agreement, and the Underwriters, on the basis of the representations, warranties and agreements set forth herein and subject to the conditions set forth herein, shall have the option to purchase, severally and not jointly, from the Company the Option Shares at the Purchase Price less an amount per share equal to any dividends or distributions declared by the Company and payable on the Underwritten Shares but not payable on the Option Shares.

If any Option Shares are to be purchased, the number of Option Shares to be purchased by each Underwriter shall be the number of Option Shares which bears the same ratio to the aggregate number of Option Shares being purchased as the number of Underwritten Shares set forth opposite the name of such Underwriter in Schedule 1 hereto (or such number increased as set forth in Section 10 hereof) bears to the aggregate number of Underwritten Shares being purchased from the Company by the several Underwriters, subject, however, to such adjustments to eliminate any fractional Shares as the Representatives in their sole discretion shall make.

The Underwriters may exercise the option to purchase Option Shares at any time in whole, or from time to time in part, on or before the thirtieth day following the date of the Prospectus, by written notice from the Representatives to the Company. Such notice shall set forth the aggregate number of Option Shares as to which the option is being exercised and the date and time when the Option Shares are to be delivered and paid for, which may be the same date and time as the Closing Date (as hereinafter defined) but shall not be earlier than the Closing Date or later than the tenth full business day (as hereinafter defined) after the date of such notice (unless such time and date are postponed in accordance with the provisions of Section 10 hereof). Any such notice shall be given at least two business days prior to the date and time of delivery specified therein.

(b) The Company understands that the Underwriters intend to make a public offering of the Shares as soon after the effectiveness of this Agreement as in the judgment of the Representatives is advisable, and initially to offer the Shares on the terms set forth in the Prospectus. The Company acknowledges and agrees that the Underwriters may offer and sell Shares to or through any affiliate of an Underwriter.

(c) Payment for the Shares shall be made by wire transfer in immediately available funds to the account specified by the Company to the Representatives in the case of the Underwritten Shares, at the offices of Jones Day, 1755 Embarcadero Road, Palo Alto, CA 94303, at 10:00 A.M., New York City time, on [ ], 2014, or at such other time or place on the same or such other date, not later than the fifth business day thereafter, as the Representatives and the Company may agree upon in writing or, in the case of the Option Shares, on the date and at the time and place specified by the Representatives in the written notice of the Underwriters' election to purchase such Option Shares. The time and date of such payment for the Underwritten Shares is referred to herein as the "Closing Date", and the time and date for such payment for the Option Shares, if other than the Closing Date, is herein referred to as an "Additional Closing Date".

Payment for the Shares to be purchased on the Closing Date or an Additional Closing Date, as the case may be, shall be made against delivery to the Representatives for the respective accounts of the several Underwriters of the Shares to be purchased on the Closing Date or the Additional Closing Date, as the case may be, with any transfer taxes payable in connection with the sale of such Shares duly paid by the Company. Delivery of the Shares shall be made through the facilities of The Depository Trust Company ("DTC") unless the Representatives shall otherwise instruct.

(d) The Company acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Company with respect to the offering of Shares contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Company or any other person. Additionally, neither the Representatives nor any other Underwriter is advising the Company or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Company shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Company with respect thereto. Any review by the Underwriters of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Company.

3. Representations and Warranties of the Company. The Company represents and warrants to each Underwriter that:

(a) *Preliminary Prospectus*. No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and the Preliminary Prospectus included in the Pricing Disclosure Package, at the time of filing thereof, complied in all material respects with the applicable requirements of the Securities Act, and no Preliminary Prospectus, at the time of filing thereof, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter

furnished to the Company in writing by such Underwriter through the Representatives expressly for use in any Preliminary Prospectus, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 7(b) hereof.

(b) *Pricing Disclosure Package*. The Pricing Disclosure Package as of the Applicable Time did not, and as of the Closing Date and as of the Additional Closing Date, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in such Pricing Disclosure Package, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 7(b) hereof.

(c) *Issuer Free Writing Prospectus*. Other than the Registration Statement, the Preliminary Prospectus and the Prospectus, the Company (including its agents and representatives, other than the Underwriters in their capacity as such) has not prepared, used, authorized, approved or referred to and will not prepare, use, authorize, approve or refer to any "written communication" (as defined in Rule 405 under the Securities Act) that constitutes an offer to sell or solicitation of an offer to buy the Shares (each such communication by the Company or its agents and representatives (other than a communication referred to in clause (i) below) an "Issuer Free Writing Prospectus") other than (i) any document not constituting a prospectus pursuant to Section 2(a)(10)(a) of the Securities Act or Rule 134 under the Securities Act or any document not constituting an offer pursuant to Rule 135 under the Securities Act, or (ii) the documents listed on Annex B hereto, each electronic road show and any other written communications approved in writing in advance by the Representatives, which approval shall not be unreasonably withheld or delayed. Each such Issuer Free Writing Prospectus, if any, complied in all material respects with the Securities Act, has been or will be (within the time period specified in Rule 433) filed in accordance with the Securities Act (to the extent required thereby) and, when taken together with the Preliminary Prospectus accompanying, or delivered prior to delivery of, such Issuer Free Writing Prospectus, did not, and as of the Closing Date and as of the Additional Closing Date, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation and warranty with respect to any statements or omissions made in each such Issuer Free Writing Prospectus or Preliminary Prospectus in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in such Issuer Free Writing Prospectus or Preliminary Prospectus, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 7(b) hereof.

(d) *Emerging Growth Company*. From the time of initial confidential submission of the Registration Statement to the Commission (or, if earlier, the first date on which the Company engaged directly or through any person authorized to act on its behalf in any Testing-the-Waters Communication) through the date hereof, the Company has been and is an "emerging growth company," as defined in Section 2(a) of the Securities Act (an "Emerging Growth Company"). "Testing-the-Waters Communication" means any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Securities Act, other than communications undertaken by an Underwriter or by the Underwriters that were not authorized by the Company. "Written Testing-the-Waters Communication" means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Securities Act.

(e) *Testing-the-Waters Materials.* The Company has not alone engaged in any Testing-the-Waters Communications other than Testing-the-Waters Communications with the consent of the Representatives with entities that are qualified institutional buyers within the meaning of Rule 144A under the Securities Act or institutions that are accredited investors within the meaning of Rule 501 under the Securities Act and has not authorized anyone other than the Representatives to engage in Testing-the-Waters Communications. The Company reconfirms that the Representatives have been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Company has not distributed or approved for distribution any Written Testing-the-Waters Communications other than those listed on Annex C hereto. Each Written Testing-the-Waters Communication does not conflict with the information contained in the Registration Statement or the Pricing Disclosure Package, complied in all material respects with the applicable provisions of the Securities Act, and when taken together with the Pricing Disclosure Package as of the Applicable Time, did not, and as of the Closing Date and as of the Additional Closing Date, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) *Registration Statement and Prospectus.* The Registration Statement has been declared effective by the Commission. No order suspending the effectiveness of the Registration Statement has been issued by the Commission, and, to the Company's knowledge, no proceeding for that purpose or pursuant to Section 8A of the Securities Act against the Company or related to the offering of the Shares has been initiated or threatened by the Commission; as of the applicable effective date of the Registration Statement and any post-effective amendment thereto, the Registration Statement and any such post-effective amendment complied and will comply in all material respects with the applicable provisions of the Securities Act, and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; and as of the date of the Prospectus and any amendment or supplement thereto and as of the Closing Date and as of the Additional Closing Date, as the case may be, the Prospectus will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in the Registration Statement and the Prospectus and any amendment or supplement thereto, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 7(b) hereof.

(g) *Financial Statements.* The financial statements (including the related notes thereto) of the Company and its consolidated subsidiaries included in the Registration Statement, the Pricing Disclosure Package and the Prospectus comply in all material respects with the applicable requirements of the Securities Act and present fairly in all material respects the financial position of the Company and its consolidated subsidiaries as of the dates indicated and the results of their operations and the changes in their cash flows for the periods specified; such financial statements have been prepared in conformity with generally accepted accounting principles in the United States applied on a consistent basis throughout the periods covered thereby, and any supporting schedules included in the Registration Statement present fairly in all material respects the information required to be stated therein; and the other financial information included in the Registration Statement, the Pricing Disclosure Package and the Prospectus has been derived from the accounting records of the Company and its consolidated subsidiaries and presents fairly in all material respects the information shown thereby; and the *pro forma* financial statements (including the related notes thereto) included in the Registration Statement, the Pricing Disclosure Package and the Prospectus have been prepared, in all material respects, in accordance with the applicable requirements of the Securities Act and the assumptions underlying such pro forma financial statements are reasonable and are set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(h) *No Material Adverse Change.* Since the date of the most recent financial statements of the Company included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, (i) there has not been any change in the capital stock (other than the issuance of shares of Common Stock upon exercise of stock options and warrants described as outstanding in, and the grant of options and awards under existing equity incentive plans described in, the Registration Statement, the Pricing Disclosure Package and the Prospectus), any material change in the short-term debt or long-term debt of the Company or any of its subsidiaries, or any dividend or distribution of any kind declared, set aside for payment, paid or made by the Company on any class of capital stock, or any material adverse change, or any development involving a prospective material adverse change, in or affecting the business, properties, management, financial position, stockholders' equity, results of operations or prospects of the Company and its subsidiaries taken as a whole; (ii) neither the Company nor any of its subsidiaries has entered into any transaction or agreement (whether or not in the ordinary course of business) that is material to the Company and its subsidiaries taken as a whole or incurred any liability or obligation, direct or contingent, that is material to the Company and its subsidiaries taken as a whole; and (iii) neither the Company nor any of its subsidiaries has sustained any loss or interference with its business that is material to the Company and its subsidiaries taken as a whole that is either from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority, except in the case of each of clauses (i)–(iii) as otherwise disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(i) *Organization and Good Standing.* The Company and each of its subsidiaries have been duly organized (or the jurisdictional equivalent, if any) and are validly existing and in good standing (or the jurisdictional equivalent, if any) under the laws of their respective jurisdictions of organization, are duly qualified to do business and are in good standing in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification, and have all corporate power and authority necessary to own or hold their respective properties and to conduct the businesses in which they are engaged, except where the failure to be so qualified or in good standing or have such power or authority would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, properties, management, financial position, stockholders' equity, results of operations or prospects of the Company and its subsidiaries taken as a whole or on the performance by the Company of its obligations under this Agreement (a "Material Adverse Effect"). The Company does not own or control, directly or indirectly, any corporation, association or other entity other than the subsidiaries listed in Exhibit 21.1 to the Registration Statement. The subsidiaries listed in Schedule 2 to this Agreement are the only significant subsidiaries of the Company.

(j) *Capitalization.* The Company has an authorized capitalization as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus under the heading "Capitalization"; all the outstanding shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable and are not subject to any pre-emptive or similar rights; except as described in or expressly contemplated by the Pricing Disclosure Package and the Prospectus, there are no outstanding rights (including, without limitation, pre-emptive rights), warrants or options to acquire, or instruments convertible into or exchangeable for, any shares of capital stock or other equity interest in the Company or any of its subsidiaries, or any contract, commitment, agreement, understanding or arrangement of any kind relating to the issuance of any capital stock of the Company or any such subsidiary, any such convertible or exchangeable securities or any such rights, warrants or options; the capital stock of the Company conforms in all material respects to the description thereof

contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and all the outstanding shares of capital stock or other equity interests of each subsidiary owned, directly or indirectly, by the Company have been duly and validly authorized and issued, are fully paid and non-assessable (except, in the case of any foreign subsidiary, for directors' qualifying shares) and are owned directly or indirectly by the Company, free and clear of any lien, charge, encumbrance, security interest, restriction on voting or transfer or any other claim of any third party.

(k) *Stock Options.* With respect to the outstanding stock options (the "Stock Options") granted pursuant to the stock-based compensation plans of the Company and its subsidiaries (the "Company Stock Plans"), (i) each Stock Option intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), so qualified, (ii) each grant of a Stock Option was duly authorized no later than the date on which the grant of such Stock Option was by its terms to be effective (the "Grant Date") by all necessary corporate action, including, as applicable, approval by the board of directors of the Company (or a duly constituted and authorized committee thereof) and any required stockholder approval by the necessary number of votes or written consents, and the award agreement governing such grant (if any) was duly executed and delivered by each party thereto, (iii) each such grant was made in accordance with the terms of the Company Stock Plans, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and all other applicable laws and regulatory rules or requirements, and (iv) each such grant was properly accounted for in accordance with GAAP in the financial statements (including the related notes) of the Company included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, to the extent required under GAAP to be accounted for in such financial statements.

(l) *Due Authorization.* The Company has full corporate right, power and authority to execute and deliver this Agreement and to perform its obligations hereunder; and all corporate action required to be taken for the due and proper authorization, execution and delivery by it of this Agreement and the consummation by it of the transactions contemplated hereby has been duly and validly taken.

(m) *Underwriting Agreement.* This Agreement has been duly authorized, executed and delivered by the Company.

(n) *The Shares.* The Shares to be issued and sold by the Company hereunder have been duly authorized and, when issued and delivered and paid for as provided herein, will be duly and validly issued, will be fully paid and nonassessable and will conform in all material respects to the descriptions thereof in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and the issuance of the Shares will not be subject to any preemptive or similar rights.

(o) *Description of the Underwriting Agreement.* This Agreement conforms in all material respects to the description thereof contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(p) *No Violation or Default.* Neither the Company nor any of its subsidiaries is (i) in violation of its charter or by-laws or similar organizational documents; (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject; or (iii) in violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority, except, in the case of clauses (ii) and (iii) above, for any such default or violation that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(q) *No Conflicts.* The execution, delivery and performance by the Company of this Agreement, the issuance and sale of the Shares and the consummation of the transactions contemplated by this Agreement will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, (ii) result in any violation of the provisions of the charter or by-laws or similar organizational documents of the Company or any of its subsidiaries or (iii) result in the violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority, except, in the case of clauses (i) and (iii) above, for any such conflict, breach, violation or default that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(r) *No Consents Required.* No consent, approval, authorization, order, license, registration or qualification of or with any court or arbitrator or governmental or regulatory authority is required for the execution, delivery and performance by the Company of this Agreement, the issuance and sale of the Shares and the consummation of the transactions contemplated by this Agreement, except for the registration of the Shares under the Securities Act and such consents, approvals, authorizations, orders and registrations or qualifications as may be required by any applicable stock exchange, the Financial Industry Regulatory Authority, Inc. ("FINRA") and under applicable state and foreign securities laws in connection with the purchase and distribution of the Shares by the Underwriters.

(s) *Legal Proceedings.* Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no legal, governmental or regulatory investigations, actions, suits or proceedings pending to which the Company or any of its subsidiaries is a party or to which any property of the Company or any of its subsidiaries is the subject that, individually or in the aggregate, if determined adversely to the Company or any of its subsidiaries, would reasonably be expected to have a Material Adverse Effect; to the knowledge of the Company, no such investigations, actions, suits or proceedings are threatened or contemplated by any governmental or regulatory authority or by others; and (i) there are no current or pending legal, governmental or regulatory actions, suits or proceedings that are required under the Securities Act to be described in the Registration Statement, the Pricing Disclosure Package or the Prospectus that are not so described in the Registration Statement, the Pricing Disclosure Package and the Prospectus and (ii) there are no statutes, regulations or contracts or other documents that are required under the Securities Act to be filed as exhibits to the Registration Statement or described in the Registration Statement, the Pricing Disclosure Package or the Prospectus that are not so filed as exhibits to the Registration Statement or described in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(t) *Independent Accountants*. Each of KPMG LLP and Moss Adams LLP, who have certified certain financial statements of the Company and its subsidiaries, is an independent registered public accounting firm with respect to the Company and its subsidiaries within the applicable rules and regulations adopted by the Commission and the Public Company Accounting Oversight Board (United States) and as required by the Securities Act.

(u) *Title to Real and Personal Property*. Neither the Company nor any of its subsidiaries own, or have ever owned, real property. The Company and its subsidiaries have valid rights to lease or otherwise use, all items of real and personal property and assets that are material to the respective businesses of the Company and its subsidiaries taken as a whole, in each case, except as disclosed in the Registration Statement, free and clear of all liens, encumbrances, claims and defects and imperfections of title except those that (i) do not materially interfere with the use made and proposed to be made of such

property by the Company and its subsidiaries, (ii) would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect or (iii) exist pursuant the Company's equipment lines of credit. Any real property and buildings held under lease by the Company and its subsidiaries are held under leases subject to such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries.

(v) *Title to Intellectual Property.* To the knowledge of the Company, the Company and its subsidiaries own or possess adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses and know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) necessary for the conduct of their respective businesses as currently conducted and as proposed to be conducted, and the conduct of their respective businesses will not conflict in any material respect with any such rights of others. Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company and its subsidiaries have not received any notice of any claim of infringement, misappropriation or conflict with any such rights of others in connection with its patents, patent rights, licenses, inventions, trademarks, service marks, trade names, copyrights and know-how, which could reasonably be expected to result in a Material Adverse Effect.

(w) *No Undisclosed Relationships*. No relationship, direct or indirect, exists between or among the Company or any of its subsidiaries, on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company or any of its subsidiaries, on the other, that is required by the Securities Act to be described in the Registration Statement and the Prospectus and that is not so described in such documents and in the Pricing Disclosure Package. As of the date of the initial filing of the Registration Statement, there were no outstanding personal loans made, directly or indirectly, by the Company to any director or executive officer of the Company.

(x) *Investment Company Act*. The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, will not be required to register as an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Investment Company Act").

(y) *Taxes.* Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company and its subsidiaries have paid all federal, state, local and foreign taxes except for any tax that is being contested in good faith and for which an adequate reserve or accrual has been established in accordance with GAAP and filed all tax returns required to be paid or filed through the date hereof; and except as otherwise disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there is no tax deficiency that has been, or would reasonably be expected to be, asserted against the Company or any of its subsidiaries or any of their respective properties or assets except where the failure to pay or file or when such deficiency would not individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(z) *Licenses and Permits.* The Company and its subsidiaries possess all licenses, certificates, permits and other authorizations issued by, and have made all declarations and filings with, the appropriate federal, state, local or foreign governmental or regulatory authorities that are necessary for the ownership or lease of their respective properties or the conduct of their respective businesses as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, except where the failure to possess or make the same would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, neither the Company nor any of its subsidiaries has received written, or to

the Company's knowledge, other notice of any revocation or modification of any such license, certificate, permit or authorization or has any reason to believe that any such license, certificate, permit or authorization will not be renewed in the ordinary course, except where such revocation, modification or nonrenewal would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(aa) *No Labor Disputes*. No labor disturbance by or dispute with employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is contemplated or threatened, and the Company is not aware of any existing or imminent labor disturbance by, or dispute with, the employees of any of its or its subsidiaries' principal suppliers, contractors or customers, except as would not reasonably be expected to have a Material Adverse Effect.

(bb) *Compliance with and Liability under Environmental Laws*. (i) The Company and its subsidiaries (a) are, and at all prior times were, in material compliance with any and all applicable federal, state, local and foreign laws, rules, regulations, requirements, decisions, judgments, decrees, orders and the common law relating to pollution or the protection of the environment, natural resources or human health or safety, including those relating to the generation, storage, treatment, use, handling, transportation, Release or threat of Release of Hazardous Materials (collectively, "Environmental Laws"), (b) have received and are in compliance with all permits, licenses, certificates or other authorizations or approvals required of them under applicable Environmental Laws to conduct their respective businesses, (c) have not received written notice of any actual or potential liability under or relating to, or actual or potential violation of, any Environmental Laws, including for the investigation or remediation of any Release or threat of Release of Hazardous Materials, and have no knowledge of any event or condition that would reasonably be expected to result in any such notice, (d) are not conducting or paying for, in whole or in part, any investigation, remediation or other corrective action pursuant to any Environmental Law at any location, and (e) are not a party to any order, decree or agreement that imposes any obligation or liability under any Environmental Law, and (ii) there are no costs or liabilities associated with Environmental Laws of or relating to the Company or its subsidiaries, except in the case of each of (i) and (ii) above, for any such matter, as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and (iii) except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no proceedings that are pending, or that are known by the Company to be contemplated, against the Company or any of its subsidiaries under any Environmental Laws in which a governmental entity is also a party, other than such proceedings regarding which it is reasonably believed no monetary sanctions of $100,000 or more will be imposed against the Company or any of its subsidiaries.

(cc) *Hazardous Materials*. There has been no storage, generation, transportation, use, handling, treatment, Release or threat of Release of Hazardous Materials caused by the Company or any of its subsidiaries (or, to the knowledge of the Company and its subsidiaries, any other entity (including any predecessor in interest) for whose acts or omissions the Company or any of its subsidiaries is liable) at, on, under or from any property or facility now or previously owned, operated or leased by the Company or any of its subsidiaries, or at, on, under or from any other property or facility, in violation of any Environmental Laws, except for any violation or liability which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. "Hazardous Materials" means any material, chemical, substance ,waste, pollutant, contaminant, compound, mixture, or constituent thereof, in any form or amount, including petroleum (including crude oil or any fraction thereof) and petroleum products, natural gas liquids, asbestos and asbestos containing materials, naturally occurring radioactive materials, brine, and drilling mud, regulated or which can give rise to liability under any Environmental Law. "Release" means any spilling, leaking, seepage, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, depositing, dispersing, or migrating in, into or through the environment, or in, into from or through any building or structure.

(dd) *Compliance with ERISA.* (i) Each employee benefit plan, within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), for which the Company or any member of its "Controlled Group" (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414 of the Code) would have any liability (each, a "Plan") has been maintained in compliance with its terms and the requirements of any applicable statutes, orders, rules and regulations, including but not limited to ERISA and the Code, except for noncompliance that would not reasonably be expected to result in material liability to the Company or its subsidiaries; (ii) no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any Plan excluding transactions effected pursuant to a statutory or administrative exemption that would reasonably be expected to result in a material liability to the Company and its subsidiaries taken as a whole; (iii) for each Plan that is subject to the funding rules of Section 412 of the Code or Section 302 of ERISA, the minimum funding standard of Section 412 of the Code or Section 302 of ERISA, as applicable, has been satisfied (without taking into account any waiver thereof or extension of any amortization period) and is reasonably expected to be satisfied in the future (without taking into account any waiver thereof or extension of any amortization period); (iv) the fair market value of the assets of each Plan exceeds the present value of all benefits accrued under such Plan (determined based on those assumptions used to fund such Plan); (v) no "reportable event" (within the meaning of Section 4043(c) of ERISA) has occurred or is reasonably expected to occur that either has resulted, or would reasonably be expected to result, in material liability to the Company and its subsidiaries taken as a whole; (vi) neither the Company nor any member of the Controlled Group has incurred, nor reasonably expects to incur, any material liability under Title IV of ERISA (other than contributions to the Plan or premiums to the PBGC, in the ordinary course and without default) in respect of a Plan (including a "multiemployer plan", within the meaning of Section 4001(a)(3) of ERISA); and (vii) to the Company's knowledge, there is no pending audit or investigation by the Internal Revenue Service, the U.S. Department of Labor, the Pension Benefit Guaranty Corporation or any other governmental agency or any foreign regulatory agency with respect to any Plan that would reasonably be expected to result in material liability to the Company and its subsidiaries taken as a whole. None of the following events has occurred or is reasonably likely to occur: (x) a material increase in the aggregate amount of contributions required to be made to all Plans by the Company and its subsidiaries taken as a whole in the current fiscal year of the Company and its subsidiaries compared to the amount of such contributions made in the Company and its subsidiaries' most recently completed fiscal year; or (y) a material increase in the Company and its subsidiaries' "accumulated post-retirement benefit obligations" (within the meaning of Statement of Financial Accounting Standards 106) compared to the amount of such obligations in the Company and its subsidiaries' most recently completed fiscal year.

(ee) *Disclosure Controls*. The Company and its subsidiaries maintain an effective system of "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Exchange Act) that has been designed to comply with the requirements of the Exchange Act and that has been designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, including controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

(ff) *Accounting Controls.* The Company and its subsidiaries maintain systems of "internal control over financial reporting" (as defined in Rule 13a-15(f) of the Exchange Act) that have been designed to comply with the requirements of the Exchange Act and have been designed by, or under the supervision of, their respective principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, including, but not limited to, internal accounting controls sufficient to provide

reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no material weaknesses in the Company's internal control over financial reporting. The Company's auditors and the Audit Committee of the Board of Directors of the Company have been advised of: (i) all significant deficiencies and material weaknesses in the design or operation of the Company's internal control over financial reporting which have adversely affected or are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

(gg) *Insurance.* The Company and its subsidiaries have insurance covering their respective properties, operations, personnel and businesses, including business interruption insurance, which insurance is in amounts and insures against such losses and risks as the Company reasonably believes are adequate to protect the Company and its subsidiaries and their respective businesses; and neither the Company nor any of its subsidiaries has (i) received written notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance or (ii) any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage at reasonable cost from similar insurers as may be necessary to continue its business in all material respects.

(hh) *No Unlawful Payments.* Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, or employee of the Company or any of its subsidiaries nor, to the knowledge of the Company, any agent, affiliate or other person authorized to act on behalf of or acting on behalf of the Company or any of its subsidiaries has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made or taken an act in furtherance of an offer, promise or authorization of any direct or indirect unlawful payment or benefit to any foreign or domestic government official or employee; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, or any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or committed an offence under the Bribery Act 2010 of the United Kingdom, or any other applicable anti-bribery or anti-corruption laws; or (iv) made, offered, or taken an act in furtherance of any bribe, rebate, payoff, influence payment, kickback or other unlawful payment or benefit. The Company and its subsidiaries have instituted, maintain and enforce, and will continue to maintain and enforce policies and procedures designed to promote and ensure compliance with all applicable anti-bribery and anti-corruption laws.

(ii) *Compliance with Anti-Money Laundering Laws*. The operations of the Company and its subsidiaries are and have been conducted at all times in compliance in all material respects with applicable financial recordkeeping, reporting and related requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the applicable anti-money laundering statutes of all jurisdictions where the Company or any of its subsidiaries conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the "Anti-Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(jj) *No Conflicts with Sanctions Laws*. Neither the Company nor any of its subsidiaries, nor to the knowledge of the Company, any director, officer, employee, agent, or affiliate or other person authorized to act on behalf of or acting on behalf of the Company or any of its subsidiaries is currently the subject or the target of any sanctions administered or enforced by the U.S. Government (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State), the United Nations Security Council, the European Union, Her Majesty's Treasury, or other applicable sanctions authority (collectively, "Sanctions"), nor is the Company or any of its subsidiaries located, organized or resident in a country or territory that is the subject or the target of Sanctions, specifically, Cuba, Burma (Myanmar), Iran, North Korea, Sudan and Syria (each, a "Sanctioned Country"); and the Company will not directly or indirectly use the proceeds of the offering of the Securities hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person, or in any Sanctioned Country, that, at the time of such funding or facilitation, would violate or cause a violation of Sanctions or (ii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions. For the past 5 years, the Company and its subsidiaries have not knowingly engaged in, are not now knowingly engaged in, and will not in violation of applicable law engage in, any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions or with any Sanctioned Country.

(kk) *No Restrictions on Subsidiaries*. Except for the restrictions described in the Registration Statement, no subsidiary of the Company is currently prohibited, directly or indirectly, under any agreement or other instrument to which it is a party or is subject, from paying any dividends to the Company, from making any other distribution on such subsidiary's capital stock, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's properties or assets to the Company or any other subsidiary of the Company.

(ll) *No Broker's Fees.* Neither the Company nor any of its subsidiaries is a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against the Company or any of its subsidiaries or any Underwriter for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Shares.

(mm) *No Registration Rights*. Except for the rights described in the Registration Statements and for such rights as have been duly exercised or waived, no person has the right to require the Company or any of its subsidiaries to register any offering of securities for sale under the Securities Act by reason of the filing of the Registration Statement with the Commission or the issuance and sale of the Shares.

(nn) *No Stabilization.* The Company has not taken, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Shares.

(oo) *Margin Rules*. The application of the proceeds received by the Company from the issuance, sale and delivery of the Shares as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus will not violate Regulation T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors.

(pp) *Forward-Looking Statements.* No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) contained in the Registration Statement, the Pricing Disclosure Package or the Prospectus has been made or reaffirmed by the Company without a reasonable basis or has been disclosed by the Company other than in good faith.

(qq) *Statistical and Market Data.* Nothing has come to the attention of the Company that has caused the Company to believe that the statistical and market-related data included in the Registration Statement, the Pricing Disclosure Package and the Prospectus are not based on or derived from sources that are reliable and accurate in all material respects.

(rr) *Sarbanes-Oxley Act*. There is and has been no failure on the part of the Company or, to the knowledge of the Company, any of the Company's directors or officers, in their capacities as such, to comply with any applicable provision of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith (the "Sarbanes-Oxley Act"), including Section 402 related to loans, to the extent compliance is required as of the date of this Agreement.

(ss) *Status under the Securities Act*. At the time of filing the Registration Statement and any post-effective amendment thereto, at the earliest time thereafter that the Company or any offering participant made a *bona fide* offer (within the meaning of Rule 164(h)(2) under the Securities Act) of the Shares and at the date hereof, the Company was not and is not an "ineligible issuer," as defined in Rule 405 under the Securities Act. The Company has paid the registration fee for this offering pursuant to Rule 457 under the Securities Act.

(tt) *FINRA Affiliations*. To the Company's knowledge, there are no affiliations or associations between any member of FINRA and any of the Company's officers, directors, 5% or greater securityholders or any beneficial owner of the Company's unregistered equity securities that were acquired during the 180-day period immediately preceding the initial submission date of the Registration Statement, except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(uu) *Directed Share Program*. The Registration Statement, the Pricing Disclosure Package and the Prospectus, any Preliminary Prospectus and any Issuer Free Writing Prospectuses comply in all material respects, and any further amendments or supplements thereto will comply in all material respects, with any applicable laws or regulations of foreign jurisdictions in which the Pricing Disclosure Package, the Prospectus, any Preliminary Prospectus and any Issuer Free Writing Prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program, and (ii) no authorization, approval, consent, license, order, registration or qualification of or with any government, governmental instrumentality or court, other than such as have been obtained, is necessary under the securities laws and regulations of foreign jurisdictions in which the Directed Shares are offered outside the United States. The Company has not offered, or caused the underwriters to offer, Shares to any person pursuant to the Directed Share Program with the specific intent to unlawfully influence (i) a customer or supplier of the Company to alter the customer or supplier's level or type of business with the Company, or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products.

4. Further Agreements of the Company. The Company covenants and agrees with each Underwriter that:

(a) *Required Filings.* The Company will file the final Prospectus with the Commission within the time periods specified by Rule 424(b) and Rule 430A under the Securities Act, will file any Issuer Free Writing Prospectus to the extent required by Rule 433 under the Securities Act; and will furnish copies of the Prospectus and each Issuer Free Writing Prospectus (to the extent not previously delivered) to the Underwriters in New York City prior to 10:00 A.M., New York City time, on the business day next succeeding the date of this Agreement in such quantities as the Representatives may reasonably request.

(b) *Delivery of Copies*. The Company will deliver, upon request and without charge, (i) to each of the Representatives, one signed copy of the Registration Statement as originally filed and each amendment thereto, in each case including all exhibits and consents filed therewith; and (ii) to each other Underwriter (A) a conformed copy of the Registration Statement as originally filed and each amendment thereto (without exhibits) and (B) during the Prospectus Delivery Period (as defined below), as many copies of the Prospectus (including all amendments and supplements thereto and each Issuer Free Writing Prospectus) as the Representatives may reasonably request. As used herein, the term "Prospectus Delivery Period" means such period of time after the first date of the public offering of the Shares not to exceed nine months as in the opinion of counsel for the Underwriters a prospectus relating to the Shares is required by law to be delivered (or required to be delivered but for Rule 172 under the Securities Act) in connection with sales of the Shares by any Underwriter or dealer.

(c) *Amendments or Supplements, Issuer Free Writing Prospectuses.* Before using, authorizing, approving or filing any Issuer Free Writing Prospectus, and before filing any amendment or supplement to the Registration Statement or the Prospectus, the Company will furnish to the Representatives and counsel for the Underwriters a copy of the proposed Issuer Free Writing Prospectus, amendment or supplement for review and will not use, authorize, approve, refer to or file any such Issuer Free Writing Prospectus or file any such proposed amendment or supplement to which the Representatives reasonably object in a timely manner.

(d) *Notice to the Representatives.* The Company will advise the Representatives promptly, and confirm such advice in writing (which may be by electronic mail), (i) when the Registration Statement has become effective; (ii) when any amendment to the Registration Statement has been filed or becomes effective; (iii) when any supplement to the Prospectus, any Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication or any amendment to the Prospectus has been filed or distributed; (iv) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or the receipt of any comments from the Commission relating to the Registration Statement or any other request by the Commission for any additional information, including, but not limited to, any request for information concerning any Testing-the-Waters Communication; (v) of the issuance by the Commission of any order suspending the effectiveness of the Registration Statement or preventing or suspending the use of any Preliminary Prospectus, any of the Pricing Disclosure Package, the Prospectus or any Written Testing-the-Waters Communication or the initiation or threatening of any proceeding for that purpose or pursuant to Section 8A of the Securities Act; (vi) of the occurrence of any event or development within the Prospectus Delivery Period as a result of which the Prospectus, the Pricing Disclosure Package, any Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication as then amended or supplemented would include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing when the Prospectus, the Pricing Disclosure Package, any such Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication is delivered to a purchaser, not misleading; and (vii) of the receipt by the Company of any notice with respect to any suspension of the qualification of the Shares for offer and sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and the Company will use commercially reasonable efforts to prevent the issuance of any such order suspending the effectiveness of the Registration Statement, preventing or suspending the use of any Preliminary Prospectus, any of the Pricing Disclosure Package or the Prospectus or Written Testing-the-Waters Communication or suspending any such qualification of the Shares and, if any such order is issued, will use commercially reasonable efforts to obtain as soon as possible the withdrawal thereof.

(e) *Ongoing Compliance.* (1) If during the Prospectus Delivery Period (i) any event or development shall occur or condition shall exist as a result of which the Prospectus as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact

necessary in order to make the statements therein, in the light of the circumstances existing when the Prospectus is delivered to a purchaser, not misleading or (ii) it is necessary to amend or supplement the Prospectus to comply with law, the Company will promptly notify the Underwriters thereof and forthwith prepare and, subject to paragraph (c) above, file with the Commission and furnish to the Underwriters and to such dealers as the Representatives may designate such amendments or supplements to the Prospectus as may be necessary so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances existing when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus will comply with law and (2) if at any time prior to the Closing Date (i) any event or development shall occur or condition shall exist as a result of which the Pricing Disclosure Package as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances existing when the Pricing Disclosure Package is delivered to a purchaser, not misleading or (ii) it is necessary to amend or supplement the Pricing Disclosure Package to comply with law, the Company will promptly notify the Underwriters thereof and forthwith prepare and, subject to paragraph (c) above, file with the Commission (to the extent required) and furnish to the Underwriters and to such dealers as the Representatives may designate such amendments or supplements to the Pricing Disclosure Package as may be necessary so that the statements in the Pricing Disclosure Package as so amended or supplemented will not, in the light of the circumstances existing when the Pricing Disclosure Package is delivered to a purchaser, be misleading or so that the Pricing Disclosure Package will comply with law.

(f) *Blue Sky Compliance.* If required by applicable law, the Company will qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Representatives shall reasonably request and will continue such qualifications in effect so long as required for distribution of the Shares; provided that the Company shall not be required to (i) qualify as a foreign corporation or other entity or as a dealer in securities in any such jurisdiction where it would not otherwise be required to so qualify, (ii) file any general consent to service of process in any such jurisdiction or (iii) subject itself to taxation in any such jurisdiction if it is not otherwise so subject.

(g) *Earning Statement.* The Company will make generally available to its security holders and the Representatives as soon as practicable an earnings statement that satisfies the provisions of Section 11(a) of the Securities Act and Rule 158 of the Commission promulgated thereunder covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the "effective date" (as defined in Rule 158) of the Registration Statement, it being understood and agreed that such earnings statement shall be deemed to have been made available by the Company if the Company is in compliance with its reporting obligations pursuant to the Exchange Act, if such compliance satisfies the conditions of Rule 158, and if such earnings statement is made available on the Commission's Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

(h) *Clear Market.* For a period of 180 days after the date of the Prospectus, the Company will not (i) 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, or otherwise transfer or dispose of, directly or indirectly, or file with the Commission a registration statement under the Securities Act relating to, any shares of Stock or any securities convertible into or exercisable or exchangeable for Stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing (other than filings on Form S-8 relating to the Company Stock Plans), or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Stock or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Stock or such other securities, in cash or otherwise, without the prior written consent of J. P. Morgan Securities LLC and Barclays Capital Inc., other than (A) the Shares to be sold hereunder, (B) any shares of capital stock of the Company issued upon the exercise of options granted under Company Stock Plans, the exercise of warrants described in the Registration Statement, or upon the conversion of the

preferred stock of the Company, (C) shares issued pursuant to stock purchase or sale rights described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, (D) shares issued pursuant to the Company's employee stock purchase plan and grants of equity awards under Company Stock Plans, and (E) shares issued in connection with mergers or acquisitions of businesses, entities, property or other assets, joint ventures or strategic alliances (including the filing of a registration statement on Form S-4 or other appropriate form with respect thereto); provided that, in the case of (B)-(E) above, the Company shall use commercially reasonable efforts to cause each such recipient of shares to execute and deliver to the Representatives a lock-up letter substantially in the form of Exhibit A hereto for the balance of the 180-day restricted period; provided further, that the number of shares issued under (E) above shall not exceed [*insert number of shares equal to 5% of Company's outstanding shares once post-IPO capitalization is known*].

If J.P. Morgan Securities LLC and Barclays Capital Inc., in their sole discretion, agree to release or waive the restrictions set forth in a lock-up letter described in Section 6(l) hereof for an officer or director of the Company and provide the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Exhibit C hereto through a major news service at least two business days before the effective date of the release or waiver.

(i) *Use of Proceeds*. The Company will apply the net proceeds from the sale of the Shares as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus under the heading "Use of Proceeds".

(j) *No Stabilization.* The Company will not take, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Stock.

(k) *Exchange Listing.* The Company will use its best efforts to list for quotation the Shares on the Nasdaq Global Select Market (the "Nasdaq Market").

(l) *Reports.* Until the third anniversary of the date hereof, the Company will furnish to the Representatives, as soon as they are available, copies of all reports or other communications (financial or other) furnished to holders of the Shares, and copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange or automatic quotation system; provided the Company will be deemed to have furnished such reports and financial statements to the Representatives to the extent they are filed on EDGAR.

(m) *Record Retention.* The Company will, pursuant to reasonable procedures developed in good faith, retain copies of each Issuer Free Writing Prospectus that is not filed with the Commission in accordance with Rule 433 under the Securities Act.

(n) *Filings.* The Company will file with the Commission such reports as may be required by Rule 463 under the Securities Act.

(o) *Investment Company.* The Company will not invest, or otherwise use the proceeds received by the Company from its sale of the Shares in such a manner as would require the Company or any of its subsidiaries to register as an investment company under the Investment Company Act.

(p) *Transfer Agent.* The Company will maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Common Stock.

(q) *Lock-up Agreements.* The Company has caused each officer and director and certain stockholders of the Company to furnish to the Representatives, on or prior to the date of this Agreement, a "lock-up" agreement, each substantially in the form of Exhibit A hereto.

(r) *Emerging Growth Company Status.* The Company will promptly notify the Representatives if the Company ceases to be an Emerging Growth Company at any time prior to the later of (i) completion of the distribution of Shares within the meaning of the Securities Act and (ii) completion of the 180-day restricted period referred to in Section 4(h) hereof.

(s) *Directed Share Program.* The Company will comply with all applicable securities and other laws, rules and regulations in each jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

5. Certain Agreements of the Underwriters. Each Underwriter hereby represents and agrees that:

(a) It has not used, authorized use of, referred to or participated in the planning for use of, and will not use, authorize use of, refer to or participate in the planning for use of, any "free writing prospectus", as defined in Rule 405 under the Securities Act (which term includes use of any written information furnished to the Commission by the Company and not incorporated by reference into the Registration Statement and any press release issued by the Company) other than (i) a free writing prospectus that contains no "issuer information" (as defined in Rule 433(h)(2) under the Securities Act) that was not included (including through incorporation by reference) in the Preliminary Prospectus or a previously filed Issuer Free Writing Prospectus, (ii) any Issuer Free Writing Prospectus listed on Annex B or prepared pursuant to Section 3(c) or Section 4(c) above (including any electronic road show approved in advance by the Company), or (iii) any free writing prospectus prepared by such underwriter and approved by the Company in advance in writing (each such free writing prospectus referred to in clauses (i) or (iii), an "Underwriter Free Writing Prospectus"). It has not and will not distribute any Underwriter Free Writing Prospectus referred to in clause (i) of this Section 5(a) in a manner that may lead to its broad unrestricted dissemination.

(b) It has not and will not, without the prior written consent of the Company, use any free writing prospectus that contains the final terms of the Shares unless such terms have previously been included in a free writing prospectus filed with the Commission; *provided* that Underwriters may use a term sheet substantially in the form of Annex D hereto without the consent of the Company; *provided further* that any Underwriter using such term sheet shall notify the Company, and provide a copy of such term sheet to the Company, prior to, or substantially concurrently with, the first use of such term sheet.

(c) It is not subject to any pending proceeding under Section 8A of the Securities Act with respect to the offering (and will promptly notify the Company if any such proceeding against it is initiated during the Prospectus Delivery Period).

6. Conditions of Underwriters' Obligations. The obligation of each Underwriter to purchase the Underwritten Shares on the Closing Date or the Option Shares on the Additional Closing Date, as the case may be, as provided herein is subject to the performance by the Company of its covenants and other obligations hereunder and to the following additional conditions:

(a) *Registration Compliance; No Stop Order.* No order suspending the effectiveness of the Registration Statement shall be in effect, and no proceeding for such purpose or pursuant to Section 8A under the Securities Act shall be pending before or threatened by the Commission; the Prospectus and each Issuer Free Writing Prospectus shall have been timely filed with the Commission under the

Securities Act (in the case of an Issuer Free Writing Prospectus, to the extent required by Rule 433 under the Securities Act) and in accordance with Section 4(a) hereof; and all requests by the Commission for additional information shall have been complied with to the reasonable satisfaction of the Representatives.

(b) *Representations and Warranties.* The representations and warranties of the Company contained herein shall be true and correct on the date hereof and on and as of the Closing Date or the Additional Closing Date, as the case may be; and the statements of the Company and its officers made in any certificates delivered pursuant to this Agreement shall be true and correct on and as of the Closing Date or the Additional Closing Date, as the case may be.

(c) *No Downgrade.* Subsequent to the earlier of (A) the Applicable Time and (B) the execution and delivery of this Agreement, if there are any debt securities or preferred stock of, or guaranteed by, the Company or any of its subsidiaries that are rated by a "nationally recognized statistical rating organization," as such term is defined in Section 3(a)(62) of the Exchange Act, (i) no downgrading shall have occurred in the rating accorded any such debt securities or preferred stock and (ii) no such organization shall have publicly announced that it has under surveillance or review, or has changed its outlook with respect to, its rating of any such debt securities or preferred stock (other than an announcement with positive implications of a possible upgrading).

(d) *No Material Adverse Change.* No event or condition of a type described in Section 3(h) hereof shall have occurred or shall exist, which event or condition is not described in the Pricing Disclosure Package (excluding any amendment or supplement thereto) and the Prospectus (excluding any amendment or supplement thereto) and the effect of which in the judgment of the Representatives make it impracticable or inadvisable to proceed with the offering, sale or delivery of the Shares on the Closing Date or the Additional Closing Date, as the case may be, on the terms and in the manner contemplated by this Agreement, the Pricing Disclosure Package and the Prospectus.

(e) *Officer's Certificate.* The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, a certificate of the chief financial officer or chief accounting officer of the Company and one additional executive officer of the Company, in such person's capacity as an officer of the Company and not in his or her individual capacity, who is satisfactory to the Representatives (i) confirming that such officers have carefully reviewed the Registration Statement, the Pricing Disclosure Package and the Prospectus and, to the knowledge of such officers, the representations set forth in Sections 3(b) and 3(d) hereof are true and correct on and as of such date, (ii) confirming that the other representations and warranties of the Company in this Agreement are true and correct and that the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date or the Additional Closing Date, as the case may be, and (iii) to the effect set forth in paragraphs (a), (c) and (d) above.

(f) *Comfort Letters.* On the date of this Agreement and on the Closing Date or any Additional Closing Date, as the case may be, each of KPMG LLP and Moss Adams LLP shall have furnished to the Representatives, at the request of the Company, letters, dated the respective dates of delivery thereof and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, containing statements and information of the type customarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus; provided, that each letter delivered on the Closing Date or any Additional Closing Date, as the case may be, shall use a "cut-off" date no more than three business days prior to such Closing Date or such Additional Closing Date, as the case may be.

(g) *Opinion and 10b-5 Statement of Counsel for the Company*. Jones Day, counsel for the Company, shall have furnished to the Representatives, at the request of the Company, their written opinion and 10b-5 statement, dated the Closing Date or the Additional Closing Date, as the case may be, and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, to the effect set forth in Annex A hereto.

(h) *Opinion and 10b-5 Statement of Counsel for the Underwriters*. The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, an opinion and 10b-5 statement of Goodwin Procter LLP, counsel for the Underwriters, with respect to such matters as the Representatives may reasonably request, and such counsel shall have received such documents and information as they may reasonably request to enable them to pass upon such matters.

(i) *No Legal Impediment to Issuance*. No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any federal, state or foreign governmental or regulatory authority that would, as of the Closing Date or the Additional Closing Date, as the case may be, prevent the issuance or sale of the Shares; and no injunction or order of any federal, state or foreign court shall have been issued that would, as of the Closing Date or the Additional Closing Date, as the case may be, prevent the issuance or sale of the Shares.

(j) *Good Standing*. The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, satisfactory evidence of the good standing (or the jurisdictional equivalent) of the Company and its domestic subsidiaries in their respective jurisdictions of organization and their good standing (or the jurisdictional equivalent) as foreign entities in such other jurisdictions as the Representatives may reasonably request, in each case in writing or any standard form of telecommunication from the appropriate governmental authorities of such jurisdictions.

(k) *Exchange Listing*. The Shares to be delivered on the Closing Date or Additional Closing Date, as the case may be, shall have been approved for listing on the Nasdaq Market, subject to official notice of issuance.

(l) *Lock-up Agreements*. The “lock-up” agreements, each substantially in the form of Exhibit A hereto, between you and certain security holders, officers and directors of the Company relating to sales and certain other dispositions of shares of Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date or Additional Closing Date, as the case may be.

(m) *Additional Documents*. On or prior to the Closing Date or the Additional Closing Date, as the case may be, the Company shall have furnished to the Representatives such further certificates and documents as the Representatives may reasonably request.

All opinions, letters, certificates and evidence mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Underwriters.

7. Indemnification and Contribution.

(a) *Indemnification of the Underwriters*. The Company agrees to indemnify and hold harmless each Underwriter, its directors, officers and employees, affiliates of each Underwriter who have participated in the distribution of the Shares and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, reasonable legal

fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred), joint or several, that arise out of, or are based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or any amendment or supplement thereto), any Issuer Free Writing Prospectus, any Written Testing-the-Waters Communication, any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Securities Act, any road show as defined in Rule 433(h) under the Securities Act (a "road show") or any Pricing Disclosure Package (including any Pricing Disclosure Package that has subsequently been amended), or caused by any omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, in each case except insofar as such losses, claims, damages or liabilities arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in subsection (b) below.

(b) *Indemnification of the Company*. Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the indemnity set forth in paragraph (a) above, but only with respect to any losses, claims, damages or liabilities that arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to such Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in the Registration Statement, the Prospectus (or any amendment or supplement thereto), any Issuer Free Writing Prospectus, any Written Testing-the-Waters Communication, any road show or any Pricing Disclosure Package (including any Pricing Disclosure Package that has subsequently been amended), it being understood and agreed upon that the only such information furnished by any Underwriter consists of the following information in the Prospectus furnished on behalf of each Underwriter: the concession and reallowance figures appearing in the [third paragraph under the caption "Underwriting" and the information contained in the seventh paragraph, the twelfth paragraph, the thirteenth paragraph, the last sentence of the third paragraph and the last two sentences of the fourteenth] paragraph under the caption "Underwriting".

(c) *Notice and Procedures*. If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any person in respect of which indemnification may be sought pursuant to either paragraph (a) or (b) above, such person (the "Indemnified Person") shall promptly notify the person against whom such indemnification may be sought (the "Indemnifying Person") in writing; provided that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have under paragraph (a) or (b) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided, further, that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have to an Indemnified Person otherwise than under paragraph (a) or (b) above. If any such proceeding shall be brought or asserted against an Indemnified Person and it shall have notified the Indemnifying Person thereof, the Indemnifying Person shall retain counsel reasonably satisfactory to the Indemnified Person (who shall not, without the consent of the Indemnified Person, be counsel to the Indemnifying Person) to represent the Indemnified Person in such proceeding and shall pay the reasonable fees and expenses of such counsel related to such proceeding, as incurred and, except in the

case where an Indemnified Person retains its own counsel pursuant to clause (iii) of the following sentence, the Indemnifying Person shall have the right to participate therein (but not to control or direct any action in such proceeding). In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the Indemnifying Person and the Indemnified Person shall have mutually agreed to the contrary; (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person; (iii) the Indemnified Person shall have reasonably concluded based on advice from counsel that there may be legal defenses available to it that are different from or in addition to those available to the Indemnifying Person; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the Indemnifying Person and the Indemnified Person and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interest between them. It is understood and agreed that the Indemnifying Person shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Persons, and that all such reasonable fees and expenses shall be paid or reimbursed as they are incurred. Any such separate firm for any Underwriter, its affiliates, directors and officers and any control persons of such Underwriter shall be designated in writing by J. P. Morgan Securities LLC and Barclays Capital Inc. and any such separate firm for the Company, its directors, its officers who signed the Registration Statement and any control persons of the Company shall be designated in writing by the Company. The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Person agrees to indemnify each Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Person shall have requested that an Indemnifying Person reimburse the Indemnified Person for fees and expenses of counsel as contemplated by this paragraph, the Indemnifying Person shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 60 days after receipt by the Indemnifying Person of such request and (ii) the Indemnifying Person shall not have reimbursed the Indemnified Person in accordance with such request prior to the date of such settlement. No Indemnifying Person shall, without the written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnification could have been sought hereunder by such Indemnified Person, unless such settlement (x) includes an unconditional release of such Indemnified Person, in form and substance reasonably satisfactory to such Indemnified Person, from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person.

(d) *Contribution*. If the indemnification provided for in paragraphs (a) and (b) above is unavailable to an Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters on the other, from the offering of the Shares or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Company, on the one hand, and the Underwriters on the other, in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters on the other, shall be deemed to be in the same respective proportions as the net proceeds (before deducting expenses) received by the Company from the sale of the Shares and the total underwriting discounts and commissions received by the Underwriters in connection therewith, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate offering price of

the Shares. The relative fault of the Company, on the one hand, and the Underwriters on the other, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) *Limitation on Liability*. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to paragraph (d) above were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any reasonable legal or other reasonable expenses incurred by such Indemnified Person in connection with any such action or claim. Notwithstanding the provisions of paragraphs (d) and (e), in no event shall an Underwriter be required to contribute any amount in excess of the amount by which the total underwriting discounts and commissions received by such Underwriter with respect to the offering of the Shares exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to paragraphs (d) and (e) are several in proportion to their respective purchase obligations hereunder and not joint.

(f) *Non-Exclusive Remedies*. The remedies provided for in this Section 7 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Person at law or in equity.

(g) *Directed Share Program Indemnification*. The Company agrees to indemnify and hold harmless Barclays Capital Inc., its directors, officers and employees, affiliates of Barclays Capital Inc. who have participated in the distribution of the Directed Shares and each person, if any, who controls Barclays Capital Inc. within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act (each a "Barclays Capital Inc. Entity") from and against any and all losses, claims, damages and liabilities (including, without limitation, reasonable legal fees and other expenses reasonably incurred in connection with defending or investigating any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred) (i) caused by any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Participants in connection with the Directed Share Program or caused by any omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; (ii) caused by the failure of any Participant to pay for and accept delivery of Directed Shares that the Participant agreed to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program, other than losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the bad faith or gross negligence of the Barclays Capital Inc. Entities, in each case except insofar as such losses, claims, damages or liabilities arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in subsection (b) above.

(h) In case any proceeding (including any governmental investigation) shall be instituted involving any Barclays Capital Inc. Entity in respect of which indemnity may be sought pursuant to paragraph (g) above, the Barclays Capital Inc. Entity seeking indemnity shall promptly notify the Company in writing and the Company, upon request of the Barclays Capital Inc. Entity, shall retain counsel reasonably satisfactory to the Barclays Capital Inc. Entity to represent the Barclays Capital Inc. Entity and any others the Company may designate in such proceeding and shall pay the reasonable fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Barclays Capital Inc. Entity shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Barclays Capital Inc. Entity unless (i) the Company and such Barclays Capital Inc. Entity shall have mutually agreed to the retention of such counsel, (ii) the Company has failed within a reasonable time to retain counsel reasonably satisfactory to such Barclays Capital Inc. Entity, (iii) the Barclays Capital Inc. Entity shall have reasonably concluded based on advice from counsel that there may be legal defenses available to it that are different from or in addition to those available to the Company or (iv) the named parties to any such proceeding (including any impleaded parties) include both the Company and the Barclays Capital Inc. Entity and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The Company shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Barclays Capital Inc. Entities. Any such separate firm for the Barclays Capital Inc. Entities shall be designated in writing to the Company by Barclays Capital Inc. The Company shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Company agrees to indemnify the Barclays Capital Inc. Entities from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time any Barclays Capital Inc. Entity shall have requested the Company to reimburse such Barclays Capital Inc. Entity for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the Company agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 60 days after receipt by the Company of the aforesaid request and (ii) the Company shall not have reimbursed such Barclays Capital Inc. Entity in accordance with such request prior to the date of such settlement. The Company shall not, without the prior written consent of Barclays Capital Inc., effect any settlement of any pending or threatened proceeding in respect of which any Barclays Capital Inc. Entity is or could have been a party and indemnity could have been sought hereunder by such Barclays Capital Inc. Entity, unless (x) such settlement includes an unconditional release of the Barclays Capital Inc. Entities from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of the Barclays Capital Inc. Entity.

(i) To the extent the indemnification provided for in paragraph (g) above is unavailable to a Barclays Capital Inc. Entity or insufficient in respect of any losses, claims, damages or liabilities referred to therein (other than as a result of the limitations imposed on indemnification described in paragraph (g) above), then the Company in lieu of indemnifying the Barclays Capital Inc. Entity thereunder, shall contribute to the amount paid or payable by the Barclays Capital Inc. Entity as a result of such losses, claims, damages or liabilities (1) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Barclays Capital Inc. Entities on the other hand from the offering of the Directed Shares or (2) if the allocation provided by clause 7(i)(1) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 7(i)(1) above but also the relative fault of the Company on the one hand and of the Barclays Capital Inc. Entities on the other hand in connection with any statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Barclays Capital Inc. Entities on the other hand in connection with the offering of the Directed Shares shall be deemed to

be in the same respective proportions as the net proceeds from the offering of the Directed Shares (before deducting expenses) and the total underwriting discounts and commissions received by the Barclays Capital Inc. Entities for the Directed Shares, bear to the aggregate public offering price of the Directed Shares. If the loss, claim, damage or liability is caused by an untrue or alleged untrue statement of material fact or the omission or alleged omission to state a material fact, the relative fault of the Company on the one hand and the Barclays Capital Inc. Entities on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement or the omission or alleged omission relates to information supplied by the Company or by the Barclays Capital Inc. Entities and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(j) The Company and the Barclays Capital Inc. Entities agree that it would be not just or equitable if contribution pursuant to paragraph (i) above were determined by pro rata allocation (even if the Barclays Capital Inc. Entities were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (i) above. The amount paid or payable by the Barclays Capital Inc. Entities as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any reasonable legal or other reasonable expenses incurred by the Barclays Capital Inc. Entities in connection with investigating or defending any such action or claim. Notwithstanding the provisions of paragraph (i) above, no Barclays Capital Inc. Entity shall be required to contribute any amount in excess of the amount by which the total price at which the Directed Shares distributed to the public were offered to the public exceeds the amount of any damages that such Barclays Capital Inc. Entity has otherwise been required to pay. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in paragraphs (g) through (j) of this Section 7 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(k) The indemnity and contribution provisions contained in paragraphs (g) through (j) of this Section 7 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Barclays Capital Inc. Entity or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Directed Shares.

8. Effectiveness of Agreement. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

9. Termination. This Agreement may be terminated in the absolute discretion of the Representatives, by notice to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date or, in the case of the Option Shares, prior to the Additional Closing Date (i) trading generally shall have been suspended or materially limited on or by any of the New York Stock Exchange, the American Stock Exchange, The Nasdaq Stock Market, the Chicago Board Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade; (ii) trading of any securities issued or guaranteed by the Company shall have been suspended on any exchange or in any over-the-counter market; (iii) a general moratorium on commercial banking activities shall have been declared by federal or New York State authorities; or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis, either within or outside the United States, that, in the judgment of the Representatives, is material and adverse and makes it impracticable or inadvisable to proceed with the offering, sale or delivery of the Shares on the Closing Date or the Additional Closing Date, as the case may be, on the terms and in the manner contemplated by this Agreement, the Pricing Disclosure Package and the Prospectus.

10. Defaulting Underwriter.

(a) If, on the Closing Date or the Additional Closing Date, as the case may be, any Underwriter defaults on its obligation to purchase the Shares that it has agreed to purchase hereunder on such date, the non-defaulting Underwriters may in their discretion arrange for the purchase of such Shares by other persons satisfactory to the Company on the terms contained in this Agreement. If, within 36 hours after any such default by any Underwriter, the non-defaulting Underwriters do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of 36 hours within which to procure other persons satisfactory to the non-defaulting Underwriters to purchase such Shares on such terms. If other persons become obligated or agree to purchase the Shares of a defaulting Underwriter, either the non-defaulting Underwriters or the Company may postpone the Closing Date or the Additional Closing Date, as the case may be, for up to five full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Underwriters may be necessary in the Registration Statement and the Prospectus or in any other document or arrangement, and the Company agrees to promptly prepare any amendment or supplement to the Registration Statement and the Prospectus that effects any such changes. As used in this Agreement, the term "Underwriter" includes, for all purposes of this Agreement unless the context otherwise requires, any person not listed in Schedule 1 hereto that, pursuant to this Section 10, purchases Shares that a defaulting Underwriter agreed but failed to purchase.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the non-defaulting Underwriters and the Company as provided in paragraph (a) above, the aggregate number of Shares that remain unpurchased on the Closing Date or the Additional Closing Date, as the case may be, does not exceed one-eleventh of the aggregate number of Shares to be purchased on such date, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of Shares that such Underwriter agreed to purchase hereunder on such date plus such Underwriter's pro rata share (based on the number of Shares that such Underwriter agreed to purchase on such date) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the non-defaulting Underwriters and the Company as provided in paragraph (a) above, the aggregate number of Shares that remain unpurchased on the Closing Date or the Additional Closing Date, as the case may be, exceeds one-eleventh of the aggregate amount of Shares to be purchased on such date, or if the Company shall not exercise the right described in paragraph (b) above, then this Agreement or, with respect to any Additional Closing Date, the obligation of the Underwriters to purchase Shares on the Additional Closing Date shall terminate without liability on the part of the non-defaulting Underwriters. Any termination of this Agreement pursuant to this Section 10 shall be without liability on the part of the Company, except that the Company will continue to be liable for the payment of expenses as set forth in Section 11 hereof and except that the provisions of Section 7 hereof shall not terminate and shall remain in effect.

(d) Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company or any non-defaulting Underwriter for damages caused by its default.

11. Payment of Expenses.

(a) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company will pay or cause to be paid all costs and expenses incident to the performance of its obligations hereunder, including without limitation, (i) the costs incident to the authorization, issuance, sale, preparation and delivery of the Shares and any taxes payable in that connection;

(ii) the costs incident to the preparation, printing and filing under the Securities Act of the Registration Statement, the Preliminary Prospectus, any Issuer Free Writing Prospectus, any Pricing Disclosure Package and the Prospectus (including all exhibits, amendments and supplements thereto) and the distribution thereof; (iii) the fees and expenses of the Company's counsel and independent accountants; (iv) the fees and expenses incurred in connection with the registration or qualification of the Shares under the state or foreign securities or blue sky laws of such jurisdictions as the Representatives may designate (including the reasonable related fees and expenses of counsel for the Underwriters) if such fees and expenses are required to be incurred, provided that the amount payable by the Company pursuant to this clause (iv) shall not exceed $10,000; (v) the cost of preparing stock certificates; (vi) the costs and charges of any transfer agent and any registrar; (viii) all expenses and application fees incurred in connection with any filing with, and clearance of the offering by, FINRA; (ix) all expenses incurred by the Company in connection with any "road show" presentation to potential investors; (x) all expenses and application fees related to the listing of the Shares on the Nasdaq Market; and (xi) all of the reasonable fees and disbursements of counsel incurred by Barclays Capital Inc. in connection with the Directed Share Program and stamp duties, similar taxes or duties or other taxes, if any, incurred by Barclays Capital Inc. in connection with the Directed Share Program; provided, however, that except as otherwise provided in this Section 11, the Underwriters will pay 50% of the cost of any aircraft chartered in connection with the roadshow and all of their own costs and expenses, including the fees of their counsel, any advertising expenses in connection with any offers they may make and other expenses incurred by the Underwriters on their own behalf in connection with presentations to prospective purchasers of the Shares.

(b) If (i) this Agreement is terminated pursuant to clause (ii) of Section 9, (ii) the Company for any reason fails to tender the Shares for delivery to the Underwriters (other than by reason of a default by any Underwriter) or (iii) the Underwriters decline to purchase the Shares because any of the conditions to the Underwriters' obligations set forth in Section 6 have not been met, the Company agrees to reimburse the Underwriters for all reasonable and documented out-of-pocket costs and expenses (including the reasonable fees and expenses of their counsel) reasonably incurred by the Underwriters in connection with this Agreement and the offering contemplated hereby.

12. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and any controlling persons referred to in Section 7 hereof. Nothing in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein. No purchaser of Shares from any Underwriter shall be deemed to be a successor merely by reason of such purchase.

13. Survival. The respective indemnities, rights of contribution, representations, warranties and agreements of the Company and the Underwriters contained in this Agreement or made by or on behalf of the Company or the Underwriters pursuant to this Agreement or any certificate delivered pursuant hereto shall survive the delivery of and payment for the Shares and shall remain in full force and effect, regardless of any termination of this Agreement or any investigation made by or on behalf of the Company or the Underwriters.

14. Certain Defined Terms. For purposes of this Agreement, (a) except where otherwise expressly provided, the term "affiliate" has the meaning set forth in Rule 405 under the Securities Act; (b) the term "business day" means any day other than a day on which banks are permitted or required to be closed in New York City; (c) the term "subsidiary" has the meaning set forth in Rule 405 under the Securities Act; and (d) the term "significant subsidiary" has the meaning set forth in Rule 1-02 of Regulation S-X under the Exchange Act.

15. Miscellaneous.

(a) *Notices*. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted and confirmed by any standard form of telecommunication. Notices to the Underwriters shall be given to the Representatives c/o J. P. Morgan Securities LLC, 383 Madison Avenue, New York, New York 10179 (fax: (212) 622-8358); Attention Equity Syndicate Desk; and c/o Barclays Capital Inc., 745 Seventh Avenue, New York, New York 10019 (fax: ([ ]); Attention: Syndicate Registration. Notices to the Company shall be given to it at Bishop Ranch 8, 4000 Executive Parkway, Suite 400, San Ramon, CA 94583, (fax:[ ]); Attention: Barry Zwarenstein.

(b) *Governing Law*. This Agreement and any claim, controversy or dispute arising under or related to this Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in such state.

(c) *Counterparts*. This Agreement may be signed in counterparts (which may include counterparts delivered by any standard form of telecommunication), each of which shall be an original and all of which together shall constitute one and the same instrument.

(d) *Amendments or Waivers*. No amendment or waiver of any provision of this Agreement, nor any consent or approval to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto.

(e) *Headings*. The headings herein are included for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing is in accordance with your understanding, please indicate your acceptance of this Agreement by signing in the space provided below.

Very truly yours,

FIVE9, INC.

By: _____
Name:
Title:

Accepted: , 2014

J. P. MORGAN SECURITIES LLC
BARCLAYS CAPITAL INC.

For itself and on behalf of the
several Underwriters listed
in Schedule 1 hereto.

J. P. MORGAN SECURITIES LLC

By: _____
Authorized Signatory

BARCLAYS CAPITAL INC.

By: _____
Authorized Signatory

Schedule 1

Underwriter	Number of Shares
J. P. Morgan Securities LLC	
Barclays Capital Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Pacific Crest Securities	
Canaccord Genuity Inc.	
Needham & Company, LLC	
Total	

a. **Pricing Disclosure Package**

b. **Pricing Information Provided Orally by Underwriters**

WRITTEN TESTING-THE-WATERS COMMUNICATIONS

FORM OF LOCK-UP AGREEMENT

Exhibit B

FORM OF WAIVER OF LOCK-UP

J.P. MORGAN SECURITIES LLC
BARCLAYS CAPITAL INC.

Five9, Inc.
Public Offering of Common Stock

, 20

[Name and Address of
Officer or Director
Requesting Waiver]

Dear Mr./Ms. [Name]:

This letter is being delivered to you in connection with the offering by Five9, Inc. (the "Company") of shares of common stock, $ par value (the "Common Stock"), of the Company and the lock-up letter dated , 20 (the "Lock-up Letter"), executed by you in connection with such offering, and your request for a [waiver] [release] dated , 20 , with respect to shares of Common Stock (the "Shares").

J.P. Morgan Securities LLC and Barclays Capital Inc. hereby agree to [waive] [release] the transfer restrictions set forth in the Lock-up Letter, but only with respect to the Shares, effective , 20 ; provided, however, that such [waiver] [release] is conditioned on the Company announcing the impending [waiver] [release] by press release through a major news service at least two business days before effectiveness of such [waiver] [release]. This letter will serve as notice to the Company of the impending [waiver] [release].

Except as expressly [waived] [released] hereby, the Lock-up Letter shall remain in full force and effect.

Yours very truly,

J.P. MORGAN SECURITIES LLC

By: _____
Name:
Title:

BARCLAYS CAPITAL INC.

By: _____
Name:
Title:

cc: Five9, Inc.

Exhibit C

FORM OF PRESS RELEASE

Five9, Inc.
[Date]

Five9, Inc. (the "Company") announced today that J.P. Morgan Securities LLC and Barclays Capital Inc., the lead book-running managers in the Company's recent public sale of shares of common stock, is [waiving] [releasing] a lock-up restriction with respect to shares of the Company's common stock held by [certain officers or directors] [an officer or director] of the Company. The [waiver] [release] will take effect on , 20 , and the shares may be sold on or after such date.

This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.

Exhibit 3.2

CERTIFICATE OF AMENDMENT
TO THE
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
FIVE9, INC.

Pursuant to Section 242 of the
General Corporation Law of the State of Delaware (the "DGCL")

Five9, Inc., a Delaware corporation (the "Corporation"), hereby certifies as follows:

FIRST: The Amended and Restated Certificate of Incorporation of the Corporation (as heretofore amended, the "Charter") is hereby amended to add the following Article to be numbered "XI" to the end thereof:

"**XI**

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (1) any derivative action or proceeding brought on behalf of the Corporation, (2) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (3) any action asserting a claim arising pursuant to any provision of the DGCL, or (4) any action asserting a claim governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XI."

SECOND: The foregoing amendment was duly adopted in accordance with Section 242 of the DGCL and by the written consent of stockholders in accordance with Section 228 of the DGCL.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Amendment to be duly executed this day of , 2014.

FIVE9, INC.

By: _____
Name:
Title:

CERTIFICATE OF AMENDMENT
TO THE
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
FIVE9, INC.

Pursuant to Section 242 of the
General Corporation Law of the State of Delaware (the "DGCL")

Five9, Inc., a Delaware corporation (the "Corporation"), hereby certifies as follows:

FIRST: The Amended and Restated Certificate of Incorporation of the Corporation (as heretofore amended, the "Charter") is hereby amended as follows:

The following text shall be inserted immediately after the first paragraph of Part (A) of Article IV of the Charter:

"Upon this Certificate of Amendment becoming effective pursuant to the DGCL (the "Effective Time"), each four (4) shares of Common Stock issued and outstanding or held by the Corporation in treasury immediately prior to the Effective Time (the "Old Common Stock") shall automatically without further action on the part of the Corporation or any holder of Old Common Stock, be reclassified into one fully paid and nonassessable share of new Common Stock (the "New Common Stock"). There shall be no fractional shares issued with respect to the foregoing reclassification of the Common Stock. In lieu thereof, the Corporation shall pay to each holder otherwise entitled to receive any such fraction an amount in cash (without interest) equal to the product of (a) the fraction of a share of New Common Stock that such holder would otherwise be entitled to receive, multiplied by (b) the closing price per share of New Common Stock on the first trading day upon which the New Common Stock is listed on The NASDAQ Stock Market. Each stock certificate that, immediately prior to the Effective Time, represented shares of Old Common Stock that were issued and outstanding immediately prior to the Effective Time shall, from and after the

Effective Time, automatically and without the necessity of presenting the same for exchange, represent that number of whole shares of New Common Stock into which the shares of Old Common Stock formerly represented by such certificate shall have been reclassified (as well as the right to receive cash in lieu of fractional shares of New Common Stock after the Effective Time)."

SECOND: The foregoing amendment was duly adopted in accordance with Section 242 of the DGCL and by the written consent of stockholders in accordance with Section 228 of the DGCL.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Amendment to be duly executed this day of , 2014.

FIVE9, INC.

By: _____
Name:
Title:

AMENDED AND RESTATED CERTIFICATE

OF INCORPORATION OF

FIVE9, INC.

Five9, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "DGCL"), hereby certifies as follows:

1. The name of the corporation is Five9, Inc. The name under which the corporation was originally incorporated was Five 9's Communications, Inc. The date of the filing of its original certificate of incorporation with the Secretary of State of the State of Delaware was March 13, 2001.

2. This Amended and Restated Certificate of Incorporation, which restates, integrates and further amends the certificate of incorporation of the corporation as heretofore amended and restated, has been duly adopted by the corporation in accordance with Sections 242 and 245 of the DGCL and has been adopted by the requisite vote of the stockholders of the corporation, acting by written consent in lieu of a meeting in accordance with Section 228 of the DGCL.

3. The certificate of incorporation is hereby amended and restated in its entirety to read as follows:

ARTICLE I

The name of the corporation is "Five9, Inc." (hereinafter called the "Corporation").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, 19801. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware or any applicable successor act thereto, as the same may be amended from time to time (the "DGCL").

ARTICLE IV

(A) Classes of Stock. The total number of shares of all classes of capital stock that the Corporation is authorized to issue is 455,000,000 shares which shall be divided into two classes of stock to be designated "Common Stock" and "Preferred Stock". The total number of shares of Common Stock that the Corporation is authorized to issue is 450,000,000 shares, par value $0.001 per share. The total number of shares of Preferred Stock that the Corporation is

authorized to issue is 5,000,000 shares, par value $0.001 per share. Subject to the rights of the holders of any series of Preferred Stock, the number of authorized shares of any of the Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL, and no vote of the holders of any of the Common Stock or Preferred Stock voting separately as a class shall be required therefor.

(B) Common Stock. The powers, preferences and relative participating, optional or other special rights, and the qualifications, limitations and restrictions of the Common Stock are as follows:

1. Ranking. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors of the Corporation (the "Board") upon any issuance of the Preferred Stock of any series.

2. Voting. Except as otherwise provided by law or by the resolution or resolutions providing for the issue of any series of Preferred Stock, the holders of outstanding shares of Common Stock shall have the exclusive right to vote for the election and removal of directors and for all other purposes. Notwithstanding any other provision of this Amended and Restated Certificate of Incorporation (as the same may be amended and/or restated from time to time, including the terms of any Preferred Stock Designation (as defined below), this "Certificate of Incorporation") to the contrary, the holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation (including any Preferred Stock Designation) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation (including any Preferred Stock Designation) or the DGCL.

3. Dividends. Subject to the rights of the holders of Preferred Stock, holders of shares of Common Stock shall be entitled to receive such dividends and distributions and other distributions in cash, stock or property of the Corporation when, as and if declared thereon by the Board from time to time out of assets or funds of the Corporation legally available therefor.

4. Liquidation. Subject to the rights of the holders of Preferred Stock, shares of Common Stock shall be entitled to receive the assets and funds of the Corporation available for distribution in the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary. A liquidation, dissolution or winding up of the affairs of the Corporation, as such terms are used in this Section B(4), shall not be deemed to be occasioned by or to include any consolidation or merger of the Corporation with or into any other person or a sale, lease, exchange or conveyance of all or a part of its assets.

(C) Preferred Stock.

Shares of Preferred Stock may be issued from time to time in one or more series. The Board is hereby authorized to provide by resolution or resolutions from time to time for the issuance, out of the unissued shares of Preferred Stock, of one or more series of Preferred Stock, without stockholder approval, by filing a certificate pursuant to the applicable law of the State of Delaware (the "Preferred Stock Designation"), setting forth such resolution and, with respect to each such series, establishing the number of shares to be included in such series, and fixing the voting powers, full or limited, or no voting power of the shares of such series, and the designation, preferences and relative, participating, optional or other special rights, if any, of the shares of each such series and any qualifications, limitations or restrictions thereof. The powers, designation, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations and restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. The authority of the Board with respect to each series of Preferred Stock shall include, but not be limited to, the determination of the following:

(a) the designation of the series, which may be by distinguishing number, letter or title;

(b) the number of shares of the series, which number the Board may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding);

(c) the amounts or rates at which dividends will be payable on, and the preferences, if any, of shares of the series in respect of dividends, and whether such dividends, if any, shall be cumulative or noncumulative;

(d) the dates on which dividends, if any, shall be payable;

(e) the redemption rights and price or prices, if any, for shares of the series;

(f) the terms and amount of any sinking fund, if any, provided for the purchase or redemption of shares of the series;

(g) the amounts payable on, and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

(h) whether the shares of the series shall be convertible into or exchangeable for, shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates at which such shares shall be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made;

(i) restrictions on the issuance of shares of the same series or any other class or series;

(j) the voting rights, if any, of the holders of shares of the series generally or upon specified events; and

(k) any other powers, preferences and relative, participating, optional or other special rights of each series of Preferred Stock, and any qualifications, limitations or restrictions of such shares, all as may be determined from time to time by the Board and stated in the resolution or resolutions providing for the issuance of such Preferred Stock.

Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to any other series of Preferred Stock to the extent permitted by law.

ARTICLE V

This Article V is inserted for the management of the business and for the conduct of the affairs of the Corporation.

(A) General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board, except as otherwise provided by law.

(B) Number of Directors; Election of Directors. Subject to the rights of holders of any series of Preferred Stock to elect directors, the number of the directors of the Corporation shall be fixed from time to time by resolution of the Board.

(C) Classes of Directors. Subject to the rights of holders of any series of Preferred Stock to elect directors, the Board shall be and is divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one third of the total number of directors constituting the entire Board. The Board is authorized to assign members of the Board already in office to Class I, Class II or Class III at the time such classification becomes effective.

(D) Terms of Office. Subject to the rights of holders of any series of Preferred Stock to elect directors, each director shall serve for a term ending on the date of the third annual meeting of stockholders following the annual meeting of stockholders at which such director was elected; provided that each director initially assigned to Class I shall serve for a term expiring at the Corporation’s first annual meeting of stockholders held after the effectiveness of this Certificate of Incorporation; each director initially assigned to Class II shall serve for a term expiring at the Corporation’s second annual meeting of stockholders held after the effectiveness of this Certificate of Incorporation; and each director initially assigned to Class III shall serve for a term expiring at the Corporation’s third annual meeting of stockholders held after the effectiveness of this Certificate of Incorporation; provided further, that the term of each director shall continue until the election and qualification of his or her successor and be subject to his or her earlier death, disqualification, resignation or removal.

(E) Vacancies. Subject to the rights of holders of any series of Preferred Stock, any newly created directorship that results from an increase in the number of directors or any vacancy on the Board that results from the death, disability, resignation, disqualification or removal of any director or from any other cause shall be filled solely by the affirmative vote of a majority of the total number of directors then in office, even if less than a quorum, or by a sole remaining director and shall not be filled by the stockholders. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall hold office for the remaining term of his or her predecessor.

(F) Removal. Subject to the rights of the holders of any series of Preferred Stock, any director or the entire Board may be removed from office at any time, but only for cause.

(G) Committees. Pursuant to the Amended and Restated Bylaws of the Corporation (as the same may be amended and/or restated from time to time, the "Bylaws"), the Board may establish one or more committees to which may be delegated any or all of the powers and duties of the Board to the full extent permitted by law.

(H) Stockholder Nominations and Introduction of Business. Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before a meeting of stockholders shall be given in the manner provided by the Bylaws.

ARTICLE VI

Unless and except to the extent that the Bylaws shall so require, the election of directors of the Corporation need not be by written ballot.

ARTICLE VII

To the fullest extent permitted by the DGCL as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that nothing contained in this Article VII shall eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to the provisions of Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. No repeal or modification of this Article VII shall apply to or have any adverse effect on any right or protection of, or any limitation of the liability of, a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

ARTICLE VIII

The Corporation may indemnify, and advance expenses to, to the fullest extent permitted by law, any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

ARTICLE IX

Subject to the terms of any series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of the stockholders and may not be effected by written consent in lieu of a meeting.

ARTICLE X

Special meetings of stockholders for any purpose or purposes may be called at any time by the Board, the Chairman of the Board or the Chief Executive Officer of the Corporation, and may not be called by another other person or persons. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

ARTICLE XI

The Corporation reserves the right at any time from time to time to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and any other provisions authorized by the DGCL may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article XI. Notwithstanding any other provision of this Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any series of Preferred Stock required by law, by this Certificate of Incorporation or by any Preferred Stock Designation, the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon shall be required to amend, alter, change or repeal any provision of this Certificate of Incorporation, or to adopt any new provision of this Certificate of Incorporation; provided, however, that the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) in voting power of the stock of the Corporation entitled to vote thereon shall be required to amend, alter, change or repeal, or adopt any provision inconsistent with, any of Article V, Article VII, Article VIII, Article IX, Article X, Article XII, Article XIII, and this sentence of this Certificate of Incorporation, or in each case, the definition of any capitalized terms used therein or any successor provision (including, without limitation, any such article or section as renumbered as a result of any amendment, alteration, change, repeal or adoption of any other provision of this Certificate of Incorporation). Any amendment, repeal or modification of any of Article VII,

Article VIII and this sentence shall not adversely affect any right or protection of any person existing thereunder with respect to any act or omission occurring prior to such repeal or modification.

ARTICLE XII

In furtherance and not in limitation of the powers conferred upon it by law, the Board is expressly authorized and empowered to adopt, amend and repeal the Bylaws by the affirmative vote of a majority of the total number of directors present at a regular or special meeting of the Board at which there is a quorum or by written consent. Notwithstanding any other provision of this Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any series of Preferred Stock required by law, by this Certificate of Incorporation or by any Preferred Stock Designation, the Bylaws may also be amended, altered or repealed and new Bylaws may be adopted by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) in voting power of the stock of the Corporation entitled to vote thereon.

ARTICLE XIII

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (1) any derivative action or proceeding brought on behalf of the Corporation, (2) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (3) any action asserting a claim arising pursuant to any provision of the DGCL, or (4) any action asserting a claim governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XIII.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, this Amended and Restated Certificate of Incorporation has been executed this day of , 2014.

FIVE9, INC.

By: _____
Name:
Title:

Exhibit 3.5

AMENDED AND RESTATED BYLAWS

OF

FIVE9, INC.

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ARTICLE I

STOCKHOLDERS

1.1 Place of Meetings. All meetings of stockholders shall be held at such place, if any, as may be designated from time to time by the Board of Directors (the "Board") of Five9, Inc. (the "Corporation"), the Chairman of the Board or the Chief Executive Officer or, if not so designated, at the principal office of the Corporation. The Board may, in its sole discretion, determine that a meeting shall not be held at any place, but may instead be held solely by means of remote communication in accordance with Section 211(a) of the General Corporation Law of the State of Delaware (the "DGCL").

1.2 Annual Meeting. The annual meeting of stockholders for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly be brought before the meeting shall be held on a date and at a time designated by the Board, the Chairman of the Board or the Chief Executive Officer (which date shall not be a legal holiday in the place, if any, where the meeting is to be held). The Board may postpone, reschedule or cancel any previously scheduled annual meeting of stockholders.

1.3 Special Meetings. Special meetings of stockholders for any purpose or purposes may be called at any time by the Board, the Chairman of the Board or the Chief Executive Officer, and may not be called by any other person or persons. The Board may postpone, reschedule or cancel any previously scheduled special meeting of stockholders. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

1.4 Notice of Meetings. Except as otherwise provided by law, notice of each meeting of stockholders, whether annual or special, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting. Without limiting the manner by which notice otherwise may be given to stockholders, any notice shall be effective if given by a form of electronic transmission consented to (in a manner consistent with the DGCL) by the stockholder to whom the notice is given. The notices of all meetings shall state the place, if any, date and time of the meeting, the means of remote communications, if any,

by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, and the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting). The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. If notice is given by mail, such notice shall be deemed given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. If notice is given by electronic transmission, such notice shall be deemed given at the time specified in Section 232 of the DGCL.

1.5 Voting List. The Secretary shall prepare, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least ten (10) days prior to the meeting: (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (b) during ordinary business hours, at the principal place of business of the Corporation. If the meeting is to be held at a place, then the list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise provided by law, the list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

1.6 Quorum. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the holders of a majority in voting power of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote at the meeting, present in person, present

by means of remote communication in a manner, if any, authorized by the Board in its sole discretion, or represented by proxy, shall constitute a quorum for the transaction of business; provided, however, that where a separate vote by a class or classes or series of capital stock is required by law or the Certificate of Incorporation, the holders of a majority in voting power of the shares of such class or classes or series of the capital stock of the Corporation issued and outstanding and entitled to vote on such matter, present in person, present by means of remote communication in a manner, if any, authorized by the Board in its sole discretion, or represented by proxy, shall constitute a quorum entitled to take action with respect to the vote on such matter. A quorum, once established at a meeting, shall not be broken by the withdrawal of enough votes to leave less than a quorum.

1.7 Adjournments. Any meeting of stockholders, annual or special, may be adjourned from time to time to any other time and to any other place at which a meeting of stockholders may be held under these Bylaws by the chairman of the meeting or, if directed to be voted on by the chairman of the meeting, by the stockholders present or represented at the meeting and entitled to vote thereon, although less than a quorum. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

1.8 Proxies. Each stockholder of record entitled to vote at a meeting of stockholders may vote in person (including by means of remote communications, if any, by which stockholders may be deemed to be present in person and vote at such meeting) or may authorize another person or persons to vote for such stockholder by a proxy executed or transmitted in a manner permitted by applicable law. No such proxy shall be voted upon after three years from the date of its execution, unless the proxy expressly provides for a longer period.

1.9 Action at Meeting. When a quorum is present at any meeting, any matter other than the election of directors to be voted upon by the stockholders at such meeting shall be decided by the vote of the holders of shares of stock having a majority in voting power of the votes cast by the holders of all of the shares of stock present or represented at the meeting and voting affirmatively or negatively on such matter (or if there are two or more classes or series of stock entitled to vote as separate classes, then in the case of each such class or series, the holders of a majority in voting power of the shares of stock of that class or series present or represented at the meeting and voting affirmatively or negatively on such matter), except when a different vote is required by applicable law, regulation applicable to the Corporation or its securities, the rules or regulations of any stock exchange applicable to the Corporation, the Certificate of Incorporation or these Bylaws. Voting at meetings of stockholders need not be by written ballot. At all meetings of stockholders for the election of directors at which a quorum is present a plurality of the votes cast shall be sufficient to elect.

1.10 Notice of Stockholder Business and Nominations.

(A) Annual Meetings of Stockholders. (1) Nominations of persons for election to the Board and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders only (a) pursuant to the Corporation's notice of meeting (or any supplement thereto), (b) by or at the direction of the Board or any committee thereof or (c) by any stockholder of the Corporation who was a stockholder of record of the Corporation at the time the notice provided for in this Section 1.10 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 1.10.

(2) For any nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A)(1) of this Section 1.10, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and any such proposed business (other than the nominations of persons for election to the Board) must constitute a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day, nor earlier than the close of business on the one hundred twentieth (120th) day, prior to the first anniversary of the

preceding year's annual meeting (provided, however, that (a) in the case of the annual meeting of stockholders of the Corporation to be held in 2015, or (b) in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (a) as to each person whom the stockholder proposes to nominate for election as a director (i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder, and (ii) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (iii) a description of any agreement, arrangement or understanding with respect to the nomination or proposal between or among such stockholder and/or such beneficial owner, any of their respective affiliates or associates, and any others acting in concert with any of the foregoing, including, in the case of a nomination, the nominee, (iv) a description of any agreement,

arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder and such beneficial owners, whether or not such instrument or right shall be subject to settlement in underlying shares of capital stock of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner, with respect to securities of the Corporation, (v) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, (vi) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (b) otherwise to solicit proxies or votes from stockholders in support of such proposal or nomination, and (vii) any other information relating to such stockholder and beneficial owner, if any, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in an election contest pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder. The foregoing notice requirements of this paragraph (A) of this Section 1.10 shall be deemed satisfied by a stockholder with respect to business other than a nomination if the stockholder has notified the Corporation of his, her or its intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as the Corporation may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Section 1.10 to the contrary, in the event that the number of directors to be elected to the Board at the annual meeting is increased effective after the time period for which nominations would otherwise be due under paragraph (A)(2) of this Section 1.10 and there is no public

announcement by the Corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 1.10 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(B) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board or any committee thereof or (2) provided that the Board has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 1.10 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and upon such election and who complies with the notice procedures set forth in this Section 1.10. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (A)(2) of this Section 1.10 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(C) General. (1) Except as otherwise expressly provided in any applicable rule or regulation promulgated under the Exchange Act, only such persons who are nominated in accordance with the procedures set forth in this Section 1.10 shall be eligible to be elected at an annual or special meeting of stockholders of the Corporation to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.10. Except as otherwise provided by law, the chairman of the meeting shall have the power and duty (a) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.10 (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made, solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies or votes in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by clause (A)(2)(c)(vi) of this Section 1.10) and (b) if any proposed nomination or business was not made or proposed in compliance with this Section 1.10, to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of this Section 1.10, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 1.10, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(2) For purposes of this Section 1.10, "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or other national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(3) Notwithstanding the foregoing provisions of this Section 1.10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 1.10; provided however, that any references in these Bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations or proposals as to any other business to be considered pursuant to this Section 1.10 (including paragraphs (A)(1)(c) and (B) hereof), and compliance with paragraphs (A)(1)(c) and (B) of this Section 1.10 shall be the exclusive means for a stockholder to make nominations or submit other business (other than, as provided in the penultimate sentence of (A)(2), business other than nominations brought properly under and in compliance with Rule 14a-8 of the Exchange Act, as may be amended from time to time). Nothing in this Section 1.10 shall be deemed to affect any rights (a) of stockholders to request inclusion of proposals or nominations in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act or (b) of the holders of any series of Preferred Stock to elect directors pursuant to any applicable provisions of the Certificate of Incorporation.

1.11 Conduct of Meetings.

(A) Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in the Chairman's absence by the Vice Chairman of the Board, if any, or in the Vice Chairman's absence by the Chief Executive Officer, or in the Chief Executive Officer's absence, by the President, or in the President's absence by a Vice President, or in the absence of all of the foregoing persons by a chairman designated by the Board. The Secretary shall act as secretary of the meeting, but in the Secretary's absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

(B) The Board may adopt by resolution such rules, regulations and procedures for the conduct of any meeting of stockholders of the Corporation as it shall deem appropriate including, without limitation, such guidelines and procedures as it may deem appropriate regarding the participation by means of remote communication of stockholders and proxyholders not physically present at a meeting. Except to the extent inconsistent with such rules, regulations and procedures as adopted by the Board, the chairman of any meeting of stockholders shall have

the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as shall be determined; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

(C) The chairman of the meeting shall announce at the meeting when the polls for each matter to be voted upon at the meeting will be opened and closed. After the polls close, no ballots, proxies or votes or any revocations or changes thereto may be accepted.

(D) In advance of any meeting of stockholders, the Board, the Chairman of the Board, the Chief Executive Officer or the President shall appoint one or more inspectors of election to act at the meeting and make a written report thereof. One or more other persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is present, ready and willing to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Unless otherwise required by law, inspectors may be officers, employees or agents of the Corporation. Each inspector, before entering upon the discharge of such inspector’s duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector’s ability. The inspector shall have the duties prescribed by law and, when the vote is completed, shall make a certificate of the result of the vote taken and of such other facts as may be required by law. Every vote taken by ballots shall be counted by a duly appointed inspector or duly appointed inspectors.

ARTICLE II

DIRECTORS

2.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of a Board, who may exercise all of the powers of the Corporation except as otherwise provided by law or the Certificate of Incorporation.

2.2 Number, Election and Qualification. The total number of directors constituting the Board shall be as fixed in, or in the manner provided by, the Certificate of Incorporation. Election of directors need not be by written ballot. Directors need not be stockholders of the Corporation.

2.3 Chairman of the Board; Vice Chairman of the Board. The Board may appoint from its members a Chairman of the Board and a Vice Chairman of the Board, neither of whom need be an employee or officer of the Corporation. If the Board appoints a Chairman of the Board, such Chairman shall perform such duties and possess such powers as are assigned by the Board and, if the Chairman of the Board is also designated as the Corporation's Chief Executive Officer, shall have the powers and duties of the Chief Executive Officer prescribed in Section 3.7 of these Bylaws. If the Board appoints a Vice Chairman of the Board, such Vice Chairman shall perform such duties and possess such powers as are assigned by the Board. Unless otherwise provided by the Board, the Chairman of the Board or, in the Chairman's absence, the Vice Chairman of the Board, if any, shall preside at all meetings of the Board.

2.4 Classes of Directors. Subject to the rights of holders of any series of Preferred Stock to elect directors, the Board shall be and is divided into three classes, designated: Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board. The Board is authorized to assign members of the Board already in office to Class I, Class II or Class III at the time such classification becomes effective. If the number of such directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any such additional director of any class elected to fill a newly created directorship resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case shall a decrease in the number of directors remove or shorten the term of any incumbent director.

2.5 Terms of Office. Subject to the rights of holders of any series of Preferred Stock to elect directors, each director shall serve for a term ending on the date of the third annual meeting of stockholders following the annual meeting of stockholders at which such director was elected; provided that each director initially assigned to Class I shall serve for a term expiring at the Corporation's first annual meeting of stockholders held after the effectiveness of the Certificate of Incorporation; each director initially assigned to Class II shall serve for a term expiring at the Corporation's second annual meeting of stockholders held after the effectiveness of the Certificate of Incorporation; and each director initially assigned to Class III shall serve for a term expiring at the Corporation's third annual meeting of stockholders held after the effectiveness of the Certificate of Incorporation; provided further, that the term of each director shall continue until the election and qualification of his or her successor, subject to his or her earlier death, disability, disqualification, resignation or removal.

2.6 Quorum. The greater of (a) a majority of the directors at any time in office and (b) one-third of the whole Board shall constitute a quorum of the Board. If at any meeting of the Board there shall be less than a quorum, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

2.7 Action at Meeting. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, unless a greater number is required by law or by the Certificate of Incorporation.

2.8 Removal. Subject to the rights of holders of any series of Preferred Stock, directors of the Corporation may be removed only as expressly provided in the Certificate of Incorporation.

2.9 Vacancies. Subject to the provisions of the Certificate of Incorporation and the rights of holders of any series of Preferred Stock, any newly created directorship that results from an increase in the number of directors or any vacancy on the Board that results from the

death, disability, resignation, disqualification or removal of any director or from any other cause shall be filled solely by the affirmative vote of a majority of the directors then in office, even if less than a quorum, or by a sole remaining director and shall not be filled by the stockholders. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall hold office for the remaining term of his or her predecessor.

2.10 Resignation. Any director may resign by delivering a resignation in writing or by electronic transmission to the Corporation at its principal office or to the Chairman of the Board, the Chief Executive Officer, the President or the Secretary. Such resignation shall be effective upon delivery unless it is specified to be effective at some later time or upon the happening of some later event.

2.11 Regular Meetings. Regular meetings of the Board may be held without notice at such time and place as shall be determined from time to time by the Board; provided that any director who is absent when such a determination is made shall be given notice of the determination. A regular meeting of the Board may be held without notice immediately after and at the same place as the annual meeting of stockholders.

2.12 Special Meetings. Special meetings of the Board may be called by the Chairman of the Board, the Chief Executive Officer, the affirmative vote of a majority of the directors then in office, or by one director in the event that there is only a single director in office.

2.13 Notice of Special Meetings. Notice of the date, place and time of any special meeting of the Board shall be given to each director by the Secretary or by the officer or one of the directors calling the meeting. Notice shall be duly given to each director (a) in person or by telephone at least twenty-four (24) hours in advance of the meeting, (b) by sending written notice by reputable overnight courier, telecopy, facsimile or other means of electronic transmission, or delivering written notice by hand, to such director’s last known business, home or means of electronic transmission address at least twenty-four (24) hours in advance of the meeting, or (c) by sending written notice by first-class mail to such director’s last known business or home address at least seventy-two (72) hours in advance of the meeting. A notice or waiver of notice of a meeting of the Board need not specify the purposes of the meeting.

2.14 Meetings by Conference Communications Equipment. Directors may participate in meetings of the Board or any committee thereof by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.

2.15 Action by Consent. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent to the action in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee thereof. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

2.16 Committees. The Board may designate one or more committees, each committee to consist of one or more of the directors of the Corporation with such lawfully delegable powers and duties as the Board thereby confers, to serve at the pleasure of the Board. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members of the committee present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board and subject to the provisions of law, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it. Each such committee shall keep minutes and make such reports as the Board may from time to time request. Except as the Board may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these Bylaws for the Board. Except as otherwise provided in the Certificate of Incorporation, these Bylaws, or the resolution of the Board designating the committee, a committee may create one or more subcommittees, each subcommittee to consist of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

2.17 Compensation of Directors. Directors may be paid such compensation for their services and such reimbursement for expenses of attendance at meetings as the Board may from time to time determine. No such payment shall preclude any director from serving the Corporation or any of its parent or subsidiary entities in any other capacity and receiving compensation for such service.

ARTICLE III

OFFICERS

3.1 Titles. The officers of the Corporation may consist of a Chief Executive Officer, a President, a Chief Financial Officer, a Treasurer and a Secretary and such other officers with such other titles as the Board shall from time to time determine. The Board may appoint such other officers, including one or more Vice Presidents and one or more Assistant Treasurers or Assistant Secretaries, as it may deem appropriate from time to time.

3.2 Election. The officers of the Corporation shall be elected annually by the Board at its first meeting following the annual meeting of stockholders.

3.3 Qualification. No officer need be a stockholder. Any two or more offices may be held by the same person.

3.4 Tenure. Except as otherwise provided by law, by the Certificate of Incorporation or by these Bylaws, each officer shall hold office until such officer's successor is duly elected and qualified, unless a different term is specified in the resolution electing or appointing such officer, or until such officer's earlier death, resignation, disqualification or removal.

3.5 Resignation and Removal. Any officer may resign by delivering a written resignation to the Corporation at its principal office or to the Board, the Chief Executive Officer, the President or the Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some later time or upon the happening of some later event. Any officer may be removed at any time, with or without cause, by the affirmative vote of a majority

of the directors then in office. Except as the Board may otherwise determine, no officer who resigns or is removed shall have any right to any compensation as an officer for any period following such officer's resignation or removal, or any right to damages on account of such removal, whether such officer's compensation be by the month or by the year or otherwise, unless such compensation is expressly provided for in a duly authorized written agreement with the Corporation

3.6 Vacancies. The Board may fill any vacancy occurring in any office for any reason and may, in its discretion, leave unfilled, for such period as it may determine, any offices. Each such successor shall hold office for the unexpired term of such officer's predecessor and until a successor is duly elected and qualified, or until such officer's earlier death, resignation, disqualification or removal.

3.7 President; Chief Executive Officer. Unless the Board has designated another person as the Corporation's Chief Executive Officer, the President shall be the Chief Executive Officer of the Corporation. The Chief Executive Officer shall have general charge and supervision of the business of the Corporation subject to the direction of the Board, and shall perform all duties and have all powers that are commonly incident to the office of chief executive or that are delegated to such officer by the Board. The President shall perform such other duties and shall have such other powers as the Board or the Chief Executive Officer (if the President is not the Chief Executive Officer) may from time to time prescribe. In the event of the absence, inability or refusal to act of the Chief Executive Officer or the President (if the President is not the Chief Executive Officer), the Vice President (or if there shall be more than one, the Vice Presidents in the order determined by the Board) shall perform the duties of the Chief Executive Officer and when so performing such duties shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer.

3.8 Vice Presidents. Each Vice President shall perform such duties and possess such powers as the Board or the Chief Executive Officer may from time to time prescribe. The Board may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title selected by the Board.

3.9 Secretary and Assistant Secretaries. The Secretary shall perform such duties and shall have such powers as the Board or the Chief Executive Officer may from time to time prescribe. In addition, the Secretary shall perform such duties and have such powers as are incident to the office of the secretary, including without limitation the duty and power to give notices of all meetings of stockholders and special meetings of the Board, to attend all meetings of stockholders and the Board and keep a record of the proceedings, to maintain a stock ledger and prepare lists of stockholders and their addresses as required, to be custodian of corporate records and the corporate seal and to affix and attest to the same on documents.

Any Assistant Secretary shall perform such duties and possess such powers as the Board, the Chief Executive Officer or the Secretary may from time to time prescribe. In the event of the absence, inability or refusal to act of the Secretary, the Assistant Secretary (or if there shall be more than one, the Assistant Secretaries in the order determined by the Board) shall perform the duties and exercise the powers of the Secretary.

The chairman of any meeting of the Board or of stockholders may designate a temporary secretary to keep a record of any meeting.

3.10 Treasurer and Assistant Treasurers. The Treasurer shall perform such duties and shall have such powers as may from time to time be assigned by the Board or the Chief Executive Officer. In addition, the Treasurer shall perform such duties and have such powers as are incident to the office of treasurer, including without limitation the duty and power to keep and be responsible for all funds and securities of the Corporation, to deposit funds of the Corporation in depositories selected in accordance with these Bylaws, to disburse such funds as ordered by the Board, to make proper accounts of such funds, and to render as required by the Board statements of all such transactions and of the financial condition of the Corporation.

The Assistant Treasurers shall perform such duties and possess such powers as the Board, the Chief Executive Officer or the Treasurer may from time to time prescribe. In the event of the absence, inability or refusal to act of the Treasurer, the Assistant Treasurer (or if there shall be more than one, the Assistant Treasurers in the order determined by the Board) shall perform the duties and exercise the powers of the Treasurer.

3.11 Salaries. Officers of the Corporation shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board.

3.12 Delegation of Authority. The Board may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

ARTICLE IV

CAPITAL STOCK

4.1 Issuance of Stock. Subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the Corporation or the whole or any part of any shares of the authorized capital stock of the Corporation held in the Corporation's treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board in such manner, for such lawful consideration and on such terms as the Board may determine.

4.2 Stock Certificates; Uncertificated Shares. The shares of the Corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of the Corporation's stock shall be uncertificated shares. Every holder of stock of the Corporation represented by certificates shall be entitled to have a certificate, in such form as may be prescribed by law and by the Board, representing the number of shares held by such holder registered in certificate form. Each such certificate shall be signed in a manner that complies with Section 158 of the DGCL.

Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Certificate of Incorporation, these Bylaws, applicable securities laws or any agreement among any number of stockholders or among such holders and the Corporation shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement of the existence of such restriction.

If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face

or back of each certificate representing shares of such class or series of stock, provided that in lieu of the foregoing requirements there may be set forth on the face or back of each certificate representing shares of such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to Sections 151, 156, 202(a) or 218(a) of the DGCL or, with respect to Section 151 of DGCL, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

4.3 Transfers. Shares of stock of the Corporation shall be transferable in the manner prescribed by law, the Certificate of Incorporation and in these Bylaws. Transfers of shares of stock of the Corporation shall be made only on the books of the Corporation or by transfer agents designated to transfer shares of stock of the Corporation. Subject to applicable law, shares of stock represented by certificates shall be transferred only on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate representing such shares properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or the authenticity of signature as the Corporation or its transfer agent may reasonably require. Except as may be otherwise required by law, by the Certificate of Incorporation or by these Bylaws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such stock, regardless of any transfer, pledge or other disposition of such stock until the shares have been transferred on the books of the Corporation in accordance with the requirements of these Bylaws.

4.4 Lost, Stolen or Destroyed Certificates. The Corporation may issue a new certificate or uncertificated shares in place of any previously issued certificate alleged to have been lost, stolen or destroyed, upon such terms and conditions as the Board may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such indemnity and posting of such bond as the Board may require for the protection of the Corporation or any transfer agent or registrar.

4.5 Record Date. In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix a record date, which shall not be more than sixty (60) days prior to such action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

4.6 Regulations. The issue and registration of shares of stock of the Corporation shall be governed by such other regulations as the Board may establish.

ARTICLE V

GENERAL PROVISIONS

5.1 Fiscal Year. Except as from time to time otherwise designated by the Board, the fiscal year of the Corporation shall begin on the first day of January of each year and end on the last day of December in each year.

5.2 Corporate Seal. The corporate seal shall be in such form as shall be approved by the Board.

5.3 Waiver of Notice. Whenever notice is required to be given by law, by the Certificate of Incorporation or by these Bylaws, a written waiver signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before, at or after the time of the event for which notice is to be given, shall be deemed equivalent to notice required to be given to such person. Neither the business nor the purpose of any meeting need be specified in any such waiver. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

5.4 Voting of Securities. Except as the Board may otherwise designate, the Chief Executive Officer, the President, the Chief Financial Officer or the Treasurer may waive notice, vote, consent, or appoint any person or persons to waive notice, vote or consent, on behalf of the Corporation, and act as, or appoint any person or persons to act as, proxy or attorney-in-fact for this Corporation (with or without power of substitution), with respect to the securities of any other entity which may be held by this Corporation.

5.5 Evidence of Authority. A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the Corporation shall as to all persons who rely on the certificate in good faith be conclusive evidence of such action.

5.6 Certificate of Incorporation. All references in these Bylaws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the Corporation, as amended and/or restated and in effect from time to time.

5.7 Severability. Any determination that any provision of these Bylaws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these Bylaws.

5.8 Pronouns. All pronouns used in these Bylaws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

5.9 Electronic Transmission. For purposes of these Bylaws, "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

ARTICLE VI

AMENDMENTS

These Bylaws may be altered, amended or repealed, in whole or in part, or new Bylaws may be adopted by the Board or by the stockholders as expressly provided in the Certificate of Incorporation.

ARTICLE VII

INDEMNIFICATION AND ADVANCEMENT

7.1 Power to Indemnify in Actions, Suits or Proceedings other than Those by or in the Right of the Corporation. Subject to Section 7.3, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director or officer of the Corporation, or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another

Corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person 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 such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person 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 reasonable cause to believe that such person's conduct was unlawful.

7.2 Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 7.3, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Corporation, or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

7.3 Authorization of Indemnification. Any indemnification under this Article VII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 7.1 or Section 7.2, as the case may be. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion or (iv) by the stockholders. Such determination shall be made, with respect to former directors and officers, by any person or persons having the authority to act on the matter on behalf of the Corporation. To the extent, however, that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding set forth in Section 7.1 or Section 7.2 or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

7.4 Good Faith Defined. For purposes of any determination under Section 7.3, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful, if such person's action is based on good faith reliance on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 7.4 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 7.4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 7.1 or 7.2, as the case may be.

7.5 Right of Claimant to Bring Suit. Notwithstanding any contrary determination in the specific case under Section 7.3, and notwithstanding the absence of any determination thereunder, if a claim under Sections 7.1 or 7.2 of the Article VII is not paid in full by the Corporation within (i) ninety (90) days after a written claim for indemnification has been received by the Corporation, or (ii) thirty (30) days after a written claim for an advancement of expenses has been received by the Corporation, the claimant may at any time thereafter (but not before) bring suit against the Corporation in the Court of Chancery in the State of Delaware to recover the unpaid amount of the claim, together with interest thereon, or to obtain advancement of expenses, as applicable. It shall be a defense to any such action brought to enforce a right to indemnification (but not in an action brought to enforce a right to an advancement of expenses) that the claimant has not met the standards of conduct which make it permissible under the DGCL (or other applicable law) for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither a contrary determination in the specific case under Section 7.3 nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the claimant has not met any applicable standard of conduct. If successful, in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim, including reasonable attorneys' fees incurred in connection therewith, to the fullest extent permitted by applicable law.

7.6 Expenses Payable in Advance. Expenses, including without limitation attorneys' fees, incurred by a current or former director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such current or former director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article VII.

7.7 Nonexclusivity of Indemnification and Advancement of Expenses. The rights to indemnification and advancement of expenses provided by or granted pursuant to this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation, any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's

official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that, subject to Section 7.11, indemnification of the persons specified in Sections 7.1 and 7.2 shall be made to the fullest extent permitted by law. The provisions of this Article VII shall not be deemed to preclude the indemnification of any person who is not specified in Section 7.1 or 7.2 but whom the Corporation has the power or obligation to indemnify under the provisions of the DGCL, or otherwise.

7.8 Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article VII.

7.9 Certain Definitions. For purposes of this Article VII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VII, references to "fines" shall include any excise taxes assessed on a person with respect of any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VII.

7.10 Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

7.11 Limitation on Indemnification. Notwithstanding anything contained in this Article VII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 7.5), the Corporation shall not be obligated to indemnify any director, officer, employee or agent in connection with an action, suit proceeding (or part thereof) initiated by such person unless such action, suit or proceeding (or part thereof) was authorized by the Board.

7.12 Contract Rights. The obligations of the Corporation under this Article VII to indemnify, and advance expenses to, a person who is or was a director or officer of the Corporation shall be considered a contract between the Corporation and such person, and no modification or repeal of any provision of this Article VII shall affect, to the detriment of such person, such obligations of the Corporation in connection with a claim based on any act or failure to act occurring before such modification or repeal.

Exhibit 4.1

NUMBER
FN

SHARES

INCORPORATED UNDER THE
LAWS OF THE STATE
OF DELAWARE

CUSIP 338307 10 1

SEE REVERSE FOR CERTAIN DEFINITIONS

This certifies that

is the record holder of

FULLY PAID AND NONASSESSABLE SHARES OF COMMON STOCK, $0.001 PAR VALUE, OF

FIVE9, INC.

transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

PRESIDENT

FIVE9, INC. CORPORATE SEAL MARCH 13, 2001 DELAWARE

SECRETARY

BY:

AUTHORIZED SIGNATURE

COUNTERSIGNED AND REGISTERED:
AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC
(NEW YORK, NY)
TRANSFER AGENT
AND REGISTRAR

Five9, Inc. (the "Corporation") shall furnish without charge to each stockholder who so requests a statement of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock of the Corporation or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Such requests shall be made to the Corporation's Secretary at the principal office of the Corporation.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	–	as tenants in common
TEN ENT	–	as tenants by the entireties
JT TEN	–	as joint tenants with right of survivorship and not as tenants in common
COM PROP	–	as community property

UNIF GIFT MIN ACT – _____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to Minors Act _____
(State)

UNIF TRF MIN ACT – _____ Custodian (until age _____)
(Cust)
_____ under Uniform Transfers
(Minor)
to Minors Act _____
(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, _____ hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

_____

_____

_____ shares of the capital stock represented by within Certificate, and do hereby irrevocably constitute and appoint

_____ attorney-in-fact to transfer the said stock on the books of the within named Corporation with full power of the substitution in the premises.

Dated _____

X _____

X _____

Signature(s) Guaranteed:

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER.

By _____

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION, (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15. GUARANTEES BY A NOTARY PUBLIC ARE NOT ACCEPTABLE. SIGNATURE GUARANTEES MUST NOT BE DATED.

Exhibit 4.2

EIGHTH AMENDED AND RESTATED

STOCKHOLDERS' AGREEMENT

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EIGHTH AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT

This Eighth Amended and Restated Stockholders' Agreement (this "**Agreement**") is made as of October 28th, 2013 (the "**Effective Date**") by and among Five9, Inc., a Delaware corporation (the "**Company**"), the Major Common Holders (as defined below), and the Holders (as defined below), each as listed on Exhibit A attached hereto.

RECITALS

WHEREAS, as a condition to the closing of the sale and issuance of shares of Series D-2 Preferred Stock of the Company (the **"Series D-2 Stock"**) pursuant to the Series D-2 Preferred Stock Purchase Agreement dated as of April 26, 2013 (the **"Purchase Agreement"),** the Prior Stockholders' Agreement (as defined below) was executed and delivered by the Major Common Holders, the Holders and the Company.

WHEREAS, the Company, the Major Common Holders and certain of the Holders are parties to that Seventh Amended and Restated Stockholders' Agreement dated as of April 26, 2013 (the **"Prior Stockholders' Agreement"**); and

WHEREAS, the parties desire to enter into this Agreement in order to (i) amend and restate the Prior Stockholders' Agreement in its entirety and replace it with this Agreement and (ii) revise Section 6 of this Agreement to reflect the increased size of the Company's Board of Directors pursuant to the Restated Certificate.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual premises and covenants set forth herein, the parties hereto agree to amend and restate the Prior Stockholders' Agreement as follows:

1. Definitions. For purposes of this Agreement:

(a) "**Acquisition**" shall mean the occurrence of any of the following events: (A) any consolidation or merger of the Company with or into any other corporation or other entity or person, or any other corporate reorganization after which the stockholders of the Company immediately prior to such consolidation, merger or reorganization, fail to own at least 50% of the voting power of the surviving entity immediately following such consolidation, merger or reorganization in approximately the same relative percentages as prior to such consolidation, merger or reorganization, (B) any transaction or series of related transactions in which in excess of fifty percent (50%) of the Company's voting power is transferred, but excluding in the case of (A) and (B) (x) any consolidation or merger effected exclusively to change the domicile of the Company or (y) any transaction or series of transactions principally for bona fide equity financing purposes in which cash is received by the Company or indebtedness of the Company is cancelled or converted or a combination thereof, or (C) a sale, lease, exclusive license or other disposition of all or substantially all of the assets of the Company.

(b) "**Affiliate**" shall mean, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. Without limiting the foregoing, (i) all directors and officers of a Person that is a corporation or company, all general partners and limited partners of a partnership or limited partnership, and all managing members and members of a Person that is a limited liability company, shall be deemed Affiliates of such Person for all purposes hereunder, (ii) in the case of an individual, Affiliate shall include (x) members of such specified Person's immediate family (as defined in Instruction 1 of Item 404(a) of Regulation S-K under the Securities Act) and (y) trusts, the trustee and all beneficiaries of which are such specified Person or members of such Person's immediate family as determined in accordance with the foregoing clause (x).

(c) "**Common Stock**" shall mean shares of the Company's common stock, $0.001 par value per share.

(d) "**Exchange Act**" shall mean the Securities Exchange Act of 1934 as amended, or any similar Federal statute and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time.

(e) "**Excluded Securities**" shall mean (i) any shares of Common Stock issued upon conversion of any Preferred Stock; (ii) shares of Common Stock issued pursuant to the acquisition of another entity by the Company by merger, purchase of substantially all of the assets or other reorganization, or in any transaction in which the Company's stockholders immediately prior to such transaction collectively own immediately after such transaction more than 51 % of the voting power of the surviving corporation or its parent, provided such transaction and issuance is approved by the Board of Directors of the Company (the "**Board**"), including a majority of the Preferred Stock Directors (as defined in Section 6.1); (iii) shares issued other than for primarily equity raising purposes, in connection with strategic transactions involving the Company and other entities, including the issuance of securities to financial lending institutions or in connection with commercial credit, equipment leasing or equipment financing arrangements, joint ventures, corporate partnering agreements, customer or vendor transactions, manufacturing, marketing or distribution arrangements and licensing, technology transfer or development arrangements; provided that such transaction and the issuance of shares is approved by the Board, including a majority of the Preferred Stock Directors; (iv) up to 6,023,056 shares of capital stock and/or stock options (plus an additional number of shares of capital stock or stock options that are cancelled or terminated without having been exercised and are again available for grant under the applicable plan) issued (including upon exercise of such stock options) to officers, employees, directors, consultants or advisors pursuant to a stock grant, stock option or purchase plan or other employee stock incentive program approved by the Board, including a majority of the Preferred Stock Directors; (v) securities issued in connection with the Qualified IPO; (vi) shares of Common Stock and Preferred Stock issued or issuable upon the exercise of any warrants, options or rights that are outstanding as of the Effective Date; (vii) shares of Common Stock issued by way of dividends,

stock splits, or other distributions on shares of Common Stock if appropriate adjustments are made in connection with such issuance pursuant to Sections 4(e)(iii), (iv) or (v) of the Company's Amended and Restated Certificate of Incorporation and (viii) shares of Preferred Stock issued pursuant to the Purchase Agreement.

(f) **"Exempt Transfer"** shall mean (i) Transfers of Shares pursuant to a Qualified IPO; (ii) Transfers pursuant to a Rule 144 Open Market Transaction, (iii) Transfers directly to, or for the benefit of a Holder's spouse or children, or to trusts, partnerships or any other entity for the benefit of such Person or Person's family primarily for estate planning purposes; (iv) Transfers by a Holder to his heirs, executors, personal representatives or other assigns as a result of his death and Transfers by a Holder to the heirs, executors, personal representatives or other assignors of an Affiliate of such Holder as a result of the death of such Affiliates; (v) Transfers without consideration by a Holder to his or its Affiliates (including with respect to Holders which are partnerships, Transfer to their partners); and (vi) Transfers by a Major Common Holder through bona fide gifts of up to an aggregate maximum of five percent (5%) of all Shares held by such Major Common Holder on the Effective Date; provided, however, that (x) Major Common Holders shall only be permitted to Transfer Shares which are fully vested and/or no longer subject to any repurchase right in favor of the Company and (y) any such Transfer shall not be to any entity deemed in good faith by the Board to be a competitor, or Affiliate of a competitor, of the Company. In addition, any Transferee pursuant to (iii), (iv), (v) and (vi) above, prior to the effectiveness of any Transfer, must first agree to be bound by Sections 6, 7, 8 and 10 of this Agreement.

(g) "**Form S-3**" shall mean such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the Securities and Exchange Commission (the "**SEC**") which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(h) "**Holder**" shall mean any Person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 2.11 hereof; provided, however, that a Major Common Holder shall only be deemed a Holder for the purposes of Sections 2.2, 2.4, 2.5, 2.6, 2.7, 2.8, 2.12 and 2.13 and shall not be entitled to any of the other rights granted to Holders under this Agreement.

(i) "**Major Common Holder**" shall mean any Person, other than any Investor (as defined in the Purchase Agreement) participating in any Closing (as defined in the Purchase Agreement) and any other owner of Preferred Stock on the Effective Date, who at any time after the Effective Date is an employee of the Company and owns and/or has the right to acquire shares of Common Stock which, in the aggregate, are equal to at least one percent (1.0%) of all Shares.

(j) "**New Securities**" shall mean any capital stock (or rights to acquire capital stock) of the Company other than Excluded Securities.

(k) "**Preferred Stock**" shall mean shares of the Company's Series D-2 Stock, Series C-2 Preferred Stock, Series B-2 Preferred Stock and Series A-2 Preferred Stock, $0.001 par value per share.

(l) "**Person**" shall mean an individual or company, partnership, limited liability company, trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

(m) "**Qualified IPO**" shall mean the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act covering the offer and sale of Common Stock for the account of the Company to the public in which the public offering price exceeds (prior to underwriter discounts or commissions and offering expenses) $2.88 per share (adjusted for any subsequent stock splits, stock dividends, reclassifications or recapitalizations) and the aggregate gross proceeds raised by the Company equal or exceed $35,000,000.

(n) "**register**," "**registered**," and "**registration**" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act and the declaration or ordering of effectiveness of such registration statement or document.

(o) "**Registrable Securities**" shall mean (i) the Common Stock issuable or issued upon conversion of the Preferred Stock; (ii) any Common Stock of the Company 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, any Preferred Stock; (iii) with respect to Sections 2.2, 2.4, 2.5, 2.6, 2.7, 2.8, 2.12 and 2.13 only, any Common Stock held by a Major Common Holder and (iv) the Common Stock issued upon the conversion or execution of any notes or warrants of the Company which notes or warrants were issued and outstanding prior to the execution of the Purchase Agreement; excluding in all cases, however, (1) any Shares sold by a Person in a transaction in which such person's rights under Section 2 hereof are not assigned, or (2) any Shares sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction.

(p) The number of shares of "**Registrable Securities then outstanding**" shall be determined by the number of shares of Common Stock outstanding which are, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities which are, Registrable Securities.

(q) "**Rule 144 Open Market Transaction**" shall mean any bona fide public sale of Shares in an open market transaction under Rule 144 of the Securities Act (or any successor rule) if such sale is in compliance with the requirements of paragraphs (c), (d), (e), (f) and (g) of such Rule 144.

(r) "**Securities Act**;' means the Securities Act of 1933, as amended, or any similar Federal statute and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time.

(s) "**Shares**" shall mean, collectively, (a) all issued and outstanding shares of Common Stock, (b) all shares of Common Stock issuable under outstanding options, warrants and other rights of any kind to purchase Common Stock, directly or indirectly, and (c) all shares of Common Stock issuable pursuant to outstanding securities convertible into or exchangeable for Common Stock, directly or indirectly. Whenever this Agreement refers to a number or percentage of Shares, such number or percentage shall be calculated as if each of the Shares had been exchanged, exercised or converted into shares of Common Stock immediately prior to such calculation. For purposes of determining the number of Shares held by any Person, such Person shall be deemed to hold all Shares held by such Person's Affiliates. The total number of Shares held by all Major Common Holders and all Holders as of the Effective Date is listed on Exhibit A.

(t) The term "**Transfer**" shall mean (i) when used as a noun: any direct or indirect transfer, sale, short sale, assignment, pledge, hypothecation, encumbrance, gift, bequest, devise, descent or other disposition and (ii) when used as a verb: to directly or indirectly, whether voluntary, involuntarily, or by operation of law, transfer, sell, short sell, assign, pledge, hypothecate, encumber, gift, bequest, devise, descent or otherwise dispose of.

(u) "**Transferee**" shall mean any Person to whom Shares have been Transferred in compliance with the terms of this Agreement.

2. Registration Rights.

2.1 Request for Registration.

(a) If the Company shall receive at any time after the earlier of (i) three years from the date of this Agreement or (ii) six (6) months following the effective date of the first registration statement for a public offering of securities of the Company (other than a registration statement relating either to the sale of securities to employees of the Company pursuant to a stock option, stock purchase or similar plan or a SEC Rule 145 transaction) (the **"Initial Registration"),** a written request from the Holders of at least thirty (30%) of the Registrable Securities then outstanding (the **"Initiating Holders")** that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities with an aggregate offering price expected to exceed $10,000,000, then the Company shall, within ten (10) days of the receipt thereof, give written notice of such request to all Holders and shall, subject to the limitations of Section 2.1(b), use its best efforts to effect as soon as practicable the registration under the Securities Act of all Registrable Securities which the Holders request to be registered within twenty (20) days of the mailing of such written notice by the Company; provided, however, that the Company shall not be obligated to take any action to effect any such registration, qualification or compliance pursuant to this Section 2.1(a):

(i) During the period starting with the date one-hundred twenty (120) days prior to the Company's estimated date of filing of, and ending on the date one-hundred eighty (180) days immediately following the effective date of, any registration statement pertaining to securities of the Company (other than a registration of securities in a Rule 145 transaction or with respect to an employee benefit plan), provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective;

(ii) After the Company has effected two (2) such registrations pursuant to this Section 2.1 (a), and each such registration has been declared or ordered effective (counting for these purposes only registrations which have been declared or ordered effective);

(iii) If the Company shall furnish to such Holders a certificate signed by the Chief Executive Officer or President of the Company stating that in the good faith judgment of the Board it would be seriously detrimental to the Company or its stockholders for a registration statement to be filed at such time, then the Company's obligation to use its best efforts to register, qualify or comply under this Section 2.1(a) shall be deferred for a period not to exceed 120 days from the date of receipt of the written request from the Holders; provided, however, that the Company may not utilize this right more than once in any twelve-month period.

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 2.1 and the Company shall include such information in the written notice referred to in Section 2.1(a). In such event, the right of any Holder to include such Holder's 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 (together with the Company as provided in Section 2.3(e)) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company with the approval of a majority in interest of the Initiating Holders. Notwithstanding any other provision of this Section 2.1, if the underwriter advises the Initiating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the underwriting shall be allocated among all Holders thereof, including the Initiating Holders, in the proportion (as nearly as practicable) that the amount of Registrable Securities of the Company owned by each Holder participating in such underwriting bears to the number of shares of Registrable Securities held by all such Holders; provided, however, that the number of shares of Registrable Securities to be included in any such underwriting shall not be reduced unless all other securities, including any shares offered by the Company, are first entirely excluded from the underwriting.

2.2 Company Registration. If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for stockholders other than the Holders, but excluding any registration pursuant to Section 2.10 hereof) any of its stock or other securities under the Securities Act in connection with the public offering of such securities solely for cash (other than a registration relating solely to the sale of securities to participants in a Company stock plan, or a registration on any form which 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), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within twenty (20) days after mailing of written notice by the Company, the Company shall, subject to the provisions of Section 2.6, cause to be registered under the Securities Act all of the Registrable Securities that each such Holder has requested to be registered. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.2 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The registration expenses of such withdrawn registration shall be borne by the Company in accordance with Section 2.5 hereof. The underwriting and cut-back requirements for any registration under this Section 2.2 are as set forth in Section 2.6 hereof.

2.3 Obligations of the Company. Whenever required under this Section 2 to effect the registration of any Registrable Securities, 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 for the earlier of one hundred twenty (120) days or until the distribution described in the Registration Statement has been completed if a shorter period (the "**Effectiveness Period**"); provided, however, that (i) the Effectiveness Period shall be extended for a period of time equal to the period the Holder refrains from selling any securities included in such registration at the request of an underwriter of Common Stock (or other securities) of the Company; and (ii) in the case of any registration of Registrable Securities on Form S-3 which are intended to be offered on a continuous or delayed basis, the Effectiveness Period shall be extended, if necessary, to keep the registration statement effective until all such Registrable Securities are sold up to 180 days, provided that Rule 415, or any successor rule under the Securities Act, permits an offering on a continuous or delayed basis, and provided further that applicable rules under the Securities Act governing the obligation to file a post effective amendment permit, in lieu of filing a post effective amendment which (A) includes any prospectus required by Section 10(a)(3) of the Securities Act or (B) reflects facts or events representing a material or fundamental change in the information set forth in the registration statement, the incorporation by reference of information required to be included in (A) and (B) above to be contained in periodic reports filed pursuant to Section 13 or 15(d) of the Exchange Act in the registration statement.

(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 numbers 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 Registrable Securities owned by them.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under the other securities or Blue Sky laws of such other 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 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 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, and, as promptly as practicable thereafter, prepare and file with the SEC, and furnish without charge to the appropriate Holders and managing underwriters, if any, a supplement or amendment to such registration statement or prospectus which will correct such statement or omission and such copies thereof as the Holders and any underwriters may reasonably request.

(g) Cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange or automated quotation system on which similar securities issued by the Company are then listed.

(h) 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.

(i) Furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Section 2, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 2, 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 such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and (ii) a letter dated 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, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities (to the extent the then applicable standards of professional conduct permit said letter to be addressed to the Holders).

(j) Use its best efforts to comply with, and remain in compliance with the Sarbanes-Oxley Act of 2002, as amended.

2.4 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 2 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities.

2.5 Expenses of Registration. The Company shall bear and pay all expenses incurred in connection with any registration, filing or qualification of Registrable Securities with respect to the registrations pursuant to Sections 2.1, 2.2 and 2.10 for each Holder (which right may be assigned as provided in Section 2.11), including (without limitation) all registration, filing, and qualification fees, printers and accounting fees relating or apportionable thereto, and the reasonable fees and expenses of one counsel selected by the selling Holders to represent the selling Holders, but excluding stock transfer taxes and any underwriting discounts and commissions relating to Registrable Securities.

2.6 Underwriting Requirements. In connection with any offering involving an underwriting of shares being issued by the Company, the Company shall not be required under Section 2.2 to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it (or by other persons entitled to select the underwriters), and then only in such quantity as will not, in the opinion of the underwriters, jeopardize the success of the offering by the Company, but in no event will the amount of Registrable Securities of the selling Holders included in the offering be reduced below thirty percent (30%) of the total amount of securities included in such offering, unless such offering is the Initial Registration, in which case the selling Holders may be excluded entirely if the underwriters make the determination described above and no other stockholder's securities are included. If the underwriter determines in good faith that marketing factors require a limitation in the number of shares to be underwritten, subject to the limitations set forth herein, the number of shares that may be included in the underwriting shall be allocated first, to the Company; second to Holders other than Major Common Holders on a pro rata basis based on the ratio of the number of Registrable Securities then held by such Holders to the aggregate number of Registrable Securities then outstanding; third to Major Common Holders on a pro rata basis based on the ratio of the number of Registrable Securities then held by such Major Common Holders to the aggregate number of Registrable Securities then outstanding; and fourth to any other stockholder of the Company (other than a Holder) on a pro rata basis. For purposes of apportionment, any selling stockholder which is a Holder of Registrable Securities and which is a partnership or corporation, the 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 "selling stockholder," and any pro rata reduction with respect to such "selling stockholder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "selling stockholder," as defined in this sentence.

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 this Section 2:

(a) The Company will indemnify and hold harmless each Holder, the officers, directors, partners, members and Affiliates 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 Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange 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 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 Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law; and the Company will pay to each such Holder, officer, director and Affiliate of such Holder, underwriter or controlling person, as incurred, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section 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 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 any such Holder, officer, director or Affiliate of such Holder, underwriter or controlling person.

(b) Each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter, any other Holder selling securities in such registration statement and any officer, director, Affiliate or controlling person of any such underwriter or other Holder, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Exchange 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 pay, as incurred, any legal or other expenses reasonably incurred by any Person intended to be indemnified pursuant to this Section 2.8(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section 2.8(b) 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 Holder, which consent shall not be unreasonably withheld; provided, that, in no event shall any indemnity under this Section 2.8(b) exceed the net proceeds from the offering received by such Holder.

(c) 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 indemnified 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 differing 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 the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.8.

(d) If the indemnification provided for in this Section 2.8 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable considerations; provided, that, in no event shall any contribution by a Holder under this Section 2.8(d), together with any amounts under Section 2.8(b), exceed the gross proceeds from the offering received by such Holder, except in the case of willful fraud by such Holder. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control; provided, that, in no event shall any contribution or indemnification by such selling Holder under the provisions in such underwriting agreement exceed the gross proceeds from the offering received by such selling Holder.

(f) The obligations of the Company and Holders under this Section 2.8 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 2, and otherwise.

2.9 Reports Under Securities Exchange Act of 1934. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public;

(b) take such action, including the voluntary registration of its Common Stock under Section 12 of the Exchange Act, as is necessary to enable the Holders to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective;

(c) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(d) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

2.10 Form S-3 Registration. If the Company receives 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, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) 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 or Holders' 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 fifteen (15) 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 2.10: (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 $1,000,000; (3) if the Company shall furnish to the Holders a certificate signed by the Chief Executive Officer or President 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 for a period of not more than 90 days after receipt of the request of the Holder or Holders under this Section 2.10; provided, however, that the Company shall not utilize this right more than once in any twelve (12) month period; (4) 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; or (5) if the Company has effected two (2) registrations on Form S-3 at the request of the Holders during the prior twelve (12) month period.

(c) If the Holders initiating the registration request hereunder (the "**Participating Holders**") intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as part of their request made pursuant to this Section and the Company shall include such information in the written notice referred to in Section 2.10(a). In such event, the right of any Holder to include such Holder's 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 Participating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Section 2.3(e)) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Participating Holders. Notwithstanding any other provision of this Section 2.10, if the underwriter advises the Participating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, then the Participating Holders shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the underwriting shall be allocated among all Holders thereof, including the Participating Holders, in the proportion (as nearly as practicable) that the amount of Registrable Securities of the Company owned by each Holder bears to the number of shares of Registrable Securities then outstanding; provided, however, that the number of shares of Registrable Securities to be included in any such underwriting shall not be reduced unless all other securities, including any shares offered by the Company, are first entirely excluded from the underwriting.

(d) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. All expenses incurred in connection with a registration requested pursuant to Section 2.10, including (without limitation) all registration, filing, qualification, printer's and accounting fees, fees and disbursements of counsel for the Company and fees and disbursements of one counsel for the

selling Holder or Holders, but excluding stock transfer taxes, and any underwriter discounts or commissions associated with Registrable Securities, shall be borne by the Company. Registrations effected pursuant to this Section 2.10 shall not be counted as the demand for registration or registrations effected pursuant to Sections 2.1 or 2.2, respectively.

2.11 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 2 may be assigned by a Holder to any of the following Transferees or assignees of Registrable Securities: (A) any such Transferee or assignee who holds, subsequent to such Transfer, twenty-five percent (25%) of the total number of shares of Registrable Securities (as adjusted for stock splits, bonuses, combinations, and the like) held by the transferor-Holder; or (B) any such Transferee or assignee who holds, subsequent to such Transfer, five percent (5%) of the total number of then-outstanding shares of Preferred Stock; or (C) a partner, limited partner, former partner, member, former member, stockholder, subsidiary, wholly-owned entity, parent or other Affiliate of a Holder; or (D) a Holder's family member or trust for the benefit of an individual Holder or any family member; provided that (i) the Company is, within a reasonable time after such Transfer, furnished with written notice of the name and address of such Transferee or assignee and the securities with respect to which such registration rights are being assigned and (ii) such assignment shall be effective only if immediately following such Transfer the Transferee agrees in writing to, and is bound by the terms and conditions of, this Agreement and such Transfer of any Registrable Securities is lawful under all applicable securities laws.

2.12 "Market Stand-Off' Agreement. Each Holder shall not sell or otherwise transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, of any Common Stock (or other securities) of the Company held by such Holder (other than those included in the registration) during the one hundred eighty (180) day period following the effective date of the Initial Registration (or such other period 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 all officers and directors of the Company and holders of at least one percent (1%) of the Company's voting securities are bound by and have entered into similar agreements.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Investor (and the shares or securities of every other Person subject to the foregoing restriction) until the end of such period.

2.13 Termination of Registration Rights. No Holder shall be entitled to exercise any right provided for in Sections 2.1, 2.2 and 2.10 after the earlier of (i) five (5) years following the consummation of the Qualified IPO, or (ii) as to a given Holder, when such Holder can sell all of such Holder's Registrable Securities in a consecutive ninety (90) day period pursuant to a Rule 144 Open Market Transaction.

2.14 Amendment of Registration Rights. Any provision of this Section 2 may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holders of at least sixty percent (60%) of the Registrable Securities then outstanding. Any amendment or waiver effected in accordance with this Section 2.14 shall be binding upon each Holder, Major Common Holder and the Company.

2.15 Limitations on Subsequent Registration Rights. The Company shall not, without the prior written consent of the Holders of at least sixty percent (60%) of the Registrable Securities, enter into any agreement (other than this Agreement) with any holder or prospective holder of any securities of the Company which would allow such holder or prospective holder (a) to include securities of the Company in any registration statement upon terms which are the same or more favorable to such holder or prospective holder than the terms on which holders of Registrable Shares may include shares in such registration unless such inclusion will not result in any reduction of the Registrable Securities included in such registration statement by the Holders or (b) to make a demand registration which could result in such registration statement being declared effective prior to the dates set forth in Section 2.1.

3. Information Rights.

3.1 Inspection. The Company shall permit each Holder holding (together with its Affiliates) an aggregate of at least 2,000,000 shares of Preferred Stock (appropriately adjusted for stock splits, stock dividends, recapitalizations, and the like) (each, a **"Major Holder"** and collectively, the **"Major Holders"),** at such Major Holder'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, at the Company's principal executive offices, at such reasonable times as may be requested by such Holder; provided, however, that the Company shall not be obligated pursuant to this Section 3.1 to provide access to any information which the Board determines in reasonably and in good faith is a trade secret or similar confidential information unless such Major Holder agrees in writing to hold such information in confidence.

3.2 Delivery of Financial Statements. The Company shall deliver to each Major Holder:

(a) as soon as practicable, but in no event later than thirty (30) days prior to the end of the Company's fiscal year, an annual capital budget and operating plan for the Company for the following fiscal year;

(b) as soon as practicable, but in no event later than one hundred eighty (180) days after the end of each fiscal year of the Company (unless otherwise waived by the Board (including all of the Preferred Stock Directors)), an audited balance sheet dated as of the last day of the applicable fiscal year, and statements of operations, cash flow and stockholders' equity for such fiscal year. Such year-end financial reports to be in reasonable detail, prepared in accordance with generally accepted accounting principles ("**GAAP**"), and audited and certified by independent public accountants of nationally recognized standing approved by the Company's Board, including a majority of the Preferred Stock Directors;

(c) within thirty (30) days of the end of each fiscal quarter of the Company, an unaudited statement of operations and cash flow, and a balance sheet for and as of the end of such quarter, in reasonable detail and prepared in accordance with GAAP, subject to year end audit adjustments and the absence of footnotes; and

(d) as soon as practicable after the end of each month, and in any event within twenty (20) days thereafter, an unaudited statement of operations and cash flow and balance sheet for such month, in reasonable detail and prepared in accordance with GAAP, subject to year end audit adjustments and the absence of footnotes.

3.3 Maintenance of Books. The Company will maintain true books and records of account in which full and correct entries will be made of all its business transactions pursuant to a system of accounting established and administered in accordance with generally accepted accounting principles consistently applied (except as noted therein), and will set aside on its books all such proper accruals and reserves as shall be required under generally accepted accounting principles consistently applied.

3.4 Sarbanes-Oxley Compliance. At any time after the eighteen (18) month anniversary of the Effective Date, upon request of a majority of the Preferred Stock Directors, the Company shall diligently, promptly and expeditiously undertake and implement such reasonable procedures and controls related to financial reporting and measurement as would be required of a reporting Company under the Sarbanes-Oxley Act of 2002 (as amended and in effect at such time).

3.5 Termination of Information Rights. The covenants set forth in this Section 3 shall terminate as to Major Holders and be of no further force and effect upon the earlier to occur of (i) the consummation of the Qualified IPO or (ii) the closing date of an Acquisition.

4. Investors' Right of First Offer.

4.1 Right of First Offer. The Company hereby grants to each Major Holder, on the terms set forth in this Section 4, a right of first offer to purchase all or any part of such Major Holder's Pro Rata Share (as defined below) of the New Securities which the Company may, from time to time, propose to sell and issue (the "**Right of First Offer**"). The Major Holders may purchase said New Securities on the same terms and at the same price at which the Company proposes to sell the New Securities. For the purposes of this Section 4, a Major Holder's "**Pro Rata Share**" shall be that portion of the New Securities which equals the proportion that the number of shares of Common Stock (assuming conversion of all Shares then held by such Major Holder into Common Stock) then held by such Major Holder bears to the total number of Shares then outstanding.

4.2 Notice of Proposed Issuance. In the event the Company proposes to undertake an issuance of New Securities, it shall deliver to the Major Holders written notice (the "**Notice**") of its intention, describing the type of New Securities, the price, the terms upon which the Company proposes to issue the same, the date of the proposed issuance and a statement as to the number of days from receipt of such Notice within which the Major Holders must respond to such Notice. The Major Holders shall have twenty (20) days from the date of receipt of the

Notice to purchase any or all of the New Securities for the price and upon the terms specified in the Notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased and forwarding payment for such New Securities to the Company if immediate payment is required by such terms, or in any event no later than the date of the proposed issuance as set forth in the Notice. If not all of the Major Holders elect to purchase their Pro Rata Share of the New Securities, then the Company shall promptly notify in writing the Major Holders who do so elect to purchase all of their Pro Rata Share of the New Securities and shall offer such subscribing Major Holder the right to acquire their Pro Rata Share of any unsubscribed New Securities. Each subscribing Major Holder shall have five (5) days after receipt of such notice (the "**Overallotment Notice Period**") to notify the Company in writing of its election to purchase all of its Pro Rata Share of the unsubscribed New Securities. If the Major Holders fail to exercise in full their Right of First Offer hereunder, the Company may sell any unsubscribed New Securities for which such Major Holder's Right of First Offer was not exercised, at a price and upon terms and conditions no more favorable then specified in the Notice, within sixty (60) days of the end of the Overallotment Notice Period.

4.3 Transfer of Rights. The Right of First Offer granted under this Section 4 may not be assigned or transferred, except that such right is assignable or transferable in the same circumstances as set forth for the transfer of registration rights set forth in Section 2.11 hereof; provided, however, that the provisions of this Section 4 shall be binding upon any such assignee or Transferee.

4.4 Termination of Rights. The Right of First Offer granted under this Section 4 shall expire upon the earlier to occur of the consummation of (i) a Qualified IPO or (ii) an Acquisition.

4.5 Limitations on Subsequent Rights. The Company shall not, without the prior written consent of at least sixty percent (60%) of the Registrable Securities then held by the Major Holders, enter into any agreement (other than this Agreement) with any holder or prospective holder of any securities of the Company which would grant such holder or prospective holder senior or superior first offer rights as to issuances of New Securities.

5. Employee Matters.

5.1 Proprietary Rights Agreement. Except as set forth in the Schedule of Exceptions attached to the Purchase Agreement, each current employee and consultant has and each future employee and consultant of the Company will enter into a proprietary information and inventions assignment agreement (which shall include a waiver of their moral rights in all intellectual property developed in connection with their employment with or work for the Company, as well as a non-solicitation covenant).

5.2 Voting By Major Common Holders. In addition to the obligations set forth in Section 6, at all times that any Major Common Holder is an employee or consultant of the Company, and at all times following the termination of employment, each Major Common Holder hereby covenants to and shall vote his or her Shares, whether at an annual meeting, special meeting or by written consent, in a manner consistent with the majority of all other holders of Shares.

6. Board of Directors.

6.1 Board Representation. In accordance with Section 3(b) of Article IV of the Company's Amended and Restated Certificate of Incorporation (as the same may be further amended from time to time, the "**Restated Certificate**"), the Company hereby agrees to take such actions as are necessary, and each of the Holders and Major Common Holders agrees to vote his, her or its Shares, including in accordance with any cumulative voting requirements, if applicable, and take such other actions as are necessary, to cause the Board to consist of nine (9) directors and to elect, whether at an annual meeting, special meeting or by written consent, and thereafter continue in office as directors of the Company as follows:

(a) so long as SAP Ventures Fund I, L.P. ("**SAPV**") or its Affiliates, holds at least 1,000,000 shares of Series D-2 Stock (appropriately adjusted for stock splits, stock dividends, recapitalizations, and the like), one (1) person nominated by SAPV shall be elected a director of the Company (the "**Series D-2 Director**") to serve as the Series D-2 Director (as defined in the Restated Certificate);

(b) so long as Adams Street 2011 Direct Fund, L.P. (the "**ASP Direct Fund**") or its Affiliates, holds at least 1,000,000 shares of Series B-2 Stock (appropriately adjusted for stock splits, stock dividends, recapitalizations, and the like), one (1) person nominated by ASP Direct Fund, or Adams Street Partners, LLC (together with the ASP Direct Fund, "**ASP**"), if the ASP Direct Fund ceases to hold Shares, shall be elected a director of the Company (the "**Series B-2 Director**") to serve as the Series B-2 Director (as defined in the Restated Certificate);

(c) so long as Hummer Winblad Venture Partners V, L.P. ("**HWVP**") or its Affiliates holds at least 2,000,000 Shares (appropriately adjusted for stock splits, stock dividends, recapitalizations, and the like), one (1) person nominated by HWVP shall be elected a director of the Company (the "**HWVP Series A-2 Director**") to serve as one of the Series A-2 Directors (as defined in the Restated Certificate);

(d) so long as Partech U.S. Partners IV, LLC or its Affiliates ("**PIV**") holds at least 2,000,000 Shares (appropriately adjusted for stock splits, stock dividends, recapitalizations, and the like), one (1) person nominated by PIV shall be elected a director of the Company (the "**PIV Series A-2 Director**" and, collectively with the HWVP Series A-2 Director, the "**Series A-2 Directors**") to serve as one of the Series A-2 Directors;

(e) one (1) person nominated by the unanimous approval of the directors then in office shall be elected a director of the Company to serve as the Preferred Director (as defined in the Restated Certificate), and collectively with the Series A-2 Directors, the Series B-2 Director and the Series D-2 Director, the "**Preferred Stock Directors**";

(f) the then Chief Executive Officer of the Company shall be elected a director of the Company to serve as the Common Stock Director (as defined in the Restated Certificate); and

(g) three (3) persons nominated by the unanimous approval of the Preferred Stock Directors and the Common Stock Director shall be elected directors of the Company to serve as the Mutual Directors (as defined in the Restated Certificate).

6.2 Board of Directors. As of the Effective Date, the Board shall consist of the following individuals:

Jai Das	Series D-2 Director
David Welsh	Series B-2 Director
Tim Wilson	PIV Series A-2 Director
Mitchell Kertzman	HWVP Series A-2 Director
Kimberly Alexy	Preferred Director
Michael Burkland	Common Stock Director
Jack Acosta	Mutual Director
David DeWalt	Mutual Director

6.3 Removals; Vacancies. The Company hereby agrees to take such actions as necessary, and each of the Major Common Holders and Holders agrees to vote a sufficient number of his, her or its Shares, including in accordance with any cumulative voting requirements, if applicable, and take such other actions as are necessary:

(a) for the removal of any director upon the request of the party or parties entitled to nominate such director (as provided in Section 6.1) and for the election to the Board of a substitute director nominated by such party or parties entitled to elect such replacement director in accordance with the provisions of Section 6.1;

(b) to ensure that any vacancy on the Board (occurring for any reason) shall be filled only in accordance with the provisions of Section 6.1; and

(c) to remove any former Chief Executive Officer of the Company from the Board immediately upon his or her ceasing to be the Chief Executive Officer of the Company for any reason.

6.4 Board Meetings. Unless otherwise approved by the Board (including a majority of the Preferred Stock Directors), the Board shall hold at least one (1) Board meeting per month.

6.5 Board Observer Rights. In the event that any of SAPV, ASP, HWVP, Mosaic Venture Partners or PIV no longer have the right to designate a director to the Board pursuant to the provisions of this Section 6, such Holder shall have the right to designate a representative **("Observer")** to attend all meetings of the Board, at its own expense, in a

non-voting observer capacity, and, in this respect, the Company shall, at the Company's expense, give such Observer copies of all notices, minutes and other materials that it provides to its directors; provided, however, that the Observer shall agree to hold in confidence and trust all information so provided to the same extent as if the Observer was a member of the Board, provided, further, that other than maintaining such confidentiality, such Observer shall have no duties (fiduciary or otherwise) to the Company. Meetings to be held by telephone conference and actions to be taken by consent shall not be prohibited provided notice is given to the Observer consistent with that provided to the directors. Notwithstanding the foregoing, the Company reserves the right to exclude such Observer from any meeting or decline to provide such Observer with access to any notices, minutes, consents or other materials ("**Materials**") provided to the directors by the Company if the Company reasonably believes, upon advice of counsel, that such exclusion is reasonably necessary to preserve the attorney-client privilege, or if in the Company's reasonable judgment such exclusion from the meeting or the access to the Materials is necessary either to protect the highly confidential and sensitive nature of the subject matter of the Board discussion, because of a potential or actual conflict of interest involving such Holder or its Observer, or because of the competitive nature of such subject matter.

6.6 No Liability for Election of Recommended Directors; Manner of Voting. None of the Company, any Major Common Holder, any Holder, nor any officer, director, stockholder, partner, employee or agent of any such party, makes any representation or warranty as to the fitness or competence of the nominee of any other party hereunder to serve on the Board by virtue of such party's execution of this Agreement or by the act of such party in voting for such nominee pursuant to this Agreement. The voting of Shares pursuant to this Agreement may be effected in person, by proxy, by written consent, or in any other manner permitted by applicable law.

6.7 Covenants of the Company. The Company agrees to use its best efforts to ensure that the rights granted hereunder are effective and that the parties hereto enjoy the benefits thereof. Such actions include, without limitation, the use of the Company's best efforts to cause the nomination and election of the directors as provided above. The Company will not, by any voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all of the provisions of this Agreement and in the taking of all such actions as may be necessary, appropriate or reasonable in order to protect the rights of the parties hereunder against impairment.

6.8 Additional Shares. In the event that following the Effective Date any shares or other securities (other than any shares or securities of another corporation issued to the Company's stockholders pursuant to any Acquisition) are issued to any Holder or Major Common Holder on, or in exchange for, any of the Shares by reason of any stock dividend, stock split, consolidation of shares, reclassification or consolidation involving the Company, such shares or securities shall be deemed to be Shares for purposes of this Agreement and subject to the provisions hereof.

6.9 Termination. The provisions of this Section 6 shall terminate and shall be of no further force and effect on the earliest to occur of the consummation of (i) a Qualified IPO or (ii) an Acquisition.

7. Drag-Along Rights.

7.1 Right to Compel Sale. If Holders holding at least sixty percent (60%) of the then outstanding shares of Common Stock issued or issuable upon conversion of the Preferred Stock (collectively the "**Approving Stockholders**") and the Board, including a majority of the Preferred Stock Directors, approve an Acquisition (the "**Approved Sale**"), then each and every one of the Major Common Holders and Holders, including the Approving Stockholders (the "**Constituent Stockholders**"), agrees, subject to the final sentence of this Section 7.1, to (i) be present, in person or by proxy, as a holder of Shares, at all meetings for the vote of any of the above matters (and can be counted for the purposes of determining a quorum at such meetings) and vote all of their Shares in favor of the Approved Sale and in opposition of any proposals that could reasonably be expected to delay or impair the consummation of the Approved Sale, (ii) raise no objections to the Approved Sale or the process pursuant to which the Approved Sale was arranged, (iii) refrain from exercising any dissenters' rights or rights of appraisal under applicable law at any time with respect to the Approved Sale, (iv) take all actions required in connection with the Approved Sale, including without limitation voting all of his, her or its Shares in favor of any matter that could reasonably be expected to facilitate the Approved Sale; and if the Approved Sale is structured as a sale of the stock of the Company, each Constituent Stockholder agrees that it shall sell its Shares on the terms and conditions approved by the Approving Stockholders and the Board and (v) to cooperate with and execute and deliver such other documents as may be reasonably requested in connection with the transactions contemplated by the Approved Sale, including, without limitation, documents containing representations and warranties as to title, power and authority, such other representations, warranties and covenants as are approved by the Approving Stockholders and returning any written consent related to the Approved Sale in a prompt manner. Notwithstanding the foregoing, a Constituent Stockholder will only be required to take the actions set forth above in connection with an Approved Sale if (A) the terms of an Approved Sale do not provide that such Constituent Stockholder would receive less than the amount that would be distributed to such Constituent Stockholder in the event the proceeds of the sale of the Company were distributed in accordance with the Company's Certificate of Incorporation, as amended and in effect at such time; (B) all indemnification, escrow and other liabilities are allocated on a pro rata basis; (C) such Constituent Stockholder is not required to make representations and warranties or covenants regarding the Company or any other stockholder of the Company, (D) such Constituent Stockholder is not required to assume liability that exceeds the proceeds received by such Constituent Stockholder in the Approved Sale (other than for fraud or willful misrepresentation by such Constituent Stockholder) and (E) such Constituent Stockholder is not required to agree to a non-competition or non-solicitation covenant in connection with the Approved Sale.

7.2 Exercise of Right. The Approving Stockholders shall exercise their rights hereunder by delivery of written notice (the "**Approved Transfer Notice**") to the Company, and the Company shall deliver the Approved Transfer Notice to the other Constituent Stockholders at least fifteen (15) days prior to the expected closing date (the "**Expected Closing Date**") of the transactions contemplated by the Approved Sale. The Approved Transfer Notice shall include the form and amount of consideration per Share to be paid to each Approving Stockholder and Constituent Stockholder and all other material terms and conditions of the Approved Sale. If required to consummate the Approved Sale, on or before ten (10) days prior to the Expected Closing Date, each of the Constituent Stockholders shall deliver to the transfer agent of the

Company certificates representing the Shares held by such Constituent Stockholder, free and clear of any and all liens and encumbrances whatsoever, together with such other documents and instruments of transfer that the third-party acquiring the Company may reasonably request.

7.3 Failure to Consummate the Approved Sale. If within ninety (90) days after the Expected Closing Date, the Company and the Approving Stockholders have not completed the Approved Sale (unless such failure is due to any Constituent Stockholder's failure to surrender for transfer his or its certificates or take such other reasonable actions required to consummate the Approved Sale), the Company shall return to each of the Constituent Stockholders all stock certificates previously surrendered by the Constituent Stockholders in connection with the proposed Approved Sale, and all the restrictions on transfers contained herein with respect to the Shares of the Company shall again be in effect. Such a failure to complete the Approved Sale shall not be a breach of any Approving Stockholder's obligations under this Agreement and shall not constitute a waiver of the rights of the Approving Stockholders to again exercise their rights under this Section 7 at any time thereafter.

7.4 Legend on Share Certificates. Each certificate representing any Shares shall be endorsed by the Company with a legend reading substantially as follows:

"THE SHARES EVIDENCED HEREBY ARE SUBJECT TO A STOCKHOLDERS' AGREEMENT (AS AMENDED AND IN EFFECT FROM TIME TO TIME), A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST FROM THE ISSUER, AND BY ACCEPTING ANY INTEREST IN SUCH SHARES THE PERSON ACCEPTING SUCH INTEREST SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL THE PROVISIONS OF SAID AGREEMENT."

7.5 Termination. The provisions of this Section 7 shall terminate and shall be of no further force and effect on the earliest to occur of the consummation of (i) a Qualified IPO or (ii) an Acquisition.

8. Transfers by Major Common Holders.

8.1 Offering Notice. A Major Common Holder who proposes to Transfer any Shares other than in any Exempt Transfer (a "**Transferring Major Common Holder**") shall give the Company and all Major Holders (the "**Right Holders**") written notice (the "**Offering Notice**") of his, her or its intention to sell Shares (the "Offered Shares"), describing the Offered Shares (including the number of shares proposed to be sold and the proposed Transferee of the shares), the price and all other material terms and conditions upon which the Transferring Major Common Holder proposes to Transfer the Offered Shares. The Offering Notice shall be signed by (i) the Transferring Major Common Holder or his, her or its respective representative, and (ii) the proposed Transferee, and the Offering Notice shall constitute a binding agreement for the transfer of the Shares subject only to the First Refusal Right and Co-Sale Right (each as defined herein).

8.2 The Company's Option to Purchase. Within twenty (20) days after receipt of the Offering Notice containing all required information, the Company may elect to purchase any or all of the Offered Shares on the terms set forth in the Offering Notice, by delivery of written notice of such election to the Transferring Major Common Holder. Should the Company fail to purchase all of the Offered Shares in the manner provided above, the Company shall promptly give written notice (the **"Right Holders Notice**") to the Right Holders, specifying the number of Offered Shares not purchased by the Company (the **"Remaining Shares**").

8.3 Co-Sale and Right of First Refusal Rights.

(a) Co-Sale/Right of First Refusal. Subject to the Company's purchase rights under Section 8.2 above, each Right Holder shall have, pursuant to the terms of this Agreement, at its option, with respect to any proposed Transfer of any Shares by a Transferring Major Common Holder, either a right to sell (the "**Co-Sale Right**") or a right to purchase (a "**First Refusal Right**") up to its applicable Ratable Portion (as defined below) of the Offered Shares or Remaining Shares, as the case may be, at the same price and on the same terms and conditions as contained in the Offering Notice from the Transferring Major Common Holder. For the purposes of this Section 8, "**Ratable Portion**" shall mean: (i) with regard to the First Refusal Right, a number of Shares equal to the product obtained by multiplying (A) the aggregate number of Remaining Shares by (B) a fraction, (x) the numerator of which is the number of Shares at the time owned by such Right Holder, and (y) the denominator of which is the number of Shares then held by all Right Holders desiring to exercise the First Refusal Right, and (ii) with regard to the Co-Sale Right, a number of Shares equal to the product obtained by multiplying (A) the aggregate number of Remaining Shares by (B) a fraction, (x) the numerator of which is the number of Shares at the time owned by such Right Holder and (y) the denominator of which is the number of Shares then held by the Transferring Major Common Holder and all of the Right Holders that desire to exercise the Co-Sale Right.

(b) Exercise of Co-Sale/Right of First Refusal. Each Right Holder shall have twenty (20) days from receipt of the Right Holders Notice to exercise either its Co-Sale Right or its First Refusal Right with respect to the Remaining Shares in connection with such proposed Transfer by giving written notice to the Company and the Transferring Major Common Holder and stating therein (i) the number of Remaining Shares such Right Holder desires to purchase under the First Refusal Right, whether less than, equal to or greater than its Ratable Portion and (ii) if such Right Holder elects not to exercise its First Refusal Right, the number of Offered Shares such Right Holder desires to sell under its Co-Sale Right, whether less than, equal to, or greater than its Ratable Portion. If any Right Holder fails to exercise (x) its right to purchase all of its Ratable Portion under the First Refusal Right or (y) its rights to sell all of its Ratable Portion under the Co-Sale Right, the Right Holders requesting to purchase or sell, as the case may be, shares in excess of their Ratable Portion (the "**Overallotment Amount**") shall either purchase the number of the Remaining Shares as to which the First Refusal Rights were not exercised, or sell the number of Offered Shares as to which Co-Sale Rights were not exercised, on a Ratable Portion basis among such Right Holders until all Overallotment Amounts have been allocated among such Right Holders. Within five (5) days thereafter, the Company shall give notice (the "**Final Notice**") to each Right Holder and the Transferring Major Common Holder as to (i) the exact number of Offered Shares that each Right Holder has elected to purchase, if the First Refusal Right is being fully exercised, or (ii) the number of shares each Right Holder will be selling, if the Co-Sale Right is exercised.

(c) Consummation of First Refusal Rights Purchase.

(i) Purchase by the Company or Right Holders of Any Offered Shares. Should the Company and/or the Right Holders elect to purchase some or all of the Offered Shares, then on the later to occur of (i) the date set for consummation of the purchase under the Offering Notice, or (ii) fifteen (15) days after receipt of the Final Notice, any Right Holders participating in the purchase, shall deliver to the Company's outside legal counsel or other agent agreed upon by a majority of the participating Holders on the one hand and the Transferring Major Common Holder on the other (the "**Escrow Holder**")**,** such cash, notes, or other instruments as may be required to consummate their purchase. The Transferring Major Common Holder shall contemporaneously deliver the certificates evidencing the Offered Shares, together with blank stock transfer powers to the Escrow Holder. The Escrow Holder shall consummate the purchase in accordance with this Agreement by delivering the consideration for the Offered Shares to the Transferring Major Common Holder, causing any Remaining Shares purchased by Right Holders to be transferred to the names of the Right Holders on the books of the Company and canceling the certificates representing that portion of the Offered Shares purchased by the Company. The purchase by a Right Holder of any Offered Shares under the First Refusal Right is also subject in all cases to the execution and delivery by the Transferring Major Common Holder of a warranty that the Transferring Major Common Holder owns good and marketable title to such Offered Shares, free of all liens, encumbrances and claims of others and otherwise and has received all necessary consents to effect the Transfer, reasonably satisfactory in form and substance to such Right Holder and its legal counsel. The purchase price shall be paid, at the election of each Right Holder, either (i) in accordance with the terms contained in the Offering Notice or (ii) by wire transfer of immediately available funds, delivery of a check representing good funds, cancellation of indebtedness, or any combination of the foregoing.

(ii) Failure of the Company or Right Holders to Purchase All of the Offered Shares. Should the Company and/or the Right Holders not elect to purchase all of the Offered Shares, then, subject only to the right of Co-Sale set forth in Section 8.3(d) below, the Transferring Major Common Holder shall be entitled to Transfer the Offered Shares that are not purchased by the Company and/or the Right Holders to the proposed Transferee at the price specified in the Offering Notice and on other terms and conditions not materially different than those set forth in the Offering Notice; provided, however, that such Transfer must be consummated within ninety (90) calendar days after delivery of the Offering Notice to the Company and the other Right Holders, and any proposed sale of such Offered Shares after such ninety (90) day period may be made only by again complying with the procedures set forth above; provided that the Transferee prior to the effectiveness of the Transfer agrees to be bound by the terms of this Agreement.

(d) Right of Co-Sale Exercise. Notwithstanding anything to the contrary in Section 8.3(c)(ii), the Transferring Major Common Holder shall not be entitled to Transfer to the proposed Transferee, pursuant to the terms of the Offering Notice, more than that number of Offered Shares which equals the difference between (A)(i) the number of shares of Offered Shares as to which the Co-Sale Rights are exercised by the Right Holders, if any, plus (ii) the number of shares of Offered Shares as to which the First Refusal Right was exercised, and (B) the total number of Remaining Shares. Subject to the foregoing, the proposed Transferee shall purchase all Offered Shares from the Right Holders, if any, that such Right Holders have exercised their Co-Sale Rights, and the Transferring Major Common Holder simultaneously, if applicable.

8.4 Termination of Transfer Restrictions. The first refusal and co-sale rights granted under this Section 8 shall terminate upon the consummation of (i) a Qualified IPO, or (ii) an Acquisition, whichever is earlier to occur.

9. Covenants.

9.1 Special Board Approval Rights; Preferred Stock Protective Provisions. The Company shall not do or take any of the following actions without the prior approval of a majority of the Board, which approval shall include a majority of the Preferred Stock Directors:

(a) grant an exclusive license with respect to any material part of the Company's intellectual property;

(b) enter into any strategic alliance, partnership, joint venture or other transaction that is material to the business of the Company or otherwise out of the ordinary course of business; provided, however that this Section 9.1(b) shall not apply to customary original equipment manufacturer agreements, distribution agreements, non-exclusive licenses and other non-material agreements and arrangements;

(c) grant a security interest over any assets of the Company, except for customary factoring agreements which may require the Company to grant a security interest in or to its account receivables;

(d) make any single (or series of related) capital expenditure in excess of $250,000 unless such expenditure was disclosed in a budget previously approved by the Board;

(e) incur any indebtedness, other than trade payables and other indebtedness incurred in the ordinary course;

(f) give any guarantees or financial assistance to third parties;

(g) remove or replace the Chief Executive Officer of the Company;

(h) increase the remuneration of officers of the Company, or pay any bonus or other compensation to any employee or consultant of the Company in excess of $5,000, individually, unless such expenditure was disclosed in a budget previously approved by the Board;

(i) acquire any real property;

(j) change its auditors or accountants; or

(k) make any material change in the Company's accounting policies.

9.2 Stock Vesting. Unless otherwise approved by the Board of Directors (including a majority of the Preferred Stock Directors) or issued pursuant to agreements in effect as of the Effective Date, all existing and future stock options and other stock equivalents (an "**Equity Award**") issued to employees, directors, consultants and other service providers as initial grants shall not provide for acceleration of vesting and shall be subject to vesting as follows: (a) twenty-five percent (25%) of such Equity Award shall vest at the end of the first year following the earlier of the date of issuance or such person's services commencement date with the Company, and (b) 1/36th of the balance of such Equity Award shall vest ratably over the subsequent thirty-six (36) months.

9.3 Repurchase Rights. Unless otherwise approved by the Board of Directors (including a majority of the Preferred Stock Directors), the Company will have the right to repurchase unvested restricted stock issued to employees, directors, consultants and other service providers at the holder's cost upon termination of employment or the cessation of providing services to the Company (for any reason, with or without cause).

9.4 Transfer of Shares. Unless otherwise approved by the Board of Directors (including a majority of the Preferred Stock Directors), the terms of any options or restricted stock issued by the Company shall prohibit the transfer of unvested shares by the holder and shall grant the Company a right of first refusal with respect to the transfer of vested shares.

9.5 Major Common Holders. The Company will use its commercially reasonable efforts to ensure that each Person who becomes a Major Common Holder after the Effective Date will be added as a party to this Agreement and will be bound by its terms.

9.6 Termination of Covenants. The covenants of the Company contained in this Section 9 shall terminate and not be applicable upon the consummation of (i) a Qualified IPO, or (ii) an Acquisition, whichever is earlier to occur.

10. Miscellaneous Matters.

10.1 Waivers and Amendments. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the holders of at least sixty percent (60%) of the Registrable Securities then outstanding; provided, however, that (i) any amendment or waiver with respect to Section 6 shall require the vote or written consent of SAPV, ASP, PIV and HWVP, (ii) so long as at least 1,000,000 shares of Series B-2 Stock are issued and outstanding, any amendment or waiver with respect to Section 7 shall require the vote or written consent of the holders of at least fifty percent (50%) of the then outstanding shares of Common Stock issued or issuable upon conversion of the Series B-2 Stock, (iii) so long as at least 1,000,000 shares of Series D-2 Stock are issued and outstanding, any amendment or waiver with respect to Section 7 shall require the vote or written consent of the holders of at least fifty percent (50%) of the then outstanding shares of Common Stock issued or issuable upon conversion of the Series D-2 Stock and (iv) any amendment or waiver that affects the rights or obligations of one Holder in a materially different manner than any other Holder shall require the vote or written consent of such Holder. Notwithstanding the foregoing, any additional investors who purchase Registrable Securities may be added as parties to this Agreement without the consent of any of the holders of Registrable Securities.

10.2 Notices. All notices and other communications required or permitted hereunder shall be in writing and, except as otherwise noted herein, shall be deemed effectively given upon personal delivery, delivery by nationally recognized courier or upon deposit with the United States Post Office, (by first class mail, postage prepaid) addressed: (a) if to the Company, to the attention of the Chief Executive Officer at the address of the Company's principal executive office (or at such other address as the Company shall have furnished to the Holders in writing), (b) if to a Holder, at the latest address of such person shown on the Company's records and (c) if to a Major Common Holder, at the latest address of such person shown on the Company's records.

10.3 Descriptive Headings. The descriptive headings herein have been inserted for convenience only and shall not be deemed to limit or otherwise affect the construction of any provisions hereof.

10.4 Governing Law. This Agreement shall be governed by and interpreted under the laws of the State of Delaware as applied to agreements among Delaware residents, made and to be performed entirely within the State of Delaware without reference to the law of conflicts.

10.5 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument, but only one of which need be produced.

10.6 Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

10.7 Specific Enforcement; Grant of Proxy. It is agreed and understood that monetary damages would not adequately compensate an injured party for the breach of this Agreement by any party, that this Agreement shall be specifically enforceable, and that any breach or threatened breach of this Agreement shall be the proper subject of a temporary or permanent injunction or restraining order. Further, each party hereto waives any claim or defense that there is an adequate remedy at law for such breach or threatened breach. Should the provisions of this Agreement be construed to constitute the granting of proxies, such proxies shall be deemed coupled with an interest and are irrevocable for the term of this Agreement.

10.8 Successors and Assigns. Except as otherwise expressly provided in this Agreement, this Agreement shall benefit and bind the successors, assigns, heirs, executors and administrators of the parties to this Agreement.

10.9 Entire Agreement. This Agreement, together with the Purchase Agreement, constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof. This Agreement amends, supersedes and replaces in its entirety all other agreements between or among any of the parties with respect to the subject matter hereof and, upon the execution hereof by the requisite parties, the Prior Stockholders' Agreement is hereby terminated in its entirety.

10.10 Separability; Severability. Unless expressly provided in this Agreement, the rights and obligations of each Holder under this Agreement are several and not jointly held with any other Holders. Any invalidity, illegality or limitation on the enforceability of this Agreement with respect to any Holder shall not affect the validity, legality or enforceability of this Agreement with respect to the other Holders. If any provision of this Agreement is judicially determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired.

10.11 Stock Splits. All references to numbers of shares in this Agreement shall be appropriately adjusted to reflect any stock dividend, split, combination or other recapitalization of shares by the Company occurring after the Effective Date.

10.12 Aggregation of Stock. All shares of the Preferred Stock 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.

10.13 Amendment of Prior Stockholders' Agreement. The Prior Stockholders' Agreement is hereby amended in its entirety and restated herein. All provisions of, rights granted and covenants made in the Prior Stockholders' Agreement are hereby waived, released and superseded in their entirety and shall have no further force or effect.

10.14 Irrevocable Proxy and Power of Attorney. Each party to this Agreement hereby constitutes and appoints as the proxy of the party and hereby grants a power of attorney to the Chief Executive Officer of the Company, with full power of substitution, with respect to the election of persons as members of the Board in accordance with Section 6 hereto and votes regarding any Approved Sale pursuant to Section 7 hereof, and hereby authorizes the Chief Executive Officer of the Company to represent and to vote, if and only if the party (i) fails to vote or (ii) attempts to vote (whether by proxy, in person or by written consent), in a manner which is inconsistent with the terms of Section 6 or Section 7 of this Agreement, all of such party's Shares in favor of the election of persons as members of the Board determined pursuant to and in accordance with the terms and provisions of this Agreement or approval of any Approved Sale pursuant to and in accordance with the terms and provisions of Sections 6 and 7, respectively, of this Agreement or to take any action necessary to effect Sections 6 and 7, respectively, of this Agreement. Each of the proxy and power of attorney granted pursuant to the immediately preceding sentence is given in consideration of the agreements and covenants of the Company and the parties in connection with the transactions contemplated by this Agreement and, as such, each is coupled with an interest and shall be irrevocable unless and until this Agreement terminates or expires or if earlier, until Section 6 or Section 7 terminates, as applicable. Each party hereto hereby revokes any and all previous proxies or powers of attorney with respect to the Shares and shall not hereafter, unless and until this Agreement terminates or expires or if earlier, until Section 6 or Section 7 terminates, as applicable, purport to grant any other proxy or power of attorney with respect to any of the Shares, deposit any of the Shares into a voting trust or enter into any agreement (other than this Agreement), arrangement or understanding with any person, directly or indirectly, to vote, grant any proxy or give instructions with respect to the voting of any of the Shares, in each case, with respect to any of the matters set forth herein.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Eighth Amended and Restated Stockholders' Agreement on the Effective Date.

Five9, Inc.

/s/ Michael Burkland
Name: Michael Burkland
Title: Chief Executive Officer

(Signature Page to Eighth Amended and Restated Stockholders' Agreement)

"HOLDER"

SAP VENTURES FUND I, L.P.
By: SAP Ventures (GPE) I, L.L.C., a Delaware limited liability company, its general partner

/s/ David Hartwig
Name: David Hartwig
Title: Managing Member

By: SAP Ventures (GPE) I, L.L.C., a Delaware limited liability company, its general partner

/s/ R. Douglas Higgins
Name: R. Douglas Higgins
Title: Managing Member

(Signature Page to Eighth Amended and Restated Stockholders' Agreement)

"HOLDER"

ADAMS STREET 2008 DIRECT FUND, L.P.
By: ASP 2008 Direct Management, LLC, Its General Partner
By: Adams Street Partners, LLC, Its Managing Member

/s/ David Welsh
Name: David Welsh
Title: Partner

"HOLDER"

ADAMS STREET 2009 DIRECT FUND, L.P.
By: ASP 2009 Direct Management, LLC, Its General Partner
By: Adams Street Partners, LLC, Its Managing Member

/s/ David Welsh
Name: David Welsh
Title: Partner

"HOLDER"

ADAMS STREET 2010 DIRECT FUND, L.P.
By: ASP 2010 Direct Management, LLC, Its General Partner
By: Adams Street Partners, LLC, Its Managing Member

/s/ David Welsh
Name: David Welsh
Title: Partner

"HOLDER"

ADAMS STREET 2011 DIRECT FUND LP
By: ASP 2011 Direct Management LP, Its General Partner
By: ASP 2011 Direct Management LLC, Its General Partner
By: Adams Street Partners, LLC, Its Managing Member

/s/ David Welsh
Name: David Welsh
Title: Partner

"HOLDER"

Hummer Winblad Venture Partners V, L.P.
as nominee for
Hummer Winblad Venture Partners V, L.P. and
Hummer Winblad Equity Partners V, L.L.C., its General Partner

/s/ Mitchell Kertzman
Name: Mitchell Kertzman
Title: Managing Director

(Signature Page to Eighth Amended and Restated Stockholders' Agreement)

"HOLDER"

Mosaic Venture Partners II, Limited Partnership
By: 1369904 Ontario, Inc., its general partner

Name: David Samuel
Title: General Partner

(Signature Page to Eighth Amended and Restated Stockholders' Agreement)

"HOLDER"

Partech U.S. Partners IV LLC

/s/ Nicolas El Baze
Name: Nicolas El Baze
Title: Attorney-in-fact

"HOLDER"

Partech International Growth Capital I LLC

/s/ Nicolas El Baze
Name: Nicolas El Baze
Title: Attorney-in-fact

"HOLDER"

Partech International Growth Capital II LLC

/s/ Nicolas El Baze
Name: Nicolas El Baze
Title: Attorney-in-fact

"HOLDER"

Partech International Growth Capital III LLC

/s/ Nicolas El Baze
Name: Nicolas El Baze
Title: Attorney-in-fact

"HOLDER"

AXA Growth Capital II LP

/s/ Nicolas El Baze
Name: Nicolas El Baze
Title: Attorney-in-fact

"HOLDER"

45th Parallel LLC

/s/ Nicolas El Baze
Name: Nicolas El Baze
Title: Attorney-in-fact

"HOLDER"

PAR SF II, LLC

/s/ Nicolas El Baze
Name: Nicolas El Baze
Title: Attorney-in-fact

(Signature Page to Eighth Amended and Restated Stockholders' Agreement)

EXHIBIT A

SCHEDULE OF MAJOR COMMON HOLDERS

Name and Address	Shares of Registrable Securities (including rights thereto)

SCHEDULE OF HOLDERS

Name and Address	Shares of Registrable Securities (including rights thereto)
SAP VENTURES FUND I, L.P. 3412 Hillview Avenue Palo Alto, California USA 94304	9,716,824
ADAMS STREET 2008 DIRECT FUND, L.P. 2500 Sand Hill Road, Suite 100 Menlo Park, CA 94025 Fax: (650) 331-4861	10,339,288
ADAMS STREET 2009 DIRECT FUND, L.P. 2500 Sand Hill Road, Suite 100 Menlo Park, CA 94025 Fax: (650) 331-4861	8,942,760
ADAMS STREET 2010 DIRECT FUND, L.P. 2500 Sand Hill Road, Suite 100 Menlo Park, CA 94025 Fax: (650) 331-4861	5,079,969
Adams Street 2011 Direct Fund LP 2500 Sand Hill Road, Suite 100 Menlo Park, CA 94025 Fax: (650) 331-4861	4,336,705
Hummer Winblad Venture Partners V, L.P. One Lombard Street San Francisco,, CA 94111 Fax: (415) 979-9601	33,649,533

Mosaic Venture Partners II, Limited Partnership FlatIron Building 49 Wellington St. East, 3rd Floor Toronto, ON Canada M5E1C9	25,229,861
Partech U.S. Partners IV LLC 50 California Street, Suite 3200 San Francisco, CA 94111	14,053,784*
Partech International Growth Capital I LLC 50 California Street, Suite 3200 San Francisco, CA 94111	2,713,106
Partech International Growth Capital II LLC 50 California Street, Suite 3200 San Francisco, CA 94111	4,469,457
Partech International Growth Capital III LLC 50 California Street, Suite 3200 San Francisco, CA 94111	2,713,110
AXA Growth Capital II LP 50 California Street, Suite 3200 San Francisco, CA 94111	1,104,650
45th Parallel LLC 50 California Street, Suite 3200 San Francisco, CA 94111	98,369
PAR SF II, LLC 50 California Street, Suite 3200 San Francisco, CA 94111	98,369
Total	122,545,785

* Includes 6,342 shares of the Company's common stock that may be distributed across affiliate funds of Partech U.S. Partners IV LLC listed in this Exhibit A.

Exhibit 4.2

FIRST AMENDMENT
TO
EIGHTH AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT

This First Amendment to the Eighth Amended and Restated Stockholders' Agreement (this "**Amendment**") is made as of December 20, 2013 (the "**Effective Date**"), by and among Five9, Inc., a Delaware corporation (the "**Company**"), and the Holders (as defined in the Eighth Amended and Restated Stockholders' Agreement made as of October 28, 2013 (the **Existing Agreement**")) signatory hereto. Capitalized terms used, but not otherwise defined, in this Amendment will have the meanings given to such terms in the Existing Agreement.

RECITALS

WHEREAS, the parties hereto desire to enter into this Amendment in order to amend the Existing Agreement to revise Section 6 of the Existing Agreement to add an additional Preferred Director and reduce the number of Mutual Directors to two such directors.

WHEREAS, under Section 10.1 of the Existing Agreement, the Company, the holders of at least sixty percent of the Registrable Securities, SAPV, ASP, PIV and HWVP may amend and waive provisions of the Existing Agreement.

WHEREAS, the signatories hereto include the Company, the holders of at least sixty percent of the Registrable Securities currently outstanding, SAPV, ASP, PIV and HWVP.

STATEMENT OF AGREEMENT

NOW THEREFORE, in consideration of the mutual premises and covenants set forth herein, the parties hereto agree to amend the Existing Agreement as follows:

1. Section 6.1(e) is amended and restated to read as follows:

"(e) two (2) persons nominated by the unanimous approval of the directors then in office shall be elected directors of the Company to serve as the Preferred Directors (as defined in the Restated Certificate), and collectively with the Series A-2 Directors, the Series B-2 Director and the Series D-2 Director, the "Preferred Stock Directors";"

2. Section 6.1(g) is amended and restated to read as follows:

"(g) two (2) persons nominated by the unanimous approval of the Preferred Stock Directors and the Common Stock Director shall be elected directors of the Company to serve as the Mutual Directors (as defined in the Restated Certificate)."

3. Robert Zollars is added to Section 6.2 as a Preferred Director.

4. On and after the date hereof, each reference in the Existing Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import referring to the Existing Agreement shall mean and be a reference to the Existing Agreement, as amended by

this Amendment. This Amendment constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, representations or other arrangements, whether express or implied, written or oral, of the parties in connection therewith except to the extent expressly incorporated or specifically referred to herein. In the event of a conflict between the respective provisions of the Existing Agreement and this Amendment, the terms of this Amendment shall control. Except as specifically amended by the terms of this Amendment, the terms and conditions of the Existing Agreement are and shall remain in full force and effect for all purposes.

5. This Amendment may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument, but only one of which need be produced.

6. This Amendment shall be governed by and interpreted under the laws of the State of Delaware as applied to agreements among Delaware residents, made and to be performed entirely with the State of Delaware without reference to the law of conflicts.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date set forth above.

FIVE9, INC.

By: /s/ Michael Burkland
Michael Burkland
President and Chief Executive Officer

"HOLDER"

SAP VENTURES FUND I, L.P.

By: SAP Ventures (GPE) I, L.L.C., a Delaware limited liability company, its general partner

/s/ Jayendra Das

Name: Jai Das
Title: Managing Member

By: SAP Ventures (GPE) I, L.L.C., a Delaware limited liability company, its general partner

/s/ Nino Marakovic

Name: Nino Marakovic
Title: Managing Member

"HOLDER"

ADAMS STREET 2008 DIRECT FUND, L.P.
By: ASP 2008 Direct Management, LLC, Its General Partner
By: Adams Street Partners, LLC, Its Managing Member

/s/ David S. Welsh
Name: David S. Welsh
Title: Partner

"HOLDER"

ADAMS STREET 2009 DIRECT FUND, L.P.
By: ASP 2009 Direct Management, LLC, Its General Partner
By: Adams Street Partners, LLC, Its Managing Member

/s/ David S. Welsh
Name: David S. Welsh
Title: Partner

"HOLDER"

ADAMS STREET 2010 DIRECT FUND, L.P.
By: ASP 2010 Direct Management, LLC, Its General Partner
By: Adams Street Partners, LLC, Its Managing Member

/s/ David S. Welsh
Name: David S. Welsh
Title: Partner

"HOLDER"

ADAMS STREET 2011 DIRECT FUND LP
By: ASP 2011 Direct Management LP, Its General Partner
By: ASP 2011 Direct Management LLC, Its General Partner
By: Adams Street Partners, LLC, Its Managing Member

/s/ David S. Welsh
Name: David S. Welsh
Title: Partner

"HOLDER"

Hummer Winblad Venture Partners V, L.P.
as nominee for
Hummer Winblad Venture Partners V, L.P. and
Hummer Winblad Equity Partners V, L.L.C., its General Partner

/s/ Mitchell Kertzman

Name: Mitchell Kertzman
Title: Managing Director

"HOLDER"

Mosaic Venture Partners II, Limited Partnership
By: 1369904 Ontario, Inc., its general partner

Name: David Samuel
Title: General Partner

“HOLDER”

Partech U.S. Partners IV LLC

/s/ Vincent Worms

Name:
Title: Attorney-in-fact

“HOLDER”

Partech International Growth Capital I LLC

/s/ Vincent Worms

Name:
Title: Attorney-in-fact

“HOLDER”

Partech International Growth Capital II LLC

/s/ Vincent Worms

Name:
Title: Attorney-in-fact

“HOLDER”

Partech International Growth Capital III LLC

/s/ Vincent Worms

Name:
Title: Attorney-in-fact

“HOLDER”

AXA Growth Capital II LP

/s/ Vincent Worms

Name:
Title: Attorney-in-fact

“HOLDER”

45th Parallel LLC

/s/ Vincent Worms

Name:
Title: Attorney-in-fact

“HOLDER”

PAR SF II, LLC

/s/ Vincent Worms

Name:
Title: Attorney-in-fact

SECOND AMENDMENT
TO
EIGHTH AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT

This Second Amendment to the Eighth Amended and Restated Stockholders' Agreement (this "**Amendment**") is made as of December 30, 2013 (the "**Effective Date**"), by and among Five9, Inc., a Delaware corporation (the "**Company**"), and the Holders (as defined in the Eighth Amended and Restated Stockholders' Agreement made as of October 28, 2013 (as amended, the **Existing Agreement**")) signatory hereto. Capitalized terms used, but not otherwise defined, in this Amendment will have the meanings given to such terms in the Existing Agreement.

RECITALS

WHEREAS, the parties hereto desire to enter into this Amendment in order to amend the Existing Agreement to (i) revise Section 6 of the Existing Agreement to (A) add an additional Mutual Director which was incorrectly reduced to two such directors in the First Amendment to Eighth Amended and Restated Stockholders' Agreement and (B) change the reference to the size of the Company's board of directors to ten (10) directors instead of nine (9) directors in order to accommodate an additional Mutual Director and (ii) revise Section 1(e)(iv) in the Existing Agreement to amend the definition of "Excluded Securities" by increasing the number of shares of capital stock and/or stock options that can be issued pursuant to a stock grant, stock option or purchase plan or other employee stock incentive program approved by the Board in order to account for the amendment to the Company's Amended and Restated 2004 Equity Incentive Plan approved by the Company's stockholders on December 18, 2013 that increased the share limit under such plan by 3,320,426 shares.

WHEREAS, under Section 10.1 of the Existing Agreement, the Company, the holders of at least sixty percent of the Registrable Securities, SAPV, ASP, PIV and HWVP may amend and waive provisions of the Existing Agreement.

WHEREAS, the signatories hereto include the Company, the holders of at least sixty percent of the Registrable Securities currently outstanding, SAPV, ASP, PIV and HWVP.

STATEMENT OF AGREEMENT

NOW THEREFORE, in consideration of the mutual premises and covenants set forth herein, the parties hereto agree to amend the Existing Agreement as follows:

1. Section 1(e)(iv) is amended and restated to read as follows:

"(iv) up to 9,343,482 shares of capital stock and/or stock options (plus an additional number of shares of capital stock or stock options that are cancelled or terminated without having been exercised and are again available for grant under the applicable plan) issued (including upon exercise of such stock options) to officers, employees, directors, consultants or advisors pursuant to a stock grant, stock option or purchase plan or other employee stock incentive program approved by the Board, including a majority of the Preferred Stock Directors;"

2. The first paragraph of Section 6.1 is amended and restated to read as follows:

"6.1 Board Representation. In accordance with Section 3(b) of Article IV of the Company's Amended and Restated Certificate of Incorporation (as the same may be further amended from time to time, the "Restated Certificate"), the Company hereby agrees to take such actions as are necessary, and each of the Holders and Major Common Holders agrees to vote his, her or its Shares, including in accordance with any cumulative voting requirements, if applicable, and take such other actions as are necessary, to cause the Board to consist of ten (10) directors and to elect, whether at an annual meeting, special meeting or by written consent, and thereafter continue in office as directors of the Company as follows:"

3. Section 6.1(g) is amended and restated to read as follows:

"(g) three (3) persons nominated by the unanimous approval of the Preferred Stock Directors and the Common Stock Director shall be elected directors of the Company to serve as the Mutual Directors (as defined in the Restated Certificate)."

4. On and after the date hereof, each reference in the Existing Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import referring to the Existing Agreement shall mean and be a reference to the Existing Agreement, as amended by this Amendment. This Amendment constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, representations or other arrangements, whether express or implied, written or oral, of the parties in connection therewith except to the extent expressly incorporated or specifically referred to herein. In the event of a conflict between the respective provisions of the Existing Agreement and this Amendment, the terms of this Amendment shall control. Except as specifically amended by the terms of this Amendment, the terms and conditions of the Existing Agreement are and shall remain in full force and effect for all purposes.

5. This Amendment may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument, but only one of which need be produced.

6. This Amendment shall be governed by and interpreted under the laws of the State of Delaware as applied to agreements among Delaware residents, made and to be performed entirely with the State of Delaware without reference to the law of conflicts.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date set forth above.

FIVE9, INC.

By: /s/ Michael Burkland
Michael Burkland
President and Chief Executive Officer

"HOLDER"

SAP VENTURES FUND I, L.P.
By: SAP Ventures (GPE) I, L.L.C., a Delaware limited liability company, its general partner

/s/ Jai Das

Name: Jai Das
Title: Managing Member

By: SAP Ventures (GPE) I, L.L.C., a Delaware limited liability company, its general partner

/s/ Nino Marakovic

Name: Nino Marakovic
Title: Managing Member

"HOLDER"

ADAMS STREET 2008 DIRECT FUND, L.P.
By: ASP 2008 Direct Management, LLC, Its General Partner
By: Adams Street Partners, LLC, Its Managing Member

/s/ David S. Welsh
Name: David S. Welsh
Title: Partner

"HOLDER"

ADAMS STREET 2009 DIRECT FUND, L.P.
By: ASP 2009 Direct Management, LLC, Its General Partner
By: Adams Street Partners, LLC, Its Managing Member

/s/ David S. Welsh
Name: David S. Welsh
Title: Partner

"HOLDER"

ADAMS STREET 2010 DIRECT FUND, L.P.
By: ASP 2010 Direct Management, LLC, Its General Partner
By: Adams Street Partners, LLC, Its Managing Member

/s/ David S. Welsh
Name: David S. Welsh
Title: Partner

"HOLDER"

ADAMS STREET 2011 DIRECT FUND LP
By: ASP 2011 Direct Management LP, Its General Partner
By: ASP 2011 Direct Management LLC, Its General Partner
By: Adams Street Partners, LLC, Its Managing Member

/s/ David S. Welsh
Name: David S. Welsh
Title: Partner

"HOLDER"

Hummer Winblad Venture Partners V, L.P.
as nominee for
Hummer Winblad Venture Partners V, L.P. and Hummer Winblad Equity Partners V, L.L.C., its General Partner

/s/ Mitchell Kertzman

Name: Mitchell Kertzman
Title: Managing Director

"HOLDER"

Mosaic Venture Partners II, Limited Partnership
By: 1369904 Ontario, Inc., its general partner

/s/ David Samuel

Name: David Samuel
Title: General Partner

“HOLDER”

Partech U.S. Partners IV LLC

/s/ Nicholas El Baze

Name:
Title: Attorney-in-fact

“HOLDER”

Partech International Growth Capital I LLC

/s/ Nicholas El Baze

Name:
Title: Attorney-in-fact

“HOLDER”

Partech International Growth Capital II LLC

/s/ Nicholas El Baze

Name:
Title: Attorney-in-fact

“HOLDER”

Partech International Growth Capital III LLC

/s/ Nicholas El Baze

Name:
Title: Attorney-in-fact

“HOLDER”

AXA Growth Capital II LP

/s/ Nicholas El Baze

Name:
Title: Attorney-in-fact

“HOLDER”

45th Parallel LLC

/s/ Nicholas El Baze

Name:
Title: Attorney-in-fact

“HOLDER”

PAR SF II, LLC

/s/ Nicholas El Baze

Name:
Title: Attorney-in-fact

Exhibit 5.1

JONES DAY

SILICON VALLEY OFFICE • 1755 EMBARCADERO ROAD • PALO ALTO, CALIFORNIA 94303
TELEPHONE: +1.650.739.3939 • FACSIMILE: +1.650.739.3900

March 24, 2014

Five9, Inc.
Bishop Ranch 8
4000 Executive Parkway, Suite 400
San Ramon, California 94583

Re: Registration Statement on Form S-1, as amended (No. 333-194258)
Relating to the Initial Public Offering of up to
11,500,000 shares of Common Stock of Five9, Inc.

Ladies and Gentlemen:

We are acting as counsel for Five9, Inc., a Delaware corporation (the "Company"), in connection with the initial public offering and sale by the Company of up to 11,500,000 shares (the "Shares") of common stock, par value $0.001 per share, pursuant to the Underwriting Agreement (the "Underwriting Agreement") proposed to be entered into by and among the Company and J.P. Morgan Securities LLC and Barclays Capital Inc., acting as the representatives of the several underwriters to be named in Schedule 1 thereto.

In connection with the opinion expressed herein, we have examined such documents, records and matters of law as we have deemed relevant or necessary for purposes of such opinion. Based upon the foregoing and subject to the further assumptions, qualifications and limitations set forth herein, we are of the opinion that the Shares, when issued and delivered pursuant to the Underwriting Agreement against payment of the consideration therefor as provided in the Underwriting Agreement, will be validly issued, fully paid and nonassessable.

In rendering the foregoing opinion, we have assumed that the Company will issue and deliver the Shares after filing with the Secretary of State of the State of Delaware (i) the Certificates of Amendment to the Company's Amended and Restated Certificate of Incorporation, in the form approved by us and filed as an exhibit to the Registration Statement (as defined below) and (ii) the Company's Amended and Restated Certificate of Incorporation to be in effect upon completion of the initial public offering, in the form approved by us and filed as an exhibit to the Registration Statement.

The opinion expressed herein is limited to the General Corporation Law of the State of Delaware, and we express no opinion as to the effect of the laws of any other jurisdiction.

We hereby consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement on Form S-1, as amended (No. 333-194258) (the "Registration Statement"), filed by the Company to effect registration of the Shares under the Securities Act of 1933 (the "Act") and to the reference to us under the caption "Legal Matters" in the prospectus constituting a part of such Registration Statement. In giving such consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

Very truly yours,

/s/ Jones Day

Exhibit 10.1

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made as of , 20 by and between Five9, Inc., a Delaware corporation (the "Company"), and ("Indemnitee"). This Agreement supersedes and replaces any and all previous Agreements between the Company and Indemnitee covering the subject matter of this Agreement.

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly-held corporations as directors or officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the corporation or business enterprise itself. The Bylaws of the Company (the "Bylaws") require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (the "DGCL"). The Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the board of directors, officers and other persons with respect to indemnification;

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company and its stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, Indemnitee does not regard the protection available under the Bylaws and insurance as adequate in the present circumstances, and may not be willing to serve for or on behalf of the Company without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that Indemnitee be so indemnified.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Services to the Company. Indemnitee agrees to serve either (i) as a director or officer of the Company, or (ii) at the request of the Company, as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law). This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise (as hereinafter defined)) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee's employment with the Company (or any of its subsidiaries or any Enterprise), if any, is at will, and that Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment contract between Indemnitee and the Company (or any of its subsidiaries or any Enterprise), other applicable formal severance policies duly adopted by the Board, or, with respect to service as a director or officer of the Company, by the Certificate of Incorporation of the Company (the "Certificate of Incorporation"), the Bylaws and the DGCL. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve as an officer or director of the Company or, at the request of the Company, as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise, as provided in Section 17 hereof.

Section 2. Definitions. As used in this Agreement:

(a) References to "agent" shall mean any person who is or was a director, officer, or employee of the Company or a subsidiary of the Company or other person authorized by the Company to act for the Company, to include such person serving in such capacity as a director, officer, employee, fiduciary or other official of another corporation, partnership, limited liability company, joint venture, trust or other enterprise at the request of, for the convenience of, or to represent the interests of the Company or a subsidiary of the Company.

(b) A “Change in Control” shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

i. Acquisition of Stock by Third Party. Any Person (as hereinafter defined) is or becomes the Beneficial Owner (as hereinafter defined), directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company’s then outstanding securities unless the change in relative Beneficial Ownership of the Company’s securities by any Person results solely from a reduction in the aggregate number of outstanding shares of securities entitled to vote generally in the election of directors;

ii. Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(b)(i), 2(b)(iii) or 2(b)(iv)) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the members of the Board;

iii. Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty-one percent (51%) of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

iv. Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets; and

v. Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as hereinafter defined), whether or not the Company is then subject to such reporting requirement.

For purposes of this Section 2(b), the following terms shall have the following meanings:

(A) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time.

(B) “Person” shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(C) “Beneficial Owner” shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(c) “Corporate Status” describes the status of a person who is or was a director, officer, employee or agent of the Company or of any other corporation, limited liability company, partnership or joint venture, trust or other enterprise which such person is or was serving at the request of the Company.

(d) “Disinterested Director” shall mean a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(e) “Enterprise” shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, employee, agent or fiduciary.

(f) “Expenses” shall include all reasonable attorneys’ fees, retainers, court costs, transcript costs, fees of experts and other professionals, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, and (ii) for purposes of Section 15(d) only, Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee’s rights under this Agreement, by litigation or otherwise. The parties agree that for the purposes of any advancement of Expenses for which Indemnitee has made written demand to the Company in accordance with this Agreement, all Expenses included in

such demand that are certified by affidavit of Indemnitee's counsel as being reasonable shall be presumed conclusively to be reasonable. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(g) "Independent Counsel" shall mean a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

(h) The term "Proceeding" shall include any threatened, pending or completed action, suit, claim, counterclaim, cross claim, arbitration, mediation, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative, legislative, or investigative (formal or informal) nature, including any appeal therefrom, in which Indemnitee was, is or will be involved as a party, potential party, non-party witness or otherwise by reason of Indemnitee's Corporate Status, by reason of any action taken by Indemnitee (or a failure to take action by Indemnitee) or of any action (or failure to act) on Indemnitee's part while acting pursuant to Indemnitee's Corporate Status, in each case whether or not serving in such capacity at the time any liability or Expense is incurred for which indemnification, reimbursement, or advancement of Expenses can be provided under this Agreement. If Indemnitee believes in good faith that a given situation may lead to or culminate in the institution of a Proceeding, such situation shall be considered a Proceeding under this paragraph.

(i) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in manner "not opposed to the best interests of the Company" as referred to in this Agreement.

Section 3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the

right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses, judgments, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal Proceeding had no reasonable cause to believe that Indemnitee's conduct was unlawful. The parties hereto intend that this Agreement shall provide to the fullest extent permitted by law for indemnification in excess of that expressly permitted by statute, including, without limitation, any indemnification provided by the Certificate of Incorporation, the Bylaws, vote of its stockholders or Disinterested Directors or applicable law.

Section 4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that the Delaware Court (as hereinafter defined) or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification for such Expenses which the Delaware Court or such other court shall deem proper.

Section 5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with or related to each successfully resolved claim, issue or matter to the fullest extent permitted by law. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Indemnification of Appointing Stockholder. If (i) Indemnitee is or was affiliated with one or more venture capital or other investment funds that has invested in the Company (an "Appointing Stockholder"), (ii) the Appointing Stockholder is, or is threatened to be made, a party to or a participant in any Proceeding, and (iii) the Appointing Stockholder's involvement in the Proceeding directly results from any claim based on the Indemnitee's service to the Company as a director, officer or other fiduciary of the Company, the Appointing Stockholder will be entitled to indemnification hereunder to the same extent as Indemnitee, and the terms of this Agreement as they relate to procedures for indemnification of Indemnitee and advancement of Expenses shall apply to any such indemnification of Appointing Stockholder. To the extent this Section 6 is applicable in respect of Indemnitee, the Company and Indemnitee agree that the Appointing Stockholder is an express third party beneficiary of this Section 6.

Section 7. Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee (or any Immediate Family Member) is, by reason of Indemnitee's Corporate Status, a witness or otherwise asked to participate in any Proceeding to which Indemnitee is not a party, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee (or any Immediate Family Member) or on Indemnitee's (or any Immediate Family Member's) behalf in connection therewith. For the purposes of this Section 7, "Immediate Family Member" shall mean (i) Indemnitee's spouse or domestic partner, children (whether natural or adopted as minors), grandchildren or more remote descendants and (ii) the lineal descendants of each of the persons described in the immediately preceding clause (i).

Section 8. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

Section 9. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, 5 or 6, the Company shall indemnify Indemnitee to the fullest extent permitted by applicable law if Indemnitee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(b) For purposes of Section 9(a), the meaning of the phrase "to the fullest extent permitted by applicable law" shall include, but not be limited to:

i. to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL, and

ii. to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its officers and directors.

Section 10. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnification payment in connection with any claim made against Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision, provided, that the foregoing shall not affect the rights of Indemnitee or the Fund Indemnitors set forth in Section 16(f); or

(b) for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act (as defined in Section 2(b) hereof) or similar provisions of state statutory law or common law, or (ii) any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act); or

(c) except as provided in Section 15(d) of this Agreement, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

Section 11. Advances of Expenses. Notwithstanding any provision of this Agreement to the contrary (other than Section 15(d)), the Company shall advance, to the extent not prohibited by law, the Expenses incurred by Indemnitee in connection with any Proceeding (or any part of any Proceeding) not initiated by Indemnitee, and such advancement shall be made within thirty (30) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. In accordance with Section 15(d), advances shall include any and all reasonable Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing and

forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement, which shall constitute an undertaking providing that the Indemnitee undertakes to repay the amounts advanced (without interest) to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. No other form of undertaking shall be required other than the execution of this Agreement. This Section 11 shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 10.

Section 12. Procedure for Notification and Defense of Claim.

(a) Indemnitee shall notify the Company in writing of any matter with respect to which Indemnitee intends to seek indemnification or advancement of Expenses hereunder as soon as reasonably practicable following the receipt by Indemnitee of written notice thereof. The written notification to the Company shall include a description of the nature of the Proceeding and the facts underlying the Proceeding. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of such Proceeding. The omission by Indemnitee to notify the Company hereunder will not relieve the Company from any liability which it may have to Indemnitee hereunder or otherwise than under this Agreement, and any delay in so notifying the Company shall not constitute a waiver by Indemnitee of any rights under this Agreement. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

Section 13. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 12(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred, (A) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (B) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (C) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee or (D) if so directed by the Board, by the stockholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to

such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or Expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom. The Company promptly will advise Indemnitee in writing with respect to any determination that Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 13(a) hereof, the Independent Counsel shall be selected as provided in this Section 13(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising Indemnitee of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within ten (10) days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or the Delaware Court has determined that such objection is without merit. If, within twenty (20) days after the later of submission by Indemnitee of a written request for indemnification pursuant to Section 12(a) hereof and the final disposition of the Proceeding, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Delaware Court for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by such court or by such other person as such court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 13(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 15(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) The Company agrees to pay the reasonable fees and expenses of the Independent Counsel and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

Section 14. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 12(a) of this Agreement, and the Company shall, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or Independent Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) Subject to Section 15(e), if the person, persons or entity empowered or selected under Section 13 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 14(b) shall not apply (i) if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 13(a) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination the Board has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 13(a) of this Agreement.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser, financial advisor, or other expert selected with reasonable care by or on behalf of the Enterprise. The provisions of this Section 14(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(e) The knowledge and/or actions, or failure to act, of any director, officer, trustee, partner, managing member, fiduciary, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

Section 15. Remedies of Indemnitee.

(a) Subject to Section 15(e), in the event that (i) a determination is made pursuant to Section 13 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 10 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 13(a) of this Agreement within ninety (90) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 7 or 8 or the second to last sentence of Section 13(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, (v) payment of indemnification pursuant to Section 3, 4, 6 or 9 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, or (vi) in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder, Indemnitee shall be entitled to an adjudication by a court of Indemnitee's entitlement to such indemnification or advancement of Expenses. Alternatively,

Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 15(a); provided, however, that the foregoing clause shall not apply in respect of a proceeding brought by Indemnitee to enforce Indemnitee's rights under Section 5 of this Agreement. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 13(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 15 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 15 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 13(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 15, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 15 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. It is the intent of the Company that, to the fullest extent permitted by law, the Indemnitee shall not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. The Company shall, to the fullest extent permitted by law, indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefor) advance, to the extent not prohibited by law, such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advancement of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company if, in the case of indemnification, Indemnitee is wholly successful on the underlying claims; if Indemnitee is not wholly successful on the underlying claims, then such indemnification shall be only to the extent Indemnitee is successful on such underlying claims or otherwise as permitted by law, whichever is greater.

(e) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement of Indemnitee to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

Section 16. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action or omission by Indemnitee in Indemnitee's Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Bylaws, the Certificate of Incorporation and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Enterprise, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such claim or of the commencement of a Proceeding, as the case may be, to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) Except as provided in paragraph (f) below, in the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) Except as provided in paragraph (f) below, the Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) Except as provided in paragraph (f) below, to the extent Indemnitee is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise, the Company's obligation to indemnify or advance Expenses hereunder shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of Expenses from such other corporation, limited liability company, partnership, joint venture, trust or other enterprise.

(f) The Company hereby acknowledges that, to the extent that Indemnitee has certain rights to indemnification, advancement of expenses and/or insurance provided by one or more venture capital or other investment funds and/or certain of its or their affiliates (collectively, the "Fund Indemnitors"), the Company hereby agrees (i) that it is the indemnitor of first resort (i.e., its obligations to Indemnitee are primary and any obligation of the Fund Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by Indemnitee are secondary), (ii) that it shall be required to advance the full amount of Expenses incurred by Indemnitee and shall be liable for the full amount of all Expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the Certificate of Incorporation or Bylaws (or any agreement between the Company and Indemnitee), without regard to any rights Indemnitee may have against the Fund Indemnitors, and, (iii) that it irrevocably waives, relinquishes and releases the Fund Indemnitors from any and all claims against the Fund Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Fund Indemnitors on behalf of Indemnitee with respect to any claim for which Indemnitee has sought indemnification from the Company shall affect the foregoing and the Fund Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Company. To the extent this paragraph (f) is applicable in respect of Indemnitee, the Company and Indemnitee agree that the Fund Indemnitors are express third party beneficiaries of this paragraph (f).

Section 17. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve (i) as a director or officer of the Company, or (ii) at the request of the Company, as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise, and (b) one (1) year after the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 15 of this Agreement relating thereto. The rights to indemnification and advancement of Expenses provided by or granted pursuant to this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect

successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or of any other Enterprise, and shall inure to the benefit of Indemnitee and Indemnitee's spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

Section 18. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 19. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve (i) as a director or officer of the Company, or (ii) at the request of the Company, as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving for or on behalf of the Company in such capacity.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate of Incorporation, the Bylaws and applicable law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 20. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

Section 21. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

Section 22. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and receipted for by the party to whom said notice or other communication shall have been directed or (d) sent by facsimile transmission, with receipt of oral confirmation that such transmission has been received:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide to the Company.

(b) If to the Company to

Five9, Inc.
4000 Executive Parkway, Suite 400
San Ramon, CA 94583
Attn: Corporate Secretary

or to any other address as may have been furnished to Indemnitee by the Company.

Section 23. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

Section 24. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 15(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the “Delaware Court”), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action

or proceeding arising out of or in connection with this Agreement, (iii) appoint, to the extent such party is not otherwise subject to service of process in the State of Delaware, irrevocably The Corporation Trust Company, The Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

Section 25. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 26. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

FIVE9, INC.	INDEMNITEE
By: _____	_____
Name:	Name:
Office:	Address: _____
	_____
	_____

FIVE9, INC.
2014 EQUITY INCENTIVE PLAN
Adopted by the Board of Directors: March 6, 2014
Approved by the Stockholders: March 16, 2014

1. GENERAL.

(a) **Eligible Award Recipients**. Employees, Directors and Consultants are eligible to receive Awards.

(b) **Available Awards**. The Plan provides for the grant of the following Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) Stock Appreciation Rights, (iv) Restricted Stock Awards, (v) Restricted Stock Unit Awards, (vi) Performance Stock Awards, (vii) Performance Cash Awards, and (viii) Other Stock Awards.

(c) **Purpose**. This Plan, through the granting of Awards, is intended to help the Company secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate, and provide a means by which the eligible recipients may benefit from increases in value of the Common Stock.

2. ADMINISTRATION.

(a) **Administration by Board**. The Board will administer the Plan. The Board may delegate administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) **Powers of Board**. The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine: (A) who will be granted Awards; (B) when and how each Award will be granted; (C) what type of Award will be granted; (D) the provisions of each Award (which need not be identical), including when a person will be permitted to exercise or otherwise receive cash or Common Stock under the Award; (E) the number of shares of Common Stock subject to, or the cash value of, an Award; and (F) the Fair Market Value applicable to an Award.

(ii) To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for administration of the Plan and Awards. The Board, in the exercise of these powers, may correct any defect, omission or inconsistency in the Plan or in any Award Agreement, in a manner and to the extent it will deem necessary or expedient to make the Plan or Award fully effective.

(iii) To settle all controversies regarding the Plan and Awards granted under it.

(iv) To accelerate, in whole or in part, the time at which an Award may be exercised or vest (or at which cash or shares of Common Stock may be issued).

(v) To amend, suspend or terminate the Plan at any time. Except as otherwise provided in the Plan or an Award Agreement, amendment, suspension or termination of the Plan will not materially impair a Participant's rights under his or her then-outstanding Award without his or her written consent. A Participant's rights will not be deemed to have been impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant's rights. In addition, subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Awards without the affected Participant's consent (A) to maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (B) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award solely because it impairs the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (C) to clarify the manner of exemption from, or to bring the Award into compliance with Section 409A; (D) to correct clerical or typographical errors; or (E) to comply with other applicable laws or listing requirements.

(vi) To submit any amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of (A) Section 162(m) of the Code regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to Covered Employees, (B) Section 422 of the Code regarding "incentive stock options" or (C) Rule 16b-3.

(vii) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Awards.

(viii) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside the United States.

(ix) To effect, with the consent of any adversely affected Participant, (A) the reduction of the exercise, purchase or strike price of any outstanding Award; (B) the cancellation of any outstanding Award and the grant in substitution therefor of a new (1) Option or SAR, (2) Restricted Stock Award, (3) Restricted Stock Unit Award, (4) Other Stock Award, (5) cash award and/or (6) award of other valuable consideration determined by the Board, in its sole discretion, with any such substituted award (x) covering the same or a different number of shares of Common Stock as the cancelled Award and (y) granted under the Plan or another equity or compensatory plan of the Company; or (C) any other action that is treated as a repricing under generally accepted accounting principles.

(c) **Delegation to Committee**.

(i) General. The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the

power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee). Any delegation of administrative powers will be reflected in resolutions, not inconsistent with the provisions of the Plan, adopted from time to time by the Board or Committee (as applicable). The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revest in the Board some or all of the powers previously delegated.

(ii) Section 162(m) and Rule 16b-3 Compliance. The Committee may consist solely of two or more (A) Outside Directors, in accordance with Section 162(m) of the Code, and/or (B) Non-Employee Directors, in accordance with Rule 16b-3.

(d) **Delegation to an Officer**. The Board may delegate to one or more Officers the authority to do one or both of the following (i) designate Employees who are not Officers to be recipients of Options and SARs (and, to the extent permitted by applicable law, other Stock Awards) and, to the extent permitted by applicable law, the terms of such rights and options, and (ii) determine the number of shares of Common Stock to be subject to such Awards granted to such Employees. However, if and as required by applicable law, the Board resolutions regarding such delegation will specify the total number of shares of Common Stock that may be subject to the Awards granted by such Officer and that such Officer may not grant an Award to himself or herself. Any Awards granted by a committee of Officers will be granted on the form of Award Agreement most recently approved for use by the Committee or the Board, unless otherwise provided in the resolutions approving the delegation authority. The Board may not delegate authority to an Officer who is acting solely in the capacity of an Officer (and not also as a Director) to determine the Fair Market Value if the Common Stock is not listed on any established stock exchange or traded on any established market.

(e) **Effect of Board's Decision**. All determinations, interpretations and constructions made by the Board in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

3. SHARES SUBJECT TO THE PLAN.

(a) **Share Reserve**.

(i) Subject to Section 9(a) relating to Capitalization Adjustments, and the following sentence regarding the annual increase, the aggregate number of shares of Common Stock that may be issued pursuant to Stock Awards shall consist of (A) an initial new share reserve of 21,200,000 shares of Common Stock[1], (B) the shares of Common Stock remaining available for issuance under the Five9, Inc. 2004 Equity Incentive Plan (the "***2004 Plan***") at the Effective Date[2], (C) the shares of Common Stock subject to awards granted under the 2004

1 Subject to any stock split that occurs on or before the IPO Date
2 Subject to any stock split that occurs on or before the IPO Date

Plan[3] that expire or terminate for any reason prior to exercise or settlement, are forfeited because of the failure to vest in those shares, or are otherwise reacquired or withheld to satisfy a tax withholding obligation in connection with such awards if, as, and when such shares are subject to such events, which aggregate number of shares described in (A), (B) and (C) will not exceed 52,400,000 shares[4] (the "***Share Reserve***"), with such Share Reserve subject to adjustment to reflect any stock split on or before the Effective Date.

(ii) In addition, the Share Reserve will automatically increase on January 1st of each year, for a period of not more than ten years, commencing on January 1 of the year following the year in which the IPO Date occurs and ending on (and including) January 1, 2024, in an amount equal to 5% of the total number of shares of Common Stock outstanding on December 31st of the preceding calendar year. However, the Board may act prior to January 1st of a given year to provide that there will be no January 1st increase in the Share Reserve for such year or that the increase in the Share Reserve for such year will be a lesser number of shares of Common Stock than would otherwise occur pursuant to the preceding sentence.

(iii) In addition, shares may be issued on the terms set forth in this Plan in connection with a merger or acquisition as permitted by NYSE Listed Company Manual Section 303A.08 or, if applicable, NASDAQ Listing Rule 5635(c), AMEX Company Guide Section 711 or other applicable rule, and such issuance will not reduce the number of shares available for issuance under the Plan.

(iv) For clarity, the Share Reserve is a limitation on the number of shares of Common Stock that may be issued pursuant to the Plan. Accordingly, this Section 3(a) does not limit the granting of Stock Awards except as provided in Section 7(a) (that is, availability of shares).

(b) **Reversion of Shares to the Share Reserve**. Shares will return to the Plan, and will not reduce (or otherwise offset) the number of shares of Common Stock that may be available for issuance under the Plan, if the Stock Award, or any portion thereof:

(i) expires or otherwise terminates without all of the shares covered by such Stock Award having been issued;

(ii) is settled in cash (i.e., the Participant receives cash rather than stock);

(iii) is forfeited back to or repurchased by the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant;

(iv) is reacquired by the Company in satisfaction of tax withholding obligations or as consideration for the exercise or purchase price of a Stock Award (provided, for clarity, such shares are treated as having been issued, and then returned to the Plan).

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3 Subject to any stock split that occurs on or before the IPO Date

4 Subject to any stock split that occurs on or before the IPO Date

(c) **Incentive Stock Option Limit**. Subject to the provisions relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options will be 104,800,000 shares of Common Stock[5].

(d) **Section 162(m) Limitations**. Subject to the provisions relating to Capitalization Adjustments, at such time as the Company may be subject to the applicable provisions of Code Section 162(m):

(i) a maximum of 8,000,000 shares of Common Stock[6] subject to Options, SARs and Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least 100% of the Fair Market Value on the date the Stock Award is granted, may be granted to any one Participant during any one calendar year;

(ii) a maximum of 8,000,000 shares of Common Stock[7] subject to Performance Stock Awards may be granted to any one Participant during any one calendar year (whether the grant, vesting or exercise is contingent upon the attainment during the Performance Period of the Performance Goals); and

(iii) a maximum of $3,000,000 may be granted as a Performance Cash Award to any one Participant during any one calendar year.

If a Performance Stock Award is in the form of an Option, it will count only against the Performance Stock Award limit. If a Performance Stock Award could (but is not required to) be paid out in cash, it will count only against the Performance Stock Award limit.

(e) **Director Award Limit**. Subject to the provisions relating to Capitalization Adjustments, a maximum of 3,000,000 shares of Common Stock[8] subject to Awards may be granted to any one Outside Director during any one calendar year.

(f) **Source of Shares**. The stock issuable under the Plan will be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise.

4. ELIGIBILITY.

(a) **Eligibility for Specific Stock Awards**. Incentive Stock Options may be granted only to employees of the Company or a "parent corporation" or "subsidiary corporation" thereof

5 Subject to any stock split that occurs on or before the IPO Date
6 Subject to any stock split that occurs on or before the IPO Date
7 Subject to any stock split that occurs on or before the IPO Date
8 Subject to any stock split that occurs on or before the IPO Date

(as such terms are defined in Sections 424(e) and 424(f) of the Code). Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants. However, Stock Awards may not be granted to Employees, Directors and Consultants who are providing Continuous Service only to any "parent" of the Company, as such term is defined in Rule 405 of the Securities Act, unless (i) the stock underlying such Stock Awards is "service recipient stock" under Section 409A of the Code (for example, because the Stock Awards are granted pursuant to a Change in Control such as a spin off transaction), (ii) the Company, in connection with its legal counsel, has determined that such Stock Awards are otherwise exempt from Section 409A of the Code, or (iii) the Company, in connection with its legal counsel, has determined that such Stock Awards comply with the requirements of Section 409A of the Code.

(b) **Ten Percent Stockholders**. A Ten Percent Stockholder will not be granted an Incentive Stock Option unless the exercise price of such Option is at least 110% of the Fair Market Value on the date of grant and the Option is not exercisable after the expiration of five years from the date of grant.

5. OPTIONS AND STOCK APPRECIATION RIGHTS.

Each Option or SAR will be in such form and will contain such terms and conditions as the Board deems appropriate. All Options will be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant. If an Option is not specifically designated as an Incentive Stock Option, or if an Option is designated as an Incentive Stock Option but some portion or all of the Option fails to qualify as an Incentive Stock Option under the applicable rules, then the Option (or portion thereof) will be a Nonstatutory Stock Option. The provisions of separate Options or SARs need not be identical. However, each Award Agreement will conform to (through incorporation of provisions hereof by reference in the applicable Award Agreement or otherwise) the substance of each of the following provisions:

(a) **Term**. Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, no Option or SAR will be exercisable after the expiration of ten years from the date of its grant or such shorter period specified in the Award Agreement.

(b) **Exercise Price**. Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, the exercise or strike price of each Option or SAR will be not less than 100% of the Fair Market Value of the Common Stock subject to the Option or SAR on the date the Award is granted. However, an Option or SAR may be granted with an exercise or strike price lower than 100% of the Fair Market Value if such Award is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a Change in Control and in a manner consistent with the provisions of Section 409A and, if applicable, Section 424(a) of the Code. Each SAR will be denominated in shares of Common Stock equivalents.

(c) **Purchase Price for Options**. The purchase price of Common Stock acquired on the exercise of an Option may be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board will have the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to use a particular method of payment. The permitted methods of payment are as follows:

(i) by cash, check, bank draft, electronic funds, wire transfer, or money order payable to the Company;

(ii) through a program developed under Regulation T as established by the Federal Reserve Board that, prior to the issuance of the stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds (sometimes called a "*same day sale*" or "*sell to cover*");

(iii) if an option is a Nonstatutory Stock Option, by a "*net exercise*" arrangement by which the Company will reduce the number of shares of Common Stock received upon exercise by the largest whole number of shares with a fair market value that does not exceed the aggregate exercise price, coupled with a cash payment for any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued (and for clarity, these shares used to pay the exercise price will be issued at exercise, and then immediately reacquired by the Company);

(iv) by delivery to the Company (either by actual delivery or attestation) of other shares of Common Stock already owned by the Award holder; or

(v) in any other form of legal consideration that may be acceptable to the Board and specified in the applicable Award Agreement.

(d) **Exercise and Payment of a SAR**. To exercise any outstanding SAR, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Stock Appreciation Right Agreement evidencing such SAR. The appreciation distribution payable on the exercise of a SAR will be not greater than an amount equal to the excess of (A) the aggregate fair market value (on the date of the exercise of the SAR) of a number of shares of Common Stock equal to the number of Common Stock equivalents in which the Participant is vested under such SAR, and with respect to which the Participant is exercising the SAR on such date, over (B) the strike price. The appreciation distribution may be paid in Common Stock, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Award Agreement evidencing such SAR.

(e) **Transferability of Options and SARs**. The Board may, in its sole discretion, impose such limitations on the transferability of Options and SARs as the Board will determine. In the absence of such a determination by the Board to the contrary, the following restrictions on the transferability of Options and SARs will apply:

(i) Restrictions on Transfer. An Option or SAR will not be transferable except by will or by the laws of descent and distribution (or pursuant to subsections (ii) and (iii) below), and will be exercisable during the lifetime of the Participant only by the Participant. The Board may permit transfer of the Option or SAR in a manner that is not prohibited by applicable tax and securities laws. Except as explicitly provided herein, neither an Option nor a SAR may be transferred for consideration.

(ii) Domestic Relations Orders. Subject to the approval of the Board or a duly authorized Officer, an Option or SAR may be transferred pursuant to the terms of a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by Treasury Regulations 1.421-1(b)(2). If an Option is an Incentive Stock Option, such Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(iii) Beneficiary Designation. Subject to the approval of the Board or a duly authorized Officer, a Participant may, by delivering written notice to the Company, in a form approved by the Company (or the designated broker), designate a third party who, on the death of the Participant, will thereafter be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, the executor or administrator of the Participant's estate will be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. However, the Company may prohibit designation of a beneficiary at any time, including due to any conclusion by the Company that such designation would be inconsistent with the provisions of applicable laws.

(f) **Vesting Generally**. The total number of shares of Common Stock subject to an Option or SAR may vest and therefore become exercisable in periodic installments that may or may not be equal. The Option or SAR may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of Performance Goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options or SARs may vary.

(g) **Termination of Continuous Service**. Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates (other than for Cause and other than upon the Participant's death or Disability), the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Award as of the date of termination of Continuous Service) within the period of time ending on the earlier of (i) the date three months following the termination of the Participant's Continuous Service and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR will terminate. In all cases, the unvested piece of an Option or SAR will terminate on the termination of Continuous Service.

(h) **Extension of Termination Date**. If the exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause and other than upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option or SAR will terminate on the earlier of (i) the expiration of a total period of three months (that need not be consecutive) after the termination of the Participant's Continuous Service during which the exercise of the Option or SAR would not be in violation of such

registration requirements, and (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement. In addition, unless otherwise provided in a Participant's Award Agreement, if the immediate sale of any Common Stock received on exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause and other than upon the Participant's death or Disability) would violate the Company's insider trading policy, then the Option or SAR will terminate on the earlier of (i) the expiration of a total period of three months (that need not be consecutive) after the termination of the Participant's Continuous Service during which the sale of the Common Stock received upon exercise of the Option or SAR would not be in violation of the Company's insider trading policy, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement.

(i) **Disability of Participant**. Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates as a result of the Participant's Disability, the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date 12 months following such termination of Continuous Service and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR (as applicable) will terminate.

(j) **Death of Participant**. Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if (i) a Participant's Continuous Service terminates as a result of the Participant's death, or (ii) the Participant dies within the period (if any) specified in the Award Agreement for exercisability after the termination of the Participant's Continuous Service for a reason other than death, then the Option or SAR may be exercised (to the extent the Participant was entitled to exercise such Option or SAR as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance or by a person designated to exercise the Option or SAR upon the Participant's death, but only within the period ending on the earlier of (A) the date 12 months following the date of death and (B) the expiration of the term of such Option or SAR as set forth in the Award Agreement. If, after the Participant's death, the Option or SAR is not exercised within the applicable time frame, the Option or SAR will terminate.

(k) **Termination for Cause**. Except as explicitly provided otherwise in a Participant's Award Agreement, if a Participant's Continuous Service is terminated for Cause, the Option or SAR will terminate upon the date on which the event giving rise to the termination for Cause first occurred, and the Participant will be prohibited from exercising his or her Option or SAR from and after the date on which the event giving rise to the termination for Cause first occurred (or, if required by law, the date of termination of Continuous Service).

(l) **Non-Exempt Employees**. If an Option or SAR is granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, the Option or SAR will not be first exercisable for any shares of Common Stock until at least six (6)

months following the date of grant of the Option or SAR (although the Award may vest prior to such date). Consistent with the provisions of the Worker Economic Opportunity Act, (i) if such non-exempt Employee dies or suffers a Disability, (ii) upon a Change in Control in which such Option or SAR is not assumed, continued, or substituted, or (iii) upon the Participant's retirement (as such term may be defined in the Participant's Award Agreement in another agreement between the Participant and the Company, or, if no such definition, in accordance with the Company's then current employment policies and guidelines), the vested portion of any Options and SARs may be exercised earlier than six months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay. If permitted and/or required for compliance with the Worker Economic Opportunity Act to ensure that any income derived by a non-exempt employee in connection with the exercise, vesting or issuance of any shares under any other Stock Award will be exempt from the employee's regular rate of pay, the provisions of this paragraph will apply to all Stock Awards and are hereby incorporated by reference into such Award Agreements.

6. STOCK AWARDS OTHER THAN OPTIONS AND SARS.

(a) **Restricted Stock Awards**. Each Award Agreement will be in such form and will contain such terms and conditions as the Board deems appropriate. To the extent consistent with the Company's bylaws, at the Board's election, shares of Common Stock may be (x) held in book entry form subject to the Company's instructions until any restrictions relating to the Restricted Stock Award lapse; or (y) evidenced by a certificate, which certificate will be held in such form and manner as determined by the Board. The terms and conditions of Award Agreements may change from time to time, and the terms and conditions of separate Award Agreements need not be identical. Each Award Agreement will conform to (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A Restricted Stock Award may be awarded in consideration for (A) cash, check, bank draft, electronic funds, wire transfer, or money order payable to the Company, (B) past services to the Company or an Affiliate, or (C) any other form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) Vesting. Shares of Common Stock awarded under the Restricted Stock Award may be subject to forfeiture to the Company in accordance with a vesting schedule to be determined by the Board.

(iii) Termination of Participant's Continuous Service. If a Participant's Continuous Service terminates, the Company may receive through a forfeiture condition or a repurchase right any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination of Continuous Service under the terms of the Award Agreement.

(iv) Transferability. The right to acquire shares of Common Stock under a Restricted Stock Award will not be transferable by the Participant. Once the shares of Common Stock are issued, the Board may allow the holder to transfer unvested shares, but only on the terms and conditions in the Award Agreement, and only so long as the Common Stock awarded under the Award Agreement remains subject to the terms of the Award Agreement in the hands of the recipient.

(v) Dividends. In the absence of an Award Agreement expressly providing otherwise, any dividends paid on Restricted Stock will be subject to the same vesting and forfeiture restrictions as apply to the shares subject to the Restricted Stock Award to which they relate.

(b) **Restricted Stock Unit Awards**. Each Award Agreement will be in such form and will contain such terms and conditions as the Board will deem appropriate. The terms and conditions of Award Agreements may change from time to time, and the terms and conditions of separate Award Agreements need not be identical. Each Award Agreement will conform to (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each share of Common Stock subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) Vesting. At the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

(iii) Payment. A Restricted Stock Unit Award may be settled by the delivery of shares of Common Stock, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Award Agreement.

(iv) Additional Restrictions. At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

(v) Dividend Equivalents. Dividend equivalents may be credited in respect of shares of Common Stock covered by a Restricted Stock Unit Award, as determined by the Board and contained in the Award Agreement. At the sole discretion of the Board, such dividend equivalents may be converted into additional shares of Common Stock covered by the Restricted Stock Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Stock Unit Award credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying Award Agreement to which they relate.

(vi) Termination of Participant's Continuous Service. Except as otherwise provided in the applicable Award Agreement, the unvested portion of the Restricted Stock Unit Award will be forfeited upon the Participant's termination of Continuous Service.

(c) **Performance Awards**.

(i) Performance Stock Awards. A Performance Stock Award is a Stock Award that is payable (including that may be granted, vest or exercised) contingent on the attainment during a Performance Period of certain Performance Goals. A Performance Stock Award may, but need not, require the completion of a specified period of Continuous Service. The length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained will be conclusively determined by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board), in its sole discretion. In addition, if permitted by applicable law and the applicable Award Agreement, the Board may determine that cash may be used in payment of Performance Stock Awards.

(ii) Performance Cash Awards. A Performance Cash Award is a cash award that is payable contingent on the attainment during a Performance Period of certain Performance Goals. A Performance Cash Award may also require the completion of a specified period of Continuous Service. At the time of grant of a Performance Cash Award, the length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained will be conclusively determined by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board), in its sole discretion. The Board may specify the form of payment of Performance Cash Awards, which may be cash or other property, or may provide for a Participant to have the option for his or her Performance Cash Award, or such portion thereof as the Board may specify, to be paid in whole or in part in cash or other property.

(iii) Section 162(m) Compliance. Unless otherwise permitted in compliance with the requirements of Section 162(m) of the Code with respect to an Award intended to qualify as "performance-based compensation" thereunder, the Committee will establish the Performance Goals applicable to, and the formula for calculating the amount payable under, the Award no later than the earlier of (a) the date 90 days after the commencement of the applicable Performance Period, and (b) the date on which 25% of the Performance Period has elapsed, and in any event at a time when the achievement of the applicable Performance Goals remains substantially uncertain. Prior to the payment of any compensation under an Award intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee will certify the extent to which any Performance Goals and any other material terms under such Award have been satisfied (other than in cases where such relate solely to the increase in the value of the Common Stock). Notwithstanding satisfaction of any completion of any Performance Goals, the number of shares of Common Stock, Options, cash or other benefits granted, issued, retainable and/or vested under an Award on account of satisfaction of such Performance Goals may be reduced by the Committee on the basis of such further considerations as the Committee, in its sole discretion, will determine. For clarity, this paragraph recites the requirements of Code Section 162(m) as a convenience to the reader, and does not create any new obligations beyond such requirements, nor does it create any obligation to grant awards that satisfy Code Section 162(m).

(d) **Other Stock Awards**. Other forms of Stock Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, including the appreciation in value thereof (e.g., options or stock rights with an exercise price or strike price less than 100% of the Fair Market Value of the Common Stock at the time of grant) may be granted either alone or in addition to Stock Awards provided for under Section 5 and the preceding provisions of this Section 6. Subject to the provisions of the Plan, the Board will have sole and complete authority to determine the persons to whom and the time or times at which such Other Stock Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Stock Awards and all other terms and conditions of such Other Stock Awards.

7. COVENANTS OF THE COMPANY.

(a) **Availability of Shares**. The Company will keep available at all times the number of shares of Common Stock reasonably required to satisfy then-outstanding Awards.

(b) **Securities Law Compliance**. To the extent reasonably practicable, the Company will seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards. However, this undertaking will not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts and at a reasonable cost, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company will be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained. A Participant will not be eligible for the grant of an Award or the subsequent issuance of cash or Common Stock pursuant to the Award if such grant or issuance would be in violation of any applicable securities law.

(c) **No Obligation to Notify or Minimize Taxes**. The Company will have no duty or obligation to any Participant to advise such holder as to the time or manner of exercising such Stock Award. Furthermore, the Company will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of an Award to the holder of such Award.

8. MISCELLANEOUS.

(a) **Use of Proceeds from Sales of Common Stock**. Proceeds from the sale of shares of Common Stock pursuant to Awards will constitute general funds of the Company.

(b) **Corporate Action Constituting Grant of Awards**. Corporate action constituting a grant by the Company of an Award to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Award Agreement as a result of a clerical error in the papering of the Award Agreement, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Agreement.

(c) **Stockholder Rights**. No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to an Award unless and until (i) such Participant has satisfied all requirements for exercise of, or the issuance of shares under, the Award pursuant to its terms, and (ii) the issuance of the Common Stock subject to such Award has been entered into the books and records of the Company.

(d) **No Employment or Other Service Rights**. Nothing in the Plan, any Award Agreement or any other instrument executed thereunder or in connection with any Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or will affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(e) **Change in Time Commitment**. If a Participant's regular level of time commitment in the performance of his or her services for the Company and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee) after the date of grant of any Award to the Participant, the Board has the right in its sole discretion (and without the need to seek or obtain the consent of the affected Participant) to (x) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (y) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced.

(f) **Incentive Stock Option Limitations**. If the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Company and any Affiliates) exceeds $100,000 (or such other limit established in the Code) or if an Option grant otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with the rules will be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

(g) **Investment Assurances**. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, will be inoperative if (A) the issuance of the shares upon the exercise or acquisition of Common Stock under the Award has been registered under a then currently effective registration statement under the Securities Act and any other applicable foreign securities laws, or (B) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(h) **Withholding Obligations**. Unless prohibited by the terms of an Award Agreement or applicable law, the Company may, in its sole discretion, satisfy any federal, state or local tax withholding obligation relating to an Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Award; (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; or (v) by such other method as may be set forth in the Award Agreement. If shares of Common Stock are withheld to satisfy tax obligations, such shares will be deemed issued and then immediately tendered to the Company and no shares of Common Stock will be withheld for these purposes to the extent they have a value exceeding the minimum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid classification of the Stock Award as a liability for financial accounting purposes). For clarity, no partial shares will be withheld, and the Participant must satisfy the tax obligation related to any such partial share using another permitted form of payment.

(i) **Electronic Delivery**. Any reference herein to a "written" agreement or document will include any agreement or document delivered electronically, filed publicly at www.sec.gov (or any successor website thereto) or posted on the Company's intranet or other shared electronic medium controlled by the Company to which the Participant has access.

(j) **Deferrals**. To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an employee or otherwise providing services to the Company. The Board is authorized to make deferrals of Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

(k) **Compliance with Section 409A**. Unless otherwise expressly provided for in an Award Agreement, the Plan and Award Agreements will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A of the Code, and, to the extent not so exempt, in compliance with Section 409A of the Code. If the Board determines that any Award granted hereunder is not exempt from and is therefore subject to Section 409A of the Code, the Award Agreement evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code, and to the extent an Award Agreement is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Award Agreement, with the permitted distribution events and timing being the earlier of the date of termination of Continuous Service and the date of a Change in Control. Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement specifically provides otherwise), if the shares of Common Stock are publicly traded, and if a Participant holding an Award that constitutes "deferred compensation" under Section 409A of the Code is a "specified employee" for purposes of Section 409A of the Code, no distribution or payment of any amount that is due because of a "separation from service" (as defined in Section 409A of the Code without regard to alternative definitions thereunder) will be issued or paid before the date that is six (6) months following the date of such Participant's "separation from service" or, if earlier, the date of the Participant's death, unless such distribution or payment can be made in a manner that complies with Section 409A of the Code, and any amounts so deferred will be paid in a lump sum on the day after such six (6) month period elapses, with the balance paid thereafter on the original schedule.

(l) **Clawback/Recovery**. All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Board determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired shares of Common Stock or other cash or property upon the occurrence of Cause. The implementation of any clawback policy will not be deemed a triggering event for purposes of any definition of "*good reason*" for resignation or "*constructive termination*."

9. CHANGES IN CAPITALIZATION; OTHER CORPORATE EVENTS.

(a) **Capitalization Adjustments**. In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 3(c), (iii) the class(es) and maximum number of securities that may be awarded to any person pursuant to Sections 3(d) and (e), and (iv) the class(es) and number of securities and price per share of stock subject to outstanding Awards. The Board will make such adjustments, and its determination will be final, binding and conclusive.

(b) **Dissolution or Liquidation**. Except as otherwise provided in the Award Agreement, in the event of a dissolution or liquidation of the Company, all outstanding Stock Awards (other than Stock Awards consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company's right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Stock Award is providing Continuous Service. However, that the Board may, in its sole discretion, cause some or all Stock Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Stock Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

(c) **Change in Control**. The following provisions will apply to Awards in the event of a Change in Control unless otherwise provided in the Award Agreement or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant.

On a Change in Control, the Board will take one or more of the following actions with respect to Awards, contingent upon the closing or completion of the Change in Control:

(i) arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) to assume or continue the Award or to substitute a similar award for the Award (including, but not limited to, an award to acquire the same consideration paid to the stockholders of the Company pursuant to the Change in Control);

(ii) arrange for the assignment of any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to the Award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company);

(iii) accelerate the vesting, in whole or in part, of the Award (and, if applicable, the time at which the Award may be exercised) to a date prior to the effective time of such Change in Control as the Board will determine (or, if the Board will not determine such a date, to the date that is five days prior to the effective date of the Change in Control), with such Award terminating if not exercised (if applicable) at or prior to the effective time of the Change in Control;

(iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Company with respect to the Award on a date prior to the effective time of such Change in Control as the Board will determine (or, if the Board will not determine such a date, on the date that is five days prior to the effective date of the Change in Control); or

(v) cancel or arrange for the cancellation of the Award, to the extent not vested or not exercised prior to the effective time of the Change in Control, in exchange for a payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the value of the property the Participant would have received upon the exercise of the Award immediately prior to the effective time of the Change in Control, over (B) any exercise price payable by such holder in connection with such exercise. For clarity, this payment may be zero if the fair market value of the property is equal to or less than the exercise price.

For clarity, if the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) refuses to assume, continue, replace with new awards or otherwise substitute a new award for, an outstanding Award (including unvested outstanding shares), that Award will become fully vested as of immediately prior to the closing of the Change in Control.

The Board need not take the same action or actions with respect to all Awards or portions thereof or with respect to all Participants. Only to the extent permitted under Code Section 409A, the Board may provide that payments under this provision may be delayed to the same extent that payment of consideration to the holders of the Company's Common Stock in connection with the Change in Control is delayed as a result of escrows, earn outs, holdbacks or other contingencies. An Award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as provided in the Award Agreement for such Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration will occur.

10. PLAN TERM.

The Board may suspend or terminate the Plan at any time. No Incentive Stock Options may be granted after the tenth anniversary of the earlier of (i) the date the Plan is adopted by the Board (the "***Adoption Date***"), or (ii) the date the Plan is approved by the stockholders of the Company. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

11. EXISTENCE OF THE PLAN; TIMING OF FIRST GRANT OR EXERCISE.

The Plan will come into existence on the Adoption Date. However, no Award may be granted prior to the IPO Date (that is, the "***Effective Date***"). In addition, no Stock Award may be exercised (or, in the case of a Restricted Stock Award, Restricted Stock Unit Award, Performance Stock Award, or Other Stock Award, may be granted) and no Performance Cash

Award may be settled unless and until the Plan has been approved by the stockholders of the Company, which approval will be within 12 months after the date the Plan is adopted by the Board.

12. CHOICE OF LAW.

The law of the State of California will govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that state's conflict of laws rules.

13. DEFINITIONS.

(a) "**Affiliate**" means, at the time of determination, any "*parent*" or "*subsidiary*" of the Company as such terms are defined in Rule 405 of the Securities Act. The Board will have the authority to determine the time or times at which "*parent*" or "*subsidiary*" status is determined within the foregoing definition.

(b) "**Award**" means a Stock Award or a Performance Cash Award.

(c) "**Award Agreement**" means a written agreement between the Company and a Participant evidencing the terms and conditions of an Award.

(d) "**Board**" means the Board of Directors of the Company.

(e) "**Capitalization Adjustment**" means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Stock Award after the Adoption Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, extraordinary and non-recurring cash dividend, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction, as that term is used in Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

(f) "**Cause**" means the occurrence of any one or more of the following: (i) the Participant's commission of any felony involving fraud, dishonesty or moral turpitude; (ii) the Participant's attempted commission of or participation in a fraud or act of dishonesty against the Company that results in (or might have reasonably resulted in) material harm to the business of the Company; (iii) the Participant's intentional, material violation of any contract or agreement between the Participant and the Company or any statutory duty that the Participant owes to the Company; or (iv) the Participant's conduct that constitutes gross insubordination, incompetence or habitual neglect of duties and that results in (or might have reasonably resulted in) material harm to the business of the Company. However, the action or conduct described in clauses (iii) and (iv) above will constitute "Cause" only if such action or conduct continues after the Company has provided the Participant with written notice thereof and thirty (30) days to cure the same.

(g) "**Change in Control**" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. A Change in Control will not be deemed to occur (A) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities; or (B) solely because the level of Ownership held by any Exchange Act Person (the "***Subject Person***") exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control will be deemed to occur;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than 50% of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such transaction;

(iii) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than 50% of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition; or

(iv) individuals who, on the Effective Date, are members of the Board (the "***Incumbent Board***") cease for any reason to constitute at least a majority of the members of the Board. However, if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of this Plan, be considered as a member of the Incumbent Board.

For purposes of determining voting power under the term Change in Control, voting power shall be calculated by assuming the conversion of all equity securities convertible (immediately or at some future time) into shares entitled to vote, but not assuming the exercise of any warrant or right to subscribe to or purchase those shares. In addition, the term Change in Control will not include (A) a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company, or (B) a change in the voting power of any one or more stockholders as a result of the conversion of any class of the Company's securities into another class of the Company's securities having a different number of votes per share pursuant to the conversion provisions set forth in the Company's Amended and Restated Certificate of Incorporation

The definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant will supersede the foregoing definition with respect to Awards subject to such agreement. If required for compliance with Section 409A of the Code, in no event will a Change in Control be deemed to have occurred if such transaction is not also a "change in the ownership or effective control of" the Company or "a change in the ownership of a substantial portion of the assets of" the Company as determined under Treasury Regulation Section 1.409A-3(i)(5) (without regard to any alternative definition thereunder). The Board may, in its sole discretion and without a Participant's consent, amend the definition of "*Change in Control*" to conform to the definition of "*Change in Control*" under Section 409A of the Code, and the regulations thereunder.

(h) "**Code**" means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(i) "**Committee**" means a committee of one or more Directors to whom authority has been delegated by the Board in accordance with this Plan and applicable law.

(j) "**Common Stock**" means, as of the IPO Date, the common stock of the Company, having one vote per share.

(k) "**Company**" means Five9, Inc., a Delaware corporation.

(l) "**Consultant**" means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, will not cause a Director to be considered a "*Consultant*" for purposes of the Plan. However, a person may be treated as a Consultant under this Plan only if a Form S-8 Registration Statement under the Securities Act is available to register either the offer or the sale of the Company's securities to such person.

(m) "**Continuous Service**" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders

such service, provided that there is no interruption or termination of the Participant's service with the Company or an Affiliate, will not terminate a Participant's Continuous Service. If the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, such Participant's Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service will be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the Company, an Affiliate, or their successors. A leave of absence will be treated as Continuous Service for purposes of vesting in an Award only to such extent provided in the Company's leave of absence policy, in the written terms of any leave of absence agreement applicable to the Participant, or as otherwise required by law. In addition, if required for exemption from or compliance with Section 409A of the Code, the determination of Continuous Service will be made, and such term will be construed, in a manner that is consistent with the definition of "*separation from service*" as defined under Treasury Regulation Section 1.409A-1(h) (without regard to any alternative definition thereunder).

(n) "**Covered Employee**" has the meaning provided in Section 162(m)(3) of the Code.

(o) "**Director**" means a member of the Board.

(p) "**Disability**" means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months, as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code, and will be determined on the basis of such medical evidence as the Company deems warranted under the circumstances.

(q) "**Effective Date**" means the IPO Date.

(r) "**Employee**" means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an "Employee" for purposes of the Plan.

(s) "**Entity**" means a corporation, partnership, limited liability company or other entity.

(t) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(u) "**Exchange Act Person**" means any natural person, Entity or "*group*" (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that "Exchange Act Person" will not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii)

an underwriter temporarily holding securities pursuant to a registered public offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (v) any natural person, Entity or "*group*" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Effective Date, is the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities.

(v) "**Fair Market Value**" means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock will be, unless otherwise determined by the Board, the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in a source the Board deems reliable.

(ii) Unless otherwise provided by the Board, if there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value will be the closing selling price on the last preceding date for which such quotation exists.

(iii) In the absence of such markets for the Common Stock, the Fair Market Value will be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.

In determining the value of a share for purposes of tax reporting on the exercise, issuance or transfer of shares subject to Awards, fair market value may be calculated using the definition of Fair Market Value, the actual sales price in the transaction at issue (e.g., "sell to cover"), or such other value determined by the Company's General Counsel in good faith in a manner that complies with applicable tax laws.

(w) "**Incentive Stock Option**" means an option granted under the Plan that is intended to be, and qualifies as, an "*incentive stock option*" within the meaning of Section 422 of the Code.

(x) "**IPO Date**" means the date of the underwriting agreement between the Company and the underwriter(s) managing the initial public offering of the Common Stock, pursuant to which the Common Stock is priced for the initial public offering.

(y) "**Non-Employee Director**" means a Director who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation, either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("***Regulation S-K***")), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "*non-employee director*" for purposes of Rule 16b-3.

(z) "**Nonstatutory Stock Option**" means any option granted under the Plan that does not qualify as an Incentive Stock Option.

(aa) "**Officer**" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

(bb) "**Option**" means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

(cc) "**Other Stock Award**" means an award based in whole or in part by reference to the Common Stock which is granted pursuant to the terms and conditions of Section 6(d).

(dd) "**Outside Director**" means a Director who either (i) is not a current employee of the Company or an "*affiliated corporation*" (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an "*affiliated corporation*" who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year, has not been an officer of the Company or an "*affiliated corporation*," and does not receive remuneration from the Company or an "*affiliated corporation*," either directly or indirectly, in any capacity other than as a Director, or (ii) is otherwise considered an "*outside director*" for purposes of Section 162(m) of the Code.

(ee) "**Own**," "**Owned**," "**Owner**," "**Ownership**" A person or Entity will be deemed to "**Own**," to have "**Owned**," to be the "**Owner**" of, or to have acquired "**Ownership**" of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(ff) "**Participant**" means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(gg) "**Performance Cash Award**" means an award of cash granted pursuant to the terms and conditions of the Plan.

(hh) "**Performance Criteria**" means the one or more criteria that the Board will select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that will be used to establish such Performance Goals may be based on any one of, or combination of, the following as determined by the Board: (i) earnings (including earnings per share and net earnings); (ii) earnings before interest, taxes and depreciation; (iii) earnings before interest, taxes, depreciation and amortization; (iv) earnings before interest, taxes, depreciation, amortization and legal settlements; (v) earnings before interest, taxes, depreciation, amortization, legal settlements and other income (expense); (vi) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense) and stock-based compensation; (vii) earnings before interest, taxes, depreciation, amortization, legal settlements, other income

(expense), stock-based compensation, changes in deferred revenue and acquisition deal costs; (viii) total stockholder return, either absolutely or relative to an index; (ix) return on equity or average stockholder's equity; (x) return on assets, investment, or capital employed; (xi) stock price; (xii) margin (including gross margin); (xiii) income (before or after taxes); (xiv) operating income; (xv) operating income after taxes; (xvi) pre-tax profit; (xvii) sales or revenue targets; (xviii) increases in revenue or components of revenue; (xix) expenses and cost reduction goals; (xx) improvement in or attainment of working capital levels; (xxi) economic value added (or an equivalent metric); (xxii) market share; (xxiii) cash flow, operating cash flow, cash flow per share, free cash flow (operating cash flow less capital expenditures and capitalized software), normalized cash flow (EBITDA less debt service); (xxiv) share price performance, either absolutely or relative to an index; (xxv) debt reduction; (xxvi) employee retention; (xxvii) stockholders' equity; (xviii) capital expenditures; (xxix) debt levels; (xxx) operating profit or net operating profit; (xxxi) workforce diversity; (xxxii) growth of net income or operating income; (xxxiii) billings; (xxxiv) bookings; and (xxxv) to the extent that an Award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the Board.

(ii) "**Performance Goals**" means, for a Performance Period, the one or more goals established by the Board for the Performance Period based upon the Performance Criteria. Performance Goals may be based on a Company-wide basis, with respect to one or more business units, divisions, Affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise by the Board (i) in the Award Agreement at the time the Award is granted or (ii) in such other document setting forth the Performance Goals at the time the Performance Goals are established, the Board will appropriately make adjustments in the method of calculating the attainment of Performance Goals for a Performance Period as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects; (3) to exclude the effects of changes to generally accepted accounting principles ("**GAAP**"); (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of any "extraordinary items" as determined under generally accepted accounting principles; (6) to exclude the effects of acquisitions or joint ventures; (7) to assume that any business divested by the Company achieved performance objectives at targeted levels during the balance of a Performance Period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of common stock of the Company by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and the award of bonuses under the Company's bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to expensed under generally accepted accounting principles; (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles; or (12) to exclude the effect of any other unusual, non-recurring gain or loss or other extraordinary item. In addition, the Board retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for such Performance Period. Partial achievement of the specified criteria may result in the payment or vesting corresponding to the degree of achievement as specified in the Award Agreement or the written terms of a Performance Cash Award. In setting the Performance Goals, the Board will specify whether the Performance Goal will be set on a GAAP or non-GAAP basis (if applicable).

(jj) "**Performance Period**" means the period of time selected by the Board over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to and the payment of a Stock Award or a Performance Cash Award. Performance Periods may be of varying and overlapping duration, at the sole discretion of the Board.

(kk) "**Performance Stock Award**" means a Stock Award granted under the terms and conditions of Section 6(c) of the Plan.

(ll) "**Plan**" means this Five9, Inc. 2014 Equity Incentive Plan.

(mm) "**Restricted Stock Award**" means an award of shares of Common Stock which is granted pursuant to the terms and conditions of the Plan.

(nn) "**Restricted Stock Unit Award**" means a right to receive shares of Common Stock which is granted pursuant to the terms and conditions of the Plan.

(oo) "**Rule 16b-3**" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(pp) "**Securities Act**" means the Securities Act of 1933, as amended.

(qq) "**Stock Appreciation Right**" or "**SAR**" means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of the Plan.

(rr) "**Stock Award**" means any right to receive Common Stock granted under the Plan, including an Incentive Stock Option, a Nonstatutory Stock Option, a Restricted Stock Award, a Restricted Stock Unit Award, a Stock Appreciation Right, a Performance Stock Award or any Other Stock Award.

(ss) "**Subsidiary**" means, with respect to the Company, (i) any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than 50%.

(tt) "**Ten Percent Stockholder**" means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or any Affiliate.

FIVE9, INC.
STOCK OPTION GRANT NOTICE

Five9, Inc. (the "***Company***"), under its 2014 Equity Incentive Plan (the "***Plan***"), hereby grants to Participant an option (the "***Option***") to purchase the number of shares of the Company's Common Stock set forth below. The Option is subject to all of the terms and conditions as set forth in this notice (the "***Grant Notice***"), in the Option Agreement and in the Plan, both of which are incorporated herein in their entirety. Capitalized terms not explicitly defined in this Grant Notice but defined in the Plan or the Option Agreement will have the same definitions as in the Plan or the Option Agreement. If there is any conflict between the terms in the Option Agreement and the Plan, the terms of the Plan will control.

Participant:	_____
Date of Grant:	_____
Vesting Commencement Date:	_____
[Performance Year begins on:	[e.g., employee's hire date, or 1/1/14]]
[Number of Performance Years:	[Four]]
Number of Shares Subject to Option:	_____
Exercise Price (Per Share):	_____
Total Exercise Price:	_____
Expiration Date:	_____

Type of Grant: ☐ Incentive Stock Option ☐ Nonstatutory Stock Option

Exercise Schedule: Same as Vesting Schedule

Vesting Schedule:

If performance based: **[**This Option has both a performance vesting schedule and a service vesting schedule.]

- Within the first three months of each Performance Year, the Company's [Chief Executive Officer][Board of Directors] will (i) select the performance goals that must be achieved in that Performance Year (the "***Performance Goals***") and (ii) communicate the Performance Goals in writing to the Participant. If Participant achieves the Performance Goals for that Performance Year, he will be eligible to vest in [25%][1] of the shares subject to this Option (the "***Annual Tranche***"), subject to satisfying the service vesting schedule. The Company's [Chief Executive Officer][Board of Directors] will determine achievement against the Performance Goals for a given Performance Year within two months after the end of each Performance Year. Partial credit for achievement of the Performance Goals may be awarded, in the sole discretion of the Company's [Chief Executive Officer][Board of Directors].

1 Modify if number of Performance Years is other than 4.

- Under the service vesting schedule, if the Participant has achieved the Performance Goals for a given Performance Year, he will become fully vested in the Annual Tranche (or portion thereof) for that Performance Year on the date that is two months after the end of the Performance Year, subject to his Continuous Service through such date.

If purely time-based vesting: **[**The Option will vest over a four (4) year period. Subject to Participant's Continuous Service on each vesting date, this Option will vest as to twenty-five (25%) of the total number of shares of Common Stock subject to the Option one (1) year after the Vesting Commencement Date and as to l/48th of the total number of shares subject to this Option each month thereafter. Any fractional share will be rounded down to the nearest whole share.]

Payment: By one or a combination of the following items:

- By cash, check, bank draft, electronic funds or wire transfer, or money order payable to the Company
- Pursuant to a Regulation T Program (also called "broker assisted exercise"), if the Common Stock is publicly traded and to the extent permitted by the Company
- By a "net exercise" arrangement, but only if this Option is a Nonstatutory Stock Option and if permitted by the Company at exercise
- By delivery of already owned shares, if permitted by the Board at exercise

Additional Terms/Acknowledgements: Participant acknowledges receipt of, and understands and agrees to, this Grant Notice, the Option Agreement and the Plan. As of the Date of Grant, this Grant Notice, the Option Agreement and the Plan set forth the entire understanding between Participant and the Company regarding the Option and supersede all prior oral and written agreements with respect to the Option, with the exception, if applicable, of any written employment agreement or offer letter agreement between the Company and Participant specifying the terms that should govern this Option. By accepting the Option, Participant consents to receive documents governing the Option by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company from time to time.

* * *

FIVE9, INC.	**PARTICIPANT:**
By: _____	By: _____
Signature	Signature
Title: _____	Date: _____
Date: _____	

ATTACHMENTS: Option Agreement, 2014 Equity Incentive Plan

FIVE9, INC.
OPTION AGREEMENT

Pursuant to your Stock Option Grant Notice (the "***Grant Notice***") and this Option Agreement (this "***Option Agreement***"), Five9 Inc. (the "***Company***") has granted you an option (the "***Option***") under its 2014 Equity Incentive Plan (the "***Plan***") to purchase the number of shares of the Company's Common Stock indicated in your Grant Notice at the exercise price indicated in your Grant Notice.

1. **VESTING**. The Option will vest as provided in your Grant Notice. Vesting will cease, in all events, on the termination of your Continuous Service after taking into account any acceleration that occurs on your termination.

2. **NUMBER OF SHARES AND EXERCISE PRICE**. The number of shares of Common Stock subject to the Option and the exercise price per share in your Grant Notice will be adjusted for Capitalization Adjustments as provided in the Plan.

3. **EXERCISE RESTRICTION FOR NON-EXEMPT EMPLOYEES**. If you are an Employee eligible for overtime compensation under the Fair Labor Standards Act of 1938, as amended (that is, a "***Non-Exempt Employee***"), and except as otherwise provided in the Plan, you may not exercise your Option until you have completed at least six (6) months of Continuous Service measured from the Date of Grant, even if you have already been an employee for more than six (6) months. Consistent with the provisions of the Worker Economic Opportunity Act, you may exercise the Option as to any vested portion prior to such six (6) month anniversary in the case of (i) your death or Disability or (ii) a Change in Control.

4. **METHOD OF PAYMENT**. You must pay the full amount of the exercise price for the shares of Common Stock subject to the Option that you wish to exercise. If permitted in your grant notice, you may pay the exercise price through one or more of the following:

(a) Provided that at the time of exercise the Common Stock is publicly traded, using a program developed under Regulation T, as provided by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds. This manner of payment is also known as a "broker-assisted exercise," "same day sale" or "sell to cover."

(b) If the Option is a Nonstatutory Stock Option, by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Common Stock issuable on exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price. You must submit an additional payment to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued.

(c) If permitted by the Board at the time of exercise, by delivery to the Company (either by actual delivery or attestation) of already-owned shares of Common Stock that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. "***Delivery***" for these purposes, in the sole discretion of the Company at the time you exercise the Option (or any vested portion thereof),

will include delivery to the Company of your attestation of ownership of such shares of Common Stock in a form approved by the Company. You may not exercise the Option (or any exercisable portion thereof) by delivery to the Company of Common Stock if doing so would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

5. **WHOLE SHARES**. You may exercise the Option (or any vested portion thereof) only for whole shares of Common Stock.

6. **COMPLIANCE WITH LAWS**. In no event may you exercise the Option (or any vested portion thereof) unless the shares of Common Stock issuable on exercise are then registered under the Securities Act or, if not registered, the Company has determined that your exercise and the issuance of the shares would be exempt from the registration requirements of the Securities Act and compliant with all applicable laws. The exercise of the Option (or any vested portion thereof) also must comply with all other applicable laws and regulations governing the Option. You may not exercise the Option (or any vested portion thereof) if the Company determines that such exercise would not be in material compliance with such laws and regulations (including any restrictions on exercise required for compliance with Treasury Regulations Section 1.40l(k)-1(d)(3), if applicable).

7. **TERM**. You may not exercise the Option before the Date of Grant or after the expiration of the term of the Option. The term of the Option expires, subject to the provisions of the Plan, on the earliest of the following:

(a) immediately on the termination of your Continuous Service for Cause;

(b) three (3) months after the termination of your Continuous Service for any reason other than for Cause, your Disability or your death (except as otherwise provided in Section 9(d) below); *however*, if during any part of such three (3) month period the Option is not exercisable solely because doing so would violate the registration requirements under the Securities Act, the Option will not expire until the earlier of the Expiration Date or until it has been exercisable for an aggregate period of three (3) months after the termination of your Continuous Service; *provided further*, that if (i) you are a Non-Exempt Employee, (ii) your Continuous Service terminates within six (6) months after the Date of Grant and (iii) you have vested in a portion of the Option at the time of your termination of Continuous Service, the Option will not expire until the earlier of (A) the later of (1) the date that is seven (7) months after the Date of Grant, and (2) the date that is three (3) months after the termination of your Continuous Service, and (B) the Expiration Date;

(c) twelve (12) months after the termination of your Continuous Service due to your Disability (except as otherwise provided in Section 9(d) below);

(d) twelve (12) months after your death if you die either during your Continuous Service or within three (3) months after your Continuous Service terminates for any reason other than Cause;

(e) the Expiration Date indicated in your Grant Notice; or

(f) the day before the tenth (10th) anniversary of the Date of Grant.

If the Option is an Incentive Stock Option, note that to obtain the federal income tax advantages associated with an Incentive Stock Option, the Code requires that at all times beginning on the Date of Grant and ending on the date that is three (3) months before the date of the Option's exercise, you must be an employee of the Company or an Affiliate, except in the event of your death or Disability. The Company has provided for extended exercisability of the Option under certain circumstances for your benefit but cannot guarantee that the Option will necessarily be treated as an Incentive Stock Option if you continue to provide services to the Company or an Affiliate as a Consultant or Director after your employment terminates or if you exercise the Option more than three (3) months after the date your employment with the Company or an Affiliate terminates.

8. **EXERCISE**.

(a) You may exercise the vested portion of the Option during its term by (i) delivering a Notice of Exercise (in a form designated by the Company), or making the required electronic election with the Company's electronic platform (e.g., Equity Edge) or designated broker (e.g., E*Trade), and (ii) paying the exercise price and any applicable withholding taxes to the Company's stock plan administrator, or to such other person as the Company may designate, together with such additional documents as the Company may then require.

(b) By exercising the Option you agree that, as a condition to any exercise of the Option, you must enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (i) the exercise of the Option, (ii) the lapse of any substantial risk of forfeiture to which the shares of Common Stock are subject at the time of exercise or (iii) the disposition of shares of Common Stock acquired on such exercise.

(c) If the Option is an Incentive Stock Option, by exercising the Option you agree that you will notify the Company in writing within fifteen (15) days after the date of any disposition of any of the shares of the Common Stock issued on exercise of the Option that occurs within two (2) years after the Date of Grant or within one (1) year after such shares of Common Stock are transferred on exercise of the Option.

9. **TRANSFERABILITY**. The Option is not transferable, except by will or by the laws of descent and distribution, and is exercisable during your life only by you.

(a) **Certain Trusts**. On receiving written permission from the Board or its duly authorized designee, and only if doing so does not violate Code Section 409A, the incentive stock option rules (if applicable) and applicable securities laws, you may transfer the Option to a trust if you are considered to be the sole beneficial owner (determined under Section 671 of the Code and applicable state law) while the Option is held in the trust. You and the trustee must enter into transfer and other agreements required by the Company.

(b) **Domestic Relations Orders**. On receiving written permission from the Board or its duly authorized designee, and only if doing so does not violate Code Section 409A, the incentive stock option rules (if applicable) and applicable securities laws, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer the Option pursuant to the terms of a court approved domestic relations order, official marital settlement agreement or other divorce or separation instrument as

permitted by Treasury Regulations Section 1.421-l(b)(2) that contains the information required by the Company to effectuate the transfer. You are encouraged to contact the Company's Corporate Secretary regarding the proposed terms of any division of the Option prior to finalizing the domestic relations order or marital settlement agreement to help ensure the required information is contained within the domestic relations order or marital settlement agreement. If the Option is an Incentive Stock Option, the Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(c) **Beneficiary Designation**. On receiving written permission from the Board or its duly authorized designee, you may, by delivering written notice to the Company, in a form approved by the Company and any broker designated by the Company to handle option exercises, designate a third party who, on your death, will thereafter be entitled to exercise the Option and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, your executor or administrator of your estate will be entitled to exercise the Option and receive, on behalf of your estate, the Common Stock or other consideration resulting from such exercise.

10. **OPTION NOT A SERVICE CONTRACT**. The Option is not an employment or service contract, and nothing in the Option, the Grant Notice, this Option Agreement or the Plan will be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company or an Affiliate, or of the Company or an Affiliate to continue your employment. In addition, nothing in the Option, the Grant Notice, this Option Agreement or the Plan will obligate the Company or an Affiliate, their respective stockholders, boards of directors, officers or employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

11. **WITHHOLDING OBLIGATIONS**.

(a) At the time you exercise the Option, in whole or in part, and at any time thereafter as the Company requests, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for (including by means of a "same day sale" pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or any Affiliate that arise in connection with the exercise of the Option.

(b) You may not exercise the Option unless the tax withholding obligations of the Company and any Affiliate are satisfied. Accordingly, you may not be able to exercise the Option when desired even though the Option is vested, and the Company will have no obligation to issue a certificate for shares of Common Stock unless such obligations are satisfied.

12. **TAX CONSEQUENCES**. You hereby agree that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes your tax liabilities. You will not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax liabilities arising from the Option or your other compensation. In particular, you acknowledge that the Option is exempt from Section 409A only if the exercise price per share specified in the Grant Notice is at least equal to the "fair market value" per share of the Common Stock on the Date of Grant and there is no other impermissible deferral of compensation associated with the Option.

13. **NOTICES**. Any notices provided for in the Option, this Option Agreement, the Grant Notice or the Plan will be given in writing and will be deemed effectively given on receipt or, in the case of notices delivered by mail by the Company to you, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to you at the last address you provided to the Company. The Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and the Option by electronic means or to request your consent to participate in the Plan by electronic means. By accepting the Option, you consent to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

14. **GOVERNING PLAN DOCUMENT**. The Option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of the Option, and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan. In addition, the Option (and any compensation paid or shares issued under the Option) is subject to recoupment in accordance with The Dodd-Frank Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder, any clawback policy adopted by the Company and any compensation recovery policy otherwise required by applicable law. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for "good reason" or for a "constructive termination" (or similar term) under any agreement with the Company.

15. **S-8 STOCK PLAN PROSPECTUS; WINDOW POLICY**. You hereby acknowledge receipt of and the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Plan prospectus. In addition, you acknowledge receipt of the Company's policy permitting certain individuals to sell shares only during certain "window" periods and the Company's insider trading policy, in effect from time to time

16. **EFFECT ON OTHER EMPLOYEE BENEFIT PLANS**. The value of the Option will not be included as compensation, earnings, salaries, or other similar terms used when calculating your benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify or terminate any of the Company's or any Affiliate's employee benefit plans.

17. **VOTING RIGHTS**. You will not have voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to the Option until such shares are issued to you. On such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in the Option, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

18. **SEVERABILITY**. If all or any part of this Option Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity will not invalidate any portion of this Option Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Option Agreement (or part of such a Section) so declared to be unlawful or invalid will, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

19. **MISCELLANEOUS**.

(a) The rights and obligations of the Company under the Option will be transferable to any one or more persons or entities, and all covenants and agreements hereunder will inure to the benefit of, and be enforceable by the Company's successors and assigns.

(b) You agree on request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of the Option.

* * *

This Option Agreement, together with any appendix attached hereto that addresses local or foreign legal requirements, will be deemed to be signed by you on the signing by you of the Grant Notice to which it is attached.

Attachment: Foreign Laws
(if applicable)

NATURE OF GRANT. In accepting this Option, you acknowledge that:

1. The Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Option Agreement.

2. The grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted repeatedly in the past.

3. All decisions with respect to future option grants, if any, will be at the sole discretion of the Company.

4. Your participation in the Plan does not create a right to further employment with your employer or additional time in service with the Company or any of its affiliates, and shall not interfere with the ability of your employer to terminate your employment relationship (or the ability of the Company or its affiliates to terminate any other service relationship) at any time with or without cause. The Option will not be interpreted to form an employment contract or relationship with the Company, your employer, or any subsidiary or affiliate of the Company.

5. You are voluntarily participating in the Plan.

6. The Option is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or your employer, and is outside the scope of your employment or service contract, if any. The Option is not part of your normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long service awards, pension or retirement benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or your employer.

7. The future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty. If the underlying shares of Common Stock do not increase in value, the Option will have no value. If you purchase the shares of Common Stock subject to this Option, the value of those shares of Common Stock may increase or decrease.

8. In consideration of the grant of the Option, no claim or entitlement to compensation or damages shall arise from termination of the Option or diminution in value of the Option or shares of Common Stock purchased through exercise of the Option resulting from termination of Optionee's employment or other service with the Company or the Employer (for any reason whatsoever) and Optionee irrevocably releases the Company

and the Employer from any such claim that may arise; if, despite the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by signing this Option Agreement, Optionee shall be deemed irrevocably to have waived Optionee's entitlement to pursue such claim.

9. On the termination of your employment or service, your right to vest in the Option will terminate effective as of the date that you are no longer actively employed or otherwise providing service and will not be extended by any notice period mandated under the local law (*e.g.*, active employment would not include a period of "garden leave" or similar period pursuant to local law). Furthermore, on the termination of employment or service, your right to exercise the Option, if any, will be measured by the date of termination of your active employment or service and will not be extended by any notice period mandated under local law. The Company shall have the exclusive discretion to determine when you are no longer actively employed or rendering services for purposes of this Option.

DATA PRIVACY. In accepting this Option:

1. **You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by and among, as applicable, you employer, the Company and its subsidiaries and affiliates for the purpose of implementing, administering and managing your participation in the Plan, as well as for the purpose of the Company's compliance with Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires certain public companies to calculate and disclose on an annual basis the ratio of the median of the annual total compensation of all employees of an issuer as compared to the annual total compensation of its chief executive officer (the "CEO Pay Ratio").**

2. **You understand that the Company and your employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan and complying with the CEO Pay Ratio ("Data").**

3. **You understand that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (*e.g.*, the United States) may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purpose of implementing, administering and managing your**

participation in the Plan and for compliance with the CEO Pay Ratio. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan and as is necessary for compliance with the CEO Pay Ratio. You understand that you may, at any time, view the Data, request additional information about the storage processing of the Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

LANGUAGE. If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

RULES FOR YOUR SPECIFIC COUNTRY OF RESIDENCE.

[Insert specific country notices here]

FIVE9, INC.
RESTRICTED STOCK UNIT GRANT NOTICE
2014 EQUITY INCENTIVE PLAN

Five9, Inc. (the "***Company***") hereby awards to Participant the number of restricted stock units ("***RSUs***") set forth below (the "***Award***"). The Award is subject to all of the terms and conditions as set forth in this Restricted Stock Unit Grant Notice (the "***Notice***"), the 2014 Equity Incentive Plan (the "***Plan***") and the Restricted Stock Unit Agreement (the "***Award Agreement***"), both of which are attached hereto and incorporated in their entirety. Capitalized terms not explicitly defined in this Notice but defined in the Plan or the Award Agreement will have the same definitions as in the Plan or the Award Agreement. In the event of any conflict between the terms of the Award and the Plan, the terms of the Plan will control.

Participant:
Date of Grant:
Vesting Commencement Date:
Number of RSUs:

Vesting Schedule: The Award vests as to 1/4th of the RSUs (rounded down to the nearest whole RSU) 12 months after the Vesting Commencement Date, with the balance vesting as to 1/12th of the RSUs (rounded down to the nearest whole RSU) every 3 months thereafter, subject to Participant's Continuous Service with the Company through each such vesting date. Each installment of RSUs that vests hereunder is a "separate payment" for purposes of Treasury Regulations Section 1.409A-2(b)(2).

Issuance Schedule: Subject to any change on a Capitalization Adjustment, one share of Common Stock will be issued for each RSU that vests at the time set forth in the Award Agreement.

Additional Terms/Acknowledgements: Participant acknowledges receipt of, and understands and agrees to, this Notice, the Award Agreement, the Plan and the prospectus for the Plan. As of the Date of Grant, this Notice, the Award Agreement and the Plan set forth the entire understanding between Participant and the Company regarding the Award and supersede all prior oral and written agreements on the terms of the Award, with the exception, if applicable, of (i) the written employment agreement or offer letter agreement entered into between the Company and Participant specifying the terms that should govern this specific Award, or, if applicable instead, the severance benefit plan then in effect and applicable to Participant and (ii) any compensation recovery policy that is adopted by the Company or is otherwise required by applicable law. By accepting this Award, Participant consents to receive Plan documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

FIVE9, INC.

By: _____
Signature

Title: _____

Date: _____

PARTICIPANT:

_____
Signature

Date: _____

ALSO PROVIDED: Award Agreement, 2014 Equity Incentive Plan, Prospectus

FIVE9, INC.
2014 EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

Five9, Inc. (the "***Company***") has awarded you a Restricted Stock Unit Award (the "***Award***") that is subject to its 2014 Equity Incentive Plan (the "***Plan***"), the Restricted Stock Unit Grant Notice (the "***Grant Notice***") and this Restricted Stock Unit Agreement (the "***Agreement***"), for the number of Restricted Stock Units indicated in the Grant Notice. Capitalized terms not explicitly defined in this Agreement or in the Grant Notice but defined in the Plan will have the same definitions as in the Plan. In the event of any conflict between the terms in this Agreement and the Plan, the terms of the Plan will control.

1. GRANT OF THE AWARD. The Award represents your right to be issued on a future date one share of Common Stock for each Restricted Stock Unit that vests.

2. VESTING. Your Restricted Stock Units will vest as provided in the Grant Notice. Vesting will cease on the termination of your Continuous Service. Any Restricted Stock Units that have not yet vested will be forfeited on the termination of your Continuous Service.

3. ADJUSTMENTS TO NUMBER OF RSUS & SHARES OF COMMON STOCK.

(a) The Restricted Stock Units subject to your Award will be adjusted for Capitalization Adjustments, as provided in the Plan.

(b) Any additional Restricted Stock Units and any shares, cash or other property that become subject to the Award will be subject, in a manner determined by the Board, to the terms of the Award, including the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other Restricted Stock Units and shares covered by your Award.

(c) You have no rights to be issued any fractional share of Common Stock or cash in lieu of such fractional share under this Award. Any fraction of a share will be rounded down to the nearest whole share.

4. SECURITIES LAW COMPLIANCE. You will not be issued any Common Stock underlying the Restricted Stock Units or other shares with respect to your Restricted Stock Units unless either (i) the shares are registered under the Securities Act, or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Your Award also must comply with other applicable laws and regulations governing the Award, and you will not receive shares underlying your Restricted Stock Units if the Company determines that such receipt would not be in material compliance with such laws and regulations.

5. TRANSFERABILITY. Prior to the time that shares of Common Stock have been delivered to you, you may not transfer, pledge, sell or otherwise dispose of any portion of the Restricted Stock Units or the shares in respect of your Restricted Stock Units. For example, you may not use shares that may be issued in respect of your Restricted Stock Units as security for a loan, nor may you transfer, pledge, sell or otherwise dispose of such shares. This restriction on transfer will lapse on delivery to you of shares in respect of your vested Restricted Stock Units.

(a) Death. Your Restricted Stock Units are not transferable other than by will and by the laws of descent and distribution. At your death, your executor or administrator of your estate will be entitled to receive, on behalf of your estate, Common Stock or other consideration under this Award.

(b) Domestic Relations Orders. If you receive written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your right to receive the distribution of Common Stock or other consideration under your Restricted Stock Units, in accordance with a domestic relations order or official marital settlement agreement that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss with the Company's General Counsel the proposed terms of any such transfer prior to finalizing the domestic relations order or marital settlement agreement to verify that you may make such transfer, and if so, to help ensure the required information is contained within the domestic relations order or marital settlement agreement. The Company is not obligated to allow you to transfer your Award in connection with your domestic relations order or marital settlement agreement.

6. DATE OF ISSUANCE.

(a) The issuance of shares in respect of the Restricted Stock Units is intended to comply with Treasury Regulations Section 1.409A-1(b)(4) and will be construed and administered in such a manner.

(b) Subject to the satisfaction of your tax withholding obligations, if one or more Restricted Stock Units vests, the Company will issue to you, on the applicable vesting date, one share of Common Stock for each Restricted Stock Unit that vests and such issuance date is referred to as the "***Original Issuance Date***."

(c) If the Original Issuance Date falls on a date that is not a business day, the Company may delay delivery to the next following business day. In addition, if

(i) the Original Issuance Date does not occur (1) during an "open window period" applicable to you, as determined by the Company in accordance with the Company's then-effective policy on trading in Company securities, or (2) on a date when you are otherwise permitted to sell shares of Common Stock on an established stock exchange or stock market (whether because the shares are not publicly traded on such an exchange or market, or because you have not previously established Company-approved 10b5-1 trading plan), *and*

(ii) the Board or the Compensation Committee decides, prior to the Original Issuance Date, (1) not to satisfy the Withholding Taxes by withholding shares of Common Stock from the shares otherwise due, on the Original Issuance Date, to you under this Award, (2) not to permit you to enter into a "same day sale" commitment with a broker-dealer (including but not limited to sales under a Rule 10b-5 trading plan) and (3) not to permit you to pay your Withholding Taxes in cash,

then the shares that would otherwise be issued to you on the Original Issuance Date will not be delivered on such Original Issuance Date and will instead be delivered on the first business day when you are not prohibited from selling shares of the Company's Common Stock in the open public market, but in no event later than December 31 of the calendar year in which the Original Issuance Date occurs (that is, the last day of your taxable year in which the Original Issuance Date occurs), or, if and only if permitted in a manner that complies with Treasury Regulations Section 1.409A-1(b)(4), no later than the date that is the 15th day of the third calendar month of the applicable year following the year in which the shares of Common Stock under this Award are no longer subject to a "substantial risk of forfeiture" within the meaning of Treasury Regulations Section 1.409A-1(d).

7. DIVIDENDS. You will receive no benefit or adjustment to your Restricted Stock Units with respect to any cash dividend, stock dividend or other distribution except as provided in the Plan with respect to a Capitalization Adjustment.

8. RESTRICTIVE LEGENDS. The Common Stock issued with respect to your Restricted Stock Units will be endorsed with appropriate legends determined by the Company.

9. AWARD NOT A SERVICE CONTRACT. Your Continuous Service is not for any specified term and may be terminated by you or by the Company or an Affiliate at any time, for any reason, with or without cause and with or without notice. Nothing in this Agreement (including, but not limited to, the vesting of your Restricted Stock Units or the issuance of the shares subject to your Restricted Stock Units), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer on you any right to continue in the employ or service of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan; or (iv) deprive the Company of the right to terminate you at will and without regard to any future vesting opportunity that you may have.

10. WITHHOLDING OBLIGATIONS.

(a) On each vesting date, and on or before the time you receive a distribution of the shares underlying your Restricted Stock Units, and at any other time as reasonably requested by the Company in accordance with applicable tax laws, you agree to make adequate provision for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or any Affiliate that arise in connection with your Award (the

"***Withholding Taxes***"). Specifically, the Company or an Affiliate may, in its sole discretion, satisfy all or any portion of the Withholding Taxes relating to your Award by any of the following means or by a combination of such means: (i) withholding from any compensation otherwise payable to you by the Company or an Affiliate; (ii) causing you to tender a cash payment (which may be in the form of a check, electronic wire transfer or other method permitted by the Company); (iii) permitting or requiring you to enter into a "same day sale" commitment with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a "***FINRA Dealer***") whereby you irrevocably elect to sell a portion of the shares to be delivered in connection with your Restricted Stock Units to satisfy the Withholding Taxes and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the Withholding Taxes directly to the Company and/or its Affiliates; or (iv) subject to the approval of the independent members of the Board, withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with your Restricted Stock Units with a fair market value (measured as of the date shares of Common Stock are issued to you) equal to the amount of such Withholding Taxes; *provided, however*, that the number of such shares of Common Stock so withheld will not exceed the amount necessary to satisfy the Company's required tax withholding obligations using the minimum statutory withholding rates for federal, state, local and foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income.

(b) Unless the Withholding Taxes of the Company and/or any Affiliate are satisfied, the Company will have no obligation to deliver to you any Common Stock.

(c) If the Company's obligation to withhold arises prior to the delivery to you of Common Stock or it is determined after the delivery of Common Stock to you that the amount of the Company's withholding obligation was greater than the amount withheld by the Company, you agree to indemnify and hold the Company harmless from any failure by the Company to withhold the proper amount.

11. UNSECURED OBLIGATION. Your Award is unfunded, and as a holder of vested Restricted Stock Units, you will be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares or other property pursuant to this Agreement. You will not have voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to this Agreement until such shares are issued to you. On such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in this Agreement, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

12. NOTICES. Any notices provided for in this Agreement or the Plan will be given in writing (including electronically) and will be deemed effectively given on receipt or, in the case of notices delivered by the Company to you, five days after deposit in the U.S. mail, postage prepaid, addressed to you at the last address you provided to the Company. The Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this Award by electronic means or to request your consent to participate in the Plan by electronic means. By accepting this Award, you consent to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

13. MISCELLANEOUS.

(a) The rights and obligations of the Company under your Award will be transferable to any one or more persons or entities, and all covenants and agreements hereunder will inure to the benefit of, and be enforceable by the Company's successors and assigns.

(b) You agree on request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(c) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award, and fully understand all provisions of your Award.

(d) This Agreement will be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(e) All obligations of the Company under the Plan and this Agreement will be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

14. GOVERNING PLAN DOCUMENT. Your Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. Your Award (and any compensation paid or shares issued under your Award) is subject to recoupment in accordance with The Dodd–Frank Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder, any clawback policy adopted by the Company and any compensation recovery policy otherwise required by applicable law. No recovery of compensation under such a clawback policy will be an event giving rise to a right to voluntarily terminate employment on a Resignation for Good Reason, or for a "constructive termination" or any similar term under any plan of or agreement with the Company. You hereby acknowledge receipt or the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Plan prospectus. In addition, you acknowledge receipt of the Company's policy permitting officers and directors to sell shares only during certain "window" periods and the Company's insider trading policy, in effect from time to time.

15. SEVERABILITY. If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity will not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

16. EFFECT ON OTHER EMPLOYEE BENEFIT PLANS. The value of the Award subject to this Agreement will not be included as compensation, earnings, salaries, or other similar terms used when calculating the Employee's benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company's or any Affiliate's employee benefit plans.

17. AMENDMENT. Any amendment to this Agreement must be in writing, signed by a duly authorized representative of the Company. The Board reserves the right to amend this Agreement in any way it may deem necessary or advisable to carry out the purpose of the grant as a result of any change in applicable laws or regulations or any future law, regulation, interpretation, ruling, or judicial decision.

18. COMPLIANCE WITH SECTION 409A OF THE CODE. This Award is intended to comply with the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4). However, if this Award fails to satisfy the requirements of the short-term deferral rule and is otherwise not exempt from, and therefore deemed to be deferred compensation subject to, Section 409A of the Code, and if you are a "Specified Employee" (within the meaning set forth Section 409A(a)(2)(B)(i) of the Code) as of the date of your separation from service (within the meaning of Treasury Regulation Section 1.409A-1(h)), then the issuance of any shares that would otherwise be made on the date of the separation from service or within the first six months thereafter will not be made on the originally scheduled dates and will instead be issued in a lump sum on the date that is six months and one day after the date of the separation from service, with the balance of the shares issued thereafter in accordance with the original vesting and issuance schedule set forth above, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of taxation on you in respect of the shares under Section 409A of the Code. Each installment of shares that vests is a "separate payment" for purposes of Treasury Regulation Section 1.409A-2(b)(2).

19. NO OBLIGATION TO MINIMIZE TAXES. The Company has no duty or obligation to minimize the tax consequences to you of this Award and will not be liable to you for any adverse tax consequences to you arising in connection with this Award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this Award and by signing the Grant Notice, you have agreed that you have done so or knowingly and voluntarily declined to do so.

FIVE9, INC.
2014 EMPLOYEE STOCK PURCHASE PLAN

ADOPTED BY THE BOARD OF DIRECTORS: MARCH 6, 2014
APPROVED BY THE STOCKHOLDERS: MARCH 16, 2014

1. **GENERAL; PURPOSE**.

(a) The Plan provides a means by which Eligible Employees of the Company and certain Designated Companies may be given an opportunity to purchase shares of Common Stock. The Plan permits the Company to grant a series of Purchase Rights to Eligible Employees.

(b) The Company, by means of the Plan, seeks to retain the services of such Employees, to secure and retain the services of new Employees and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Related Corporations.

(c) This Plan includes two components: a 423 Component and a Non-423 Component. It is the intention of the Company to have the 423 Component qualify as an Employee Stock Purchase Plan. The provisions of the 423 Component, accordingly, will be construed in a manner that is consistent with the requirements of Section 423. In addition, this Plan authorizes the grant of Purchase Rights under the Non-423 Component that does not meet the requirements of an Employee Stock Purchase Plan because of deviations necessary or advisable to permit or facilitate participation in the Plan by Employees who are foreign nationals or employed or located outside of the United States while complying with applicable foreign laws; such Purchase Rights will be granted pursuant to rules, procedures or sub-plans adopted by the Board designed to achieve these objectives for Eligible Employees and the Company and its Related Corporations. Except as otherwise provided herein or determined by the Board, the Non-423 Component will operate and be administered in the same manner as the 423 Component. In addition, under the 423 Component, the Company may make separate Offerings which vary in terms (although not inconsistent with the provisions of the Plan and not inconsistent with the requirements of an Employee Stock Purchase Plan), and the Company will designate which Designated Company is participating in each separate Offering.

(d) If a Participant transfers employment from the Company or any Designated 423 Corporation participating in the 423 Component to a Designated Non-423 Corporation participating in the Non-423 Component, he or she will immediately cease to participate in the 423 Component; however, any Contributions made for the Purchase Period in which such transfer occurs will be transferred to the Non-423 Component, and such Participant will immediately join the then-current Offering under the Non-423 Component on the same terms and conditions in effect for his or her participation in the Plan, except for such modifications as may be required by or appropriate under applicable law. If a Participant transfers employment from a Designated Non-423 Corporation participating in the Non-423 Component to the Company or any Designated 423 Corporation participating in the 423 Component, he or she will remain a Participant in the Non-423 Component until the earlier of (i) the end of the current Offering under the Non-423 Component, or (ii) the Offering Date of the

first Offering in which he or she participates following such transfer. If a Participant transfers employment to either a Related Corporation or an Affiliate that is not a Designated Company, he or she will immediately cease to participate in the ongoing Offering, and his or her accumulated, unused Contributions will be returned as soon as possible.

2. **ADMINISTRATION**.

(a) The Board will administer the Plan unless and until the Board delegates administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

i. To determine how and when Purchase Rights will be granted and the provisions of each Offering (which need not be identical), including which Designated 423 Corporations and Designated Non-423 Corporations will participate in the 423 Component or the Non-423 Component.

ii. To designate from time to time which Related Corporations of the Company will be eligible to participate in the Plan as Designated 423 Corporations and Designated Non-423 Corporations and which Affiliates will be eligible to participate in the Plan as Designated Non-423 Corporations and also to designate which Designated Companies will participate in each separate Offering (to the extent the Company makes separate Offerings).

iii. To construe and interpret the Plan and Purchase Rights and to establish, amend and revoke rules and regulations for the Plan's administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it deems necessary or expedient to make the Plan fully effective.

iv. To settle all controversies regarding the Plan and Purchase Rights granted under the Plan.

v. To suspend or terminate the Plan at any time as provided in Section 12.

vi. To amend the Plan at any time as provided in Section 12.

vii. Generally, to exercise such powers and to perform such acts as it deems necessary or expedient to promote the best interests of the Company and its Related Corporations and to carry out the intent that the 423 Component be treated as an Employee Stock Purchase Plan.

viii. To adopt such procedures and sub-plans as are necessary or appropriate to permit or facilitate participation in the Plan by Employees who are foreign nationals or employed or located outside the United States. Without limiting the generality of, but consistent with, the foregoing, the Board specifically is authorized to adopt rules, procedures and sub-plans, which, for purposes of the Non-423 Component, may be outside the scope of Section 423 regarding, without limitation, eligibility to participate in the Plan, handling and

making of Contributions, establishment of bank or trust accounts to hold Contributions, payment of interest, conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements, withholding procedures and handling of share issuances, which may vary according to local requirements or practices.

(c) The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revest in the Board some or all of the powers previously delegated. The Board will have the final power to determine all questions of policy and expediency that may arise in the administration of the Plan.

(d) All determinations, interpretations and constructions made by the Board in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

3. **SHARES OF COMMON STOCK SUBJECT TO THE PLAN**.

(a) Subject to the provisions of Section 11(a) relating to Capitalization Adjustments, the maximum number of shares of Common Stock that may be issued under the Plan will not exceed 3,520,000 shares of Common Stock[1], plus the number of shares that are automatically added on January 1 of each year for a period of up to ten (10) years, commencing on the first January 1 following the IPO Date and ending on January 1, 2024, in an amount equal to the lesser of (i) 1% of the total number of shares of Common Stock outstanding on December 31 of the preceding calendar year, or (ii) 4,000,000 shares of Common Stock[2]. Notwithstanding the foregoing, the Board may act prior to the first day of any calendar year to provide that there will be no January 1 increase in the share reserve for such calendar year or that the increase in the share reserve for such calendar year will be a lesser number of shares of Common Stock than would otherwise occur pursuant to the preceding sentence.

(b) If any Purchase Right granted under the Plan terminates without having been exercised in full, the shares of Common Stock not purchased under such Purchase Right will again become available for issuance under the Plan.

(c) The stock purchasable under the Plan will be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market.

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1 Subject to any stock split that occurs in connection with the IPO.

2 Subject to any stock split that occurs in connection with the IPO.

4. **GRANT OF PURCHASE RIGHTS; OFFERING**.

(a) The Board may from time to time grant or provide for the grant of Purchase Rights to Eligible Employees under an Offering on Offering Dates selected by the Board. Each Offering will be in such form and will contain such terms and conditions as the Board will deem appropriate and with respect to the 423 Component, will comply with the requirement of Section 423(b)(5) of the Code that all Employees granted Purchase Rights will have the same rights and privileges. The provisions of separate Offerings need not be identical, but each Offering will include (through incorporation of the provisions of this Plan, by reference in the applicable Offering Document or otherwise) the period during which the Offering will be effective, which period will not exceed twenty-seven (27) months beginning with the Offering Date, and the substance of the provisions contained in Sections 5 through 8, inclusive.

(b) If a Participant has more than one Purchase Right outstanding under the Plan, unless he or she otherwise indicates in forms delivered to the Company: (i) each form will apply to all of his or her Purchase Rights under the Plan, and (ii) a Purchase Right with a lower exercise price (or an earlier-granted Purchase Right, if different Purchase Rights have identical exercise prices) will be exercised to the fullest possible extent before a Purchase Right with a higher exercise price (or a later-granted Purchase Right if different Purchase Rights have identical exercise prices) will be exercised.

(c) The Board will have the discretion to structure an Offering so that if the Fair Market Value of the shares of Common Stock on the first Trading Day of a new Purchase Period within that Offering is less than or equal to the Fair Market Value of the shares of Common Stock on the Offering Date, then (i) that Offering will terminate immediately as of that first Trading Day, and (ii) the Participants in such terminated Offering will be automatically enrolled in a new Offering beginning on the first Trading Day of such new Purchase Period.

5. **ELIGIBILITY**.

(a) Purchase Rights may be granted only to Employees of the Company or, as the Board may designate in accordance with Section 2(b), to Employees of a Related Corporation or an Affiliate. Except as provided in Section 5(b), an Employee will not be eligible to be granted Purchase Rights unless, on the Offering Date, the Employee has been in the employ of the Company, a Related Corporation or an Affiliate, as the case may be, for such continuous period preceding such Offering Date as the Board may require, but in no event will the required period of continuous employment be equal to or greater than two (2) years. In addition, the Board may (unless prohibited by law) provide that no Employee will be eligible to be granted Purchase Rights under the Plan unless, on the Offering Date, such Employee's customary employment with the Company, a Related Corporation or an Affiliate is more than twenty (20) hours per week and more than five (5) months per calendar year or such other criteria as the Board may determine consistent with Section 423.

(b) The Board may provide that each person who, during the course of an Offering, first becomes an Eligible Employee will, on or after the day on which such person becomes an Eligible Employee, receive a Purchase Right under that Offering, which Purchase Right will thereafter be deemed to be a part of that Offering. Such Purchase Right will have the same characteristics as any Purchase Rights originally granted under that Offering, as described herein, except that:

i. the date on which such Purchase Right is granted will be the "Offering Date" of such Purchase Right for all purposes, including determination of the exercise price of such Purchase Right;

ii. the period of the Offering with respect to such Purchase Right will begin on its Offering Date and end coincident with the end of the original Offering; and

iii. the Board may provide that if such person first becomes an Eligible Employee within a specified period of time before the end of the Offering, he or she will not receive any Purchase Right under that Offering.

(c) No Employee will be eligible for the grant of any Purchase Rights if, immediately after any such Purchase Rights are granted, such Employee owns stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Related Corporation (unless otherwise required by law). For purposes of this Section 5(c), the rules of Section 424(d) of the Code will apply in determining the stock ownership of any Employee, and stock which such Employee may purchase under all outstanding Purchase Rights and options will be treated as stock owned by such Employee.

(d) As specified by Section 423(b)(8) of the Code, an Eligible Employee may be granted Purchase Rights only if such Purchase Rights, together with any other rights granted under all Employee Stock Purchase Plans of the Company and any Related Corporations, do not permit such Eligible Employee's rights to purchase stock of the Company or any Related Corporation to accrue at a rate which exceeds twenty-five thousand dollars ($25,000) of Fair Market Value of such stock (determined at the time such rights are granted and which, with respect to the Plan, will be determined as of their respective Offering Dates) for each calendar year in which such rights are outstanding at any time.

(e) Officers of the Company and any Designated Company, if they are otherwise Eligible Employees, will be eligible to participate in Offerings under the Plan. Notwithstanding the foregoing, the Board may (unless prohibited by law) provide in an Offering that Employees who are highly compensated Employees within the meaning of Section 423(b)(4)(D) of the Code will not be eligible to participate.

6. **PURCHASE RIGHTS; PURCHASE PRICE**.

(a) On each Offering Date, each Eligible Employee will be granted a Purchase Right under the applicable Offering to purchase up to that number of shares of Common Stock purchasable either with a percentage or with a maximum dollar amount, as designated by the Board, but in either case not exceeding fifteen percent (15%) of such Employee's eligible earnings (as defined by the Board in each Offering) during the period that begins on the Offering Date (or such other date as the Board determines for a particular Offering) and ends on the date stated in the Offering, which date will be no later than the end of the Offering.

(b) The Board will establish one or more Purchase Dates during an Offering on which Purchase Rights granted for that Offering will be exercised and shares of Common Stock will be purchased in accordance with such Offering.

(c) In connection with each Offering made under the Plan, the Board may specify (i) a maximum number of shares of Common Stock that may be purchased by any Participant on any Purchase Date during such Offering, (ii) a maximum aggregate number of shares of Common Stock that may be purchased by all Participants pursuant to such Offering, and/or (iii) a maximum aggregate number of shares of Common Stock that may be purchased by all Participants on any Purchase Date under the Offering. If the aggregate purchase of shares of Common Stock issuable on exercise of Purchase Rights granted under the Offering would exceed any such maximum aggregate number, then, in the absence of any Board action otherwise, a pro rata (based on each Participant's accumulated Contributions) allocation of the shares of Common Stock available will be made in as nearly a uniform manner as will be practicable and equitable.

(d) The purchase price of shares of Common Stock acquired pursuant to Purchase Rights will be not less than the lesser of:

i. an amount equal to eighty-five (85%) of the Fair Market Value of the shares of Common Stock on the Offering Date; or

ii. an amount equal to eighty-five (85%) of the Fair Market Value of the shares of Common Stock on the applicable Purchase Date.

7. **PARTICIPATION; WITHDRAWAL; TERMINATION**.

(a) An Eligible Employee may elect to authorize payroll deductions as the means of making Contributions by completing and delivering to the Company, within the time specified in the Offering, an enrollment form provided by the Company. The enrollment form will specify the amount of Contributions (not to exceed the maximum amount specified by the Board). Each Participant's Contributions will be credited to a bookkeeping account for such Participant under the Plan and will be deposited with the general funds of the Company except where applicable law requires that Contributions be deposited with a third party or otherwise segregated. If permitted in the Offering, a Participant may begin such Contributions with the first payroll occurring on or after the Offering Date (or, in the case of a payroll date that occurs after the end of the prior Offering but before the Offering Date of the next new Offering, Contributions from such payroll will be included in the new Offering). If permitted in the Offering, a Participant may thereafter reduce (including to zero) or increase his or her Contributions. If required under applicable law or if specifically provided in the Offering, in addition to or instead of making Contributions by payroll deductions, a Participant may make Contributions through the payment by cash, check or wire transfer prior to a Purchase Date, in the manner directed by the Company.

(b) During an Offering, a Participant may cease making Contributions and withdraw from the Offering by delivering to the Company a withdrawal form provided by the Company. The Company may impose a deadline before a Purchase Date for withdrawing. On

such withdrawal, such Participant's Purchase Right in that Offering will immediately terminate, and the Company will distribute to such Participant all of his or her accumulated but unused Contributions. A Participant's withdrawal from that Offering will have no effect on his or her eligibility to participate in any other Offerings under the Plan, but the Participant will be required to deliver a new enrollment form to participate in future Offerings.

(c) Unless otherwise required by applicable law, Purchase Rights granted pursuant to any Offering under the Plan will terminate immediately if the Participant is either (i) no longer an Employee of a Designated Company for any reason or for no reason, or (ii) otherwise no longer eligible to participate. The Company will distribute to such individual all of his or her accumulated but unused Contributions.

(d) During a Participant's lifetime, Purchase Rights will be exercisable only by such Participant. Purchase Rights are not transferable by a Participant, except by will, by the laws of descent and distribution or, if permitted by the Company, by a beneficiary designation as described in Section 10.

(e) The Company has no obligation to pay interest on Contributions, unless otherwise required by applicable law.

8. **EXERCISE OF PURCHASE RIGHTS**.

(a) On each Purchase Date, each Participant's accumulated Contributions will be applied to the purchase of shares of Common Stock, up to the maximum number of shares of Common Stock permitted by the Plan and the applicable Offering, at the purchase price specified in the Offering. No fractional shares will be issued unless specifically provided for in the Offering.

(b) If any amount of accumulated Contributions remains in a Participant's account after the purchase of shares of Common Stock on the final Purchase Date of an Offering and such remaining amount is less than the amount required to purchase one share of Common Stock, then such remaining amount will be held in such Participant's account for the purchase of shares of Common Stock under the next Offering under the Plan, unless such Participant withdraws from or is not eligible to participate in such Offering, in which case such amount will be distributed to such Participant after the final Purchase Date, without interest (unless otherwise required by applicable law). If the amount of Contributions remaining in a Participant's account after the purchase of shares of Common Stock on the final Purchase Date of an Offering is at least equal to the amount required to purchase one whole share of Common Stock, then such remaining amount will not roll over to the next Offering and will instead be distributed in full to such Participant after the final Purchase Date, without interest (unless otherwise required by applicable law).

(c) No Purchase Rights may be exercised to any extent unless the shares of Common Stock to be issued on such exercise under the Plan are covered by an effective registration statement pursuant to the U.S. Securities Act of 1933, as amended, and the Plan is in material compliance with all applicable laws. If on a Purchase Date the shares of Common Stock are not so registered or the Plan is not in such compliance, no Purchase Rights will be

exercised on such Purchase Date, and the Purchase Date will be delayed until the shares of Common Stock are subject to such an effective registration statement and the Plan is in material compliance, except that the Purchase Date will in no event be more than twenty-seven (27) months from the Offering Date. If, on the Purchase Date, as delayed to the maximum extent permissible, the shares of Common Stock are not registered and the Plan is not in material compliance with all applicable laws, no Purchase Rights will be exercised and all accumulated but unused Contributions will be distributed to the Participants without interest (unless otherwise required under applicable law).

9. **COVENANTS OF THE COMPANY**.

To the extent practicable, the Company will seek to obtain from each federal, state, foreign or other regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Purchase Rights and to issue and sell shares of Common Stock thereunder unless doing so would be an unreasonable cost to the Company compared to the potential benefit to Eligible Employees, which the Company will determine at its discretion. If, after commercially reasonable efforts, the Company is unable to obtain the authority that counsel for the Company deems necessary for the grant of Purchase Rights or the lawful issuance and sale of shares of Common Stock under the Plan (and at a commercially reasonable cost), the Company will be relieved from any liability for failure to grant Purchase Rights and/or to issue and sell shares of Common Stock on exercise of such Purchase Rights.

10. **DESIGNATION OF BENEFICIARY**.

(a) The Company may, but is not obligated to, permit a Participant to submit a form designating a beneficiary who will receive any shares of Common Stock and/or Contributions from the Participant's account under the Plan if the Participant dies before such shares and/or Contributions are delivered to the Participant. The Company may, but is not obligated to, permit the Participant to change such designation of beneficiary. Any such designation and/or change must be on a form approved by the Company.

(b) If a Participant dies, and in the absence of a valid beneficiary designation, the Company will deliver any shares of Common Stock and/or Contributions to the executor or administrator of the estate of the Participant. If no executor or administrator has been appointed (to the knowledge of the Company), the Company, in its sole discretion, may deliver such shares of Common Stock and/or Contributions to the Participant's spouse, dependents or relatives, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

11. **ADJUSTMENTS ON CHANGES IN SHARES OF COMMON STOCK; CORPORATE TRANSACTIONS**.

(a) On a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), (ii) the class(es) and maximum number of securities by which the share reserve is to increase automatically each year pursuant to Section 3(a), (iii) the class(es) and number of securities subject to, and the purchase price applicable to, outstanding Offerings and

Purchase Rights, and (iv) the class(es) and number of securities that are the subject of the purchase limits under each ongoing Offering. The Board will make these adjustments, and its determination will be final, binding and conclusive.

(b) On a Corporate Transaction, then: (i) any surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) may assume or continue outstanding Purchase Rights or may substitute similar rights (including a right to acquire the same consideration paid to the stockholders in the Corporate Transaction) for outstanding Purchase Rights, or (ii) if any surviving or acquiring corporation (or its parent company) does not assume or continue such Purchase Rights or does not substitute similar rights for such Purchase Rights, then the Participants' accumulated Contributions will be used to purchase shares of Common Stock within ten (10) business days prior to the Corporate Transaction under the outstanding Purchase Rights, and the Purchase Rights will terminate immediately after such purchase.

12. **AMENDMENT, TERMINATION OR SUSPENSION OF THE PLAN**.

(a) The Board may amend the Plan at any time and in any respect that the Board deems necessary or advisable. However, except as provided in Section 11(a) relating to Capitalization Adjustments, stockholder approval will be required for any amendment of the Plan for which stockholder approval is required by applicable law or listing requirements, including any amendment that (i) materially increases the number of shares of Common Stock available for issuance under the Plan, (ii) materially expands the class of individuals eligible to become Participants and receive Purchase Rights, (iii) materially increases the benefits accruing to Participants under the Plan or materially reduces the price at which shares of Common Stock may be purchased under the Plan, (iv) materially extends the term of the Plan, or (v) expands the types of awards available for issuance under the Plan, but in each of (i) through (v) above, only to the extent stockholder approval is required by applicable law or listing requirements.

(b) The Board may suspend or terminate the Plan at any time. No Purchase Rights may be granted under the Plan while the Plan is suspended or after it is terminated.

(c) Any benefits, privileges, entitlements and obligations under any outstanding Purchase Rights granted before an amendment, suspension or termination of the Plan will not be materially impaired by any such amendment, suspension or termination except (i) with the consent of the person to whom such Purchase Rights were granted, (ii) as necessary to comply with any laws, listing requirements or governmental regulations (including, without limitation, the provisions of Section 423 and the regulations and other interpretive guidance issued thereunder relating to Employee Stock Purchase Plans), including, without limitation, any such regulations or other guidance that may be issued or amended after the effective date of the Plan, as described in Section 14, or (iii) as necessary to obtain or maintain favorable tax, listing or regulatory treatment. To be clear, the Board may amend outstanding Purchase Rights without a Participant's consent if such amendment is necessary to ensure that the Purchase Right and/or the Plan complies with the requirements of Section 423.

13. **SECTION 409A; TAX QUALIFICATION**.

(a) Purchase Rights granted under the 423 Component are intended to be exempt from the application of Section 409A under Treasury Regulation Section 1.409A-1(b)(5)(ii). Purchase Rights granted under the Non-423 Component to U.S. taxpayers are intended to be exempt from the application of Section 409A under the short-term deferral exception, and any ambiguities will be construed and interpreted in accordance with such intent. Subject to Section 13(b), Purchase Rights granted to U.S. taxpayers under the Non-423 Component will be subject to such terms and conditions that will permit such Purchase Rights to satisfy the requirements of the short-term deferral exception available under Section 409A, including the requirement that the shares subject to a Purchase Right be delivered within the short-term deferral period. Subject to Section 13(b), in the case of a Participant who would otherwise be subject to Section 409A, to the extent the Board determines that a Purchase Right or the exercise, payment, settlement or deferral thereof is subject to Section 409A, the Purchase Right will be granted, exercised, paid, settled or deferred in a manner that will comply with Section 409A, including U.S. Department of Treasury regulations and other interpretive guidance issued thereunder, including, without limitation, any such regulations or other guidance that may be issued after the adoption of the Plan. Notwithstanding the foregoing, the Company will have no liability to a Participant or any other party if the Purchase Right that is intended to be exempt from or compliant with Section 409A is not so exempt or compliant or for any action taken by the Board with respect thereto.

(b) Although the Company may endeavor to (i) qualify a Purchase Right for favorable tax treatment under the laws of the United States or jurisdictions outside of the United States, or (ii) avoid adverse tax treatment (e.g., under Section 409A), the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment, notwithstanding anything to the contrary in this Plan, including Section 13(a). The Company will be unconstrained in its corporate activities without regard to the potential negative tax impact on Participants under the Plan.

14. **EFFECTIVE DATE OF PLAN**.

The Plan will become effective on the IPO Date. No Purchase Rights will be exercised unless and until the Plan has been approved by the stockholders of the Company, which approval must be within twelve (12) months before or after the date the Plan is adopted (or if required under Section 12(a) above, materially amended) by the Board.

15. **MISCELLANEOUS PROVISIONS**.

(a) Proceeds from the sale of shares of Common Stock pursuant to Purchase Rights will constitute general funds of the Company.

(b) A Participant will not be deemed to be the holder of, or to have any of the rights of a holder with respect to, shares of Common Stock subject to Purchase Rights unless and until the Participant’s shares of Common Stock acquired on exercise of Purchase Rights are recorded in the books of the Company (or its transfer agent).

(c) The Plan and Offering do not constitute an employment contract. Nothing in the Plan or in the Offering will in any way alter the at-will nature of a Participant's employment, if applicable, or be deemed to create in any way whatsoever any obligation on the part of any Participant to continue in the employ of the Company, a Related Corporation or an Affiliate, or on the part of the Company, a Related Corporation or an Affiliate to continue the employment of a Participant.

(d) The provisions of the Plan will be governed by the laws of the State of California without resort to that state's conflicts of laws rules.

(e) If any particular provision of the Plan is found to be invalid or otherwise unenforceable, such provision will not affect the other provisions of the Plan, but the Plan will be construed in all respects as if such invalid provision were omitted.

16. **DEFINITIONS**.

As used in the Plan, the following definitions will apply to the capitalized terms indicated below:

(a) "***423 Component***" means the part of the Plan, which excludes the Non-423 Component, pursuant to which Purchase Rights that satisfy the requirements for Employee Stock Purchase Plans may be granted to Eligible Employees.

(b) "***Affiliate***" means any branch or representative office of a Related Corporation, as determined by the Board, whether now or hereafter existing.

(c) "***Board***" means the Board of Directors of the Company.

(d) "***Capitalization Adjustment***" means any change that is made in, or other events that occur with respect to, the shares of Common Stock subject to the Plan or subject to any Purchase Right after the date on which the Plan becomes effective pursuant to Section 14 without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other similar equity restructuring transaction, as that term is used in Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

(e) "***Code***" means the U.S. Internal Revenue Code of 1986, as amended.

(f) "***Committee***" means a committee of one or more members of the Board to whom authority has been delegated by the Board.

(g) "***Common Stock***" means, as of the IPO Date, the common stock of the Company, having one vote per share.

(h) "***Company***" means Five9, Inc., a Delaware corporation.

(i) "***Contributions***" means the payroll deductions and other additional payments specifically provided for in the Offering that a Participant contributes to fund the exercise of a Purchase Right. A Participant may make additional payments into his or her account if specifically provided for in the Offering and then only if the Participant has not already had the maximum permitted amount withheld during the Offering through payroll deductions.

(j) "***Corporate Transaction***" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

i. the consummation of a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of the Company and its subsidiaries;

ii. the consummation of a sale or other disposition of more than fifty percent (50%) of the outstanding securities of the Company;

iii. the consummation of a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

iv. the consummation of a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

To the extent required for compliance with Section 409A, in no event will an event be deemed a Corporate Transaction if such transaction is not also a "change in the ownership or effective control of" the Company or "a change in the ownership of a substantial portion of the assets of" the Company, as determined under Treasury Regulation Section 1.409A-3(i)(5) (without regard to any alternative definition thereunder).

(k) "***Designated 423 Corporation***" means any Related Corporation selected by the Board as eligible to participate in the 423 Component.

(l) "***Designated Company***" means a Designated Non-423 Corporation or Designated 423 Corporation.

(m) "***Designated Non-423 Corporation***" means any Related Corporation or Affiliate selected by the Board as eligible to participate in the Non-423 Component.

(n) "***Director***" means a member of the Board.

(o) "***Eligible Employee***" means an Employee who meets the requirements set forth in the applicable Offering Document for eligibility to participate in the Offering, provided that such Employee also meets the requirements for eligibility to participate set forth in the Plan.

(p) "***Employee***" means any person, including an Officer or Director, who is treated as an employee in the records of the Company or a Related Corporation (including an Affiliate). However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an "Employee" for purposes of the Plan.

(q) "***Employee Stock Purchase Plan***" means a plan that grants Purchase Rights intended to be options issued under an "employee stock purchase plan," as that term is defined in Section 423(b) of the Code.

(r) "***Fair Market Value***" means, as of any date, the value of a share of Common Stock determined as follows:

i. If the shares of Common Stock are listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock will be the **closing sales price** for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the shares of Common Stock) **on the date of determination**, as reported in such source as the Board deems reliable. Unless otherwise provided by the Board, if there is no closing sales price for a share of Common Stock on the date of determination, then the Fair Market Value will be the closing sales price on the last preceding date for which such quotation exists.

ii. In the absence of such markets for the shares of Common Stock, the Fair Market Value will be determined by the Board in good faith in compliance with applicable laws.

iii. Notwithstanding the foregoing, for any Offering that begins on the IPO Date, the Fair Market Value of the shares of Common Stock on the Offering Date will be the price per share at which shares are first sold to the public in the Company's initial public offering, as specified in the final prospectus for that initial public offering.

(s) "***IPO Date***" means the date of the underwriting agreement between the Company and the underwriter(s) managing the initial public offering of the shares of Common Stock, pursuant to which the shares of Common Stock are priced for the initial public offering.

(t) "***Non-423 Component***" means the part of the Plan, which excludes the 423 Component, pursuant to which Purchase Rights that are not intended to satisfy the requirements for Employee Stock Purchase Plans may be granted to Eligible Employees.

(u) "***Offering***" means the grant to Eligible Employees of Purchase Rights, with the exercise of those Purchase Rights automatically occurring at the end of one or more Purchase Periods. The terms and conditions of an Offering will generally be set forth in the "***Offering Document***" approved by the Board for that Offering.

(v) "***Offering Date***" means a date selected by the Board for an Offering to begin.

(w) "***Officer***" means a person who is an officer of the Company or a Related Corporation within the meaning of Section 16 of the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(x) "***Participant***" means an Eligible Employee who holds an outstanding Purchase Right.

(y) "***Plan***" means this Five9, Inc. 2014 Employee Stock Purchase Plan, including both the 423 Component and Non-423 Component, as amended from time to time.

(z) "***Purchase Date***" means one or more dates during an Offering selected by the Board on which Purchase Rights will be exercised and on which purchases of shares of Common Stock will be carried out in accordance with such Offering.

(aa) "***Purchase Period***" means a period of time specified within an Offering, generally beginning on the Offering Date or on the first Trading Day following a Purchase Date and ending on a Purchase Date. An Offering may consist of one or more Purchase Periods.

(bb) "***Purchase Right***" means an option to purchase shares of Common Stock granted pursuant to the Plan.

(cc) "***Related Corporation***" means any "parent corporation" or "subsidiary corporation" of the Company, whether now or subsequently established, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(dd) "***Section 409A***" means Section 409A of the Code.

(ee) "***Section 423***" means Section 423 of the Code.

(ff) "***Trading Day***" means any day on which the exchange(s) or market(s) on which shares of Common Stock are listed, including, but not limited to, the NYSE, Nasdaq Global Select Market, the Nasdaq Global Market, the Nasdaq Capital Market or any successors thereto, is open for trading.

Exhibit 10.13

FIVE9, INC.

BISHOP RANCH—BUILDING LEASE

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BISHOP RANCH

BUILDING LEASE

This Lease is made and entered into this 16th day of December**, 2011,** by and between **Alexander Properties Company, a California limited partnership,** (hereinafter "Landlord") and **five9, Inc., a Delaware corporation** (hereinafter "Tenant"). For and in consideration of the rental and of the covenants and agreements hereinafter set forth to be kept and performed by Tenant, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises herein described for the term, at the rental and subject to and upon all of the terms, covenants and agreements hereinafter set forth.

1. PREMISES

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises (the "Premises") crosshatched on Exhibit A containing **46,414** rentable square feet known as **Suite 400**, located on the fourth floor of **4000 Executive Parkway**, Building P (including all tenant improvements thereto, the "Building"), located at San Ramon, California 94583. The Building is part of a Complex containing the Building and **two (2)** other buildings (the "Complex"). The Complex, which contains **631,578 rentable** square feet, the land on which the Complex is situated (the "Land"), the common areas of the Complex, any other improvements in the Complex and the personal property used by Landlord in the operation of the Complex (the "Personal Property") are herein collectively called the "Project." Landlord shall pay the cost of "Suite Improvements" (as such term is defined in the work letter attached hereto as Exhibit B, the "Work Letter") and as shown on the attached Exhibit C.

2. TERM

2.1 Term. The term of this Lease shall commence on the "Commencement Date" hereinafter defined to be the earlier of the date Landlord delivers possession of the Premises to Tenant with all of the Suite Improvements Substantially Completed, as defined in Exhibit B, or the date Landlord would have completed the Premises and tendered the Premises to Tenant if Substantial Completion had not been delayed by the number of days specified in any and all Tenant Delay Notices given by Landlord as described in Exhibit B. The term of this Lease shall end on the date (the "Expiration Date") that is the sixth (6th) year anniversary of the Commencement Date, unless sooner terminated pursuant to this Lease.

2.2 Delay in Commencement. The Commencement Date is scheduled to occur on **March 1, 2012** (the "Scheduled Commencement Date"), but if there are "Scheduled Commencement Adjustment Days" (referred to in Paragraph 25.9 of this Lease and Exhibit B), then the Scheduled Commencement Date shall be that date which is the same number of days after **March 1, 2012** as the sum of the Scheduled Commencement Adjustment Days. If for any reason the Commencement Date does not occur on or before the Scheduled Commencement Date, except as otherwise provided in this Lease, Landlord shall not be liable for any damage thereby nor shall such inability affect the validity of this Lease or the obligations of Tenant hereunder. If the Commencement Date has not occurred

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Tenant ( )
Landlord ( )

within sixty (60) days after the Scheduled Commencement Date, Tenant at its option, to be exercised by giving Landlord written notice within thirty (30) days after the end of such sixty (60) day period, may terminate this Lease and, upon Landlord's return of any monies previously deposited by Tenant, the parties shall have no further rights or liabilities toward each other.

2.3 Acknowledgment of Commencement Date. Upon determination of the Commencement Date, Landlord and Tenant shall execute a written acknowledgment of the Commencement Date and Expiration Date in the form attached hereto as Exhibit G.

3. RENT

3.1 Base Rent. Except as otherwise provided in this Lease, Tenant shall pay to Landlord monthly as base rent ("Base Rent") for the Premises in advance on the Commencement Date and on the first day of each calendar month thereafter during the term of this Lease without deduction, offset, prior notice or demand, in lawful money of the United States of America, the sum of **ONE HUNDRED THOUSAND FIVE HUNDRED SIXTY-THREE AND 67/100 DOLLARS ($100,563.67).** For any prorations of Base Rent due to changes in the Premises on a day other than the first or last day of the month, the portion of Base Rent on a square foot basis associated with an increase or decrease in the size of the Premises shall be calculated by multiplying the number of days that the space was part of the Premises by the daily Base Rent defined to be the monthly Base Rent per square foot for said space divided by thirty (30). **Notwithstanding the foregoing, Base Rent shall be abated for the initial twelve (12) full calendar months of the term of this Lease.**

On or before the date that is three (3) business days after the date this Lease is fully executed by Landlord and Tenant, Tenant shall pay to Landlord the sum of **ONE HUNDRED THOUSAND FIVE HUNDRED SIXTY-THREE AND 67/100 DOLLARS ($100,563.67)** to be applied against Base Rent when it becomes due.

3.2 Adjustments to Base Rent. Intentionally Deleted

3.3 Amounts Constituting Rent. All amounts payable or reimbursable by Tenant under this Lease, including late charges and interest, "Operating Cost Payments" (as defined in Paragraph 5), and amounts payable or reimbursable under the Work Letter and the other Exhibits hereto, shall constitute "Rent" and be payable and recoverable as such. Base Rent is due and payable as provided in Paragraph 3.1—"Base Rent", Operating Cost Payments are due and payable as provided in Paragraph 5.3—"Notice and Payment", and all other Rent payable to Landlord on demand under the terms of this Lease, unless otherwise set forth herein, shall be payable within thirty (30) days after written notice from Landlord of the amounts due. Except as otherwise provided in this Lease, all Rent shall be paid to Landlord without deduction or offset in lawful money of the United States of America at the address for notices or at such other place as Landlord may from time to time designate in writing.

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Landlord ( )

4. SECURITY DEPOSIT

Concurrently with Tenant's execution of this Lease, Tenant shall pursuant to the terms and conditions of Paragraph 25.20, provide Landlord with a Letter of Credit in the amount of **SEVEN HUNDRED THOUSAND AND 00/100 DOLLARS ($700,000.00)** as Security. At such time that Tenant is relieved of its obligation to post the Letter of Credit Tenant shall deposit with Landlord the sum of **ONE HUNDRED THOUSAND FIVE HUNDRED SIXTY-THREE AND 67/100 DOLLARS ($100,563.67)** as a Security Deposit (the "Security Deposit"). The Security Deposit shall be held by Landlord as security for the faithful performance by Tenant of all of the terms, covenants and conditions of this Lease to be performed by Tenant during the term hereof. If Tenant defaults with respect to any provision of this Lease, including the provisions relating to the payment of any Rent, Landlord may (but shall not be required to) use, apply or retain all or any part of the Security Deposit to cure such default or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said deposit is so used or applied, Tenant shall, within ten (10) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount; Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep the Security Deposit separate from its general funds, and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the Security Deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) upon the expiration of the Lease term and Tenant's vacating the Premises; provided, however, that Landlord may elect in its reasonable discretion to retain a portion of the Security Deposit in an amount composed of any or all of the following: (i) any unpaid amounts owed to Landlord pursuant to this Lease, (ii) the cost of any damage (excluding normal wear and tear or damage resulting from the approved installation of wall hangings by Landlord) to the Premises, (iii) the costs of removing any personal property refuse or debris left in the Premises at the expiration of the Lease, and (iv) any sums underpaid by Tenant with respect to Operating Costs for the calendar year in which the Lease ends under Paragraph 5 if Landlord determines there will be an increase in Operating Expenses for said calendar year. In the event of termination of Landlord's interest in this Lease, Landlord shall transfer the Security Deposit to Landlord's successor-in-interest and provided that such successor-in-interest agrees in writing to assume the obligations of Landlord under this Lease, Landlord shall be released from liability for the return of the Security Deposit or the accounting therefor. Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code, and all other provisions of any Regulations, now or hereafter in force, which restricts the amount or types of claim that a landlord may make upon a security deposit or imposes upon a landlord (or its successors) any obligation with respect to the handling or return of security deposits.

5. TAX AND OPERATING COST INCREASES

5.1 Definitions. For purposes of this paragraph, the following terms are herein defined:

(a) Base Year: The calendar year in which this Lease commences.

(b) Operating Costs: Operating Costs shall include all actual costs and expenses of ownership, management, operation, repair and maintenance of the Project (excluding depreciation of the improvements in the Project and all amounts paid on loans of Landlord) applicable to the term of the Lease computed in accordance with "tax basis

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Landlord ( )

accounting" (as defined below) principles consistently applied, including by way of illustration but not limited to: real property taxes, taxes assessed on the Personal Property, any other governmental impositions imposed on or by reason of the ownership, operation or use of the Project, and any tax in addition to or in lieu thereof, including taxes covered by Paragraph 5.4, if any, whether assessed against Landlord or Tenant or both; parts; equipment; supplies; insurance premiums; license, permit and inspection fees; cost of services and materials (including property management fees); cost of compensation (including employment taxes and benefits) of all persons who perform duties connected with the management, operation, maintenance and repair of the Project; costs of providing utilities and services, including water, gas, electricity, sewage disposal, rubbish removal, janitorial, gardening, security, parking, window washing, supplies and materials, and signing (but excluding services not uniformly available to substantially all of the Project tenants); costs of capital improvements (i) required to cause the Project to comply with all laws, statutes, ordinances, regulations, rules and requirements of any governmental or public authority, including, without limitation, the Americans with Disabilities Act of 1990 (the "ADA") (collectively, "Legal Requirements") which become effective after the Commencement Date, or (ii) which reduce Operating Costs, such costs, together with interest on the unamortized balance at the rate of eight percent (8%) per annum, to be amortized over the useful life or payback period whichever is shorter provided that such amortized costs of capital improvements shall only be included in Operating Costs to the extent of the reduction in Operating Costs; costs of maintenance and replacement of landscaping; legal, accounting and other professional services incurred in connection with the operation of the Project and the calculation of Operating Costs; and rental expense or a reasonable allowance for depreciation of the Personal Property. If the Project is not at least ninety-five (95%) percent occupied for any calendar year during the term of this Lease, Operating Costs that vary with occupancy shall be adjusted to the amount which would have been incurred if the Project had been at least ninety-five (95%) percent occupied for the year. "**Tax basis** accounting" is defined to mean accounting in accordance with the Internal Revenue Code and related rules, regulations, rulings, and applicable case law applied by Landlord on a consistent basis in reporting income and expense, including the capitalization of costs and related depreciation, to the Internal Revenue Service.

Notwithstanding the foregoing, Operating Costs shall not include the following:

(1) Depreciation and amortization, except as provided for above.

(2) Costs of capital improvements except as provided for above.

(3) Costs to acquire or install sculpture, paintings or other objects of art.

(4) Costs incurred in connection with upgrading the Building or Project to comply with disability, life, fire, safety codes, ordinances, statutes, or other laws or Legal Requirements in effect on or prior to the Commencement Date including, without limitation, the ADA, and penalties or damages incurred due to such non-compliance.

(5) Advertising and promotional expenses.

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(6) Real estate broker's or other leasing commissions, attorneys' fees, architects' fees and other costs incurred in connection with negotiations or disputes with tenants or prospective tenants of the Building or Project, other than disputes as to the common areas.

(7) Costs incurred in renovating or otherwise improving or decorating or redecorating space for tenants or other occupants in the Project or vacant space in the Project.

(8) Repairs or other work occasioned by fire, windstorm, or other casualty and public liability claims, to the extent such are covered by insurance proceeds, the cost of which is included in Operating Costs, and costs incurred by Landlord in connection with or made necessary by the actual or threatened exercise by governmental authorities (or other entities with power of eminent domain) of the power of eminent domain.

(9) Costs, other than Operating Costs, specially billed to Tenant or any other specific tenants, such as (but not limited to) janitor service, or electrical usage or other services or benefits provided to certain tenants but not to tenants of the Project generally.

(10) Costs incurred to remedy or monitor any Hazardous Materials condition except if caused by Tenant.

(11) Interest or penalties or other costs resulting from (a) late payment of any operating expense by Landlord (unless Landlord in good faith disputes a charge and subsequently loses or settles that dispute); or (b) any amount payable by Landlord to any tenant resulting from Landlord's default in its obligations to that tenant.

(12) Costs incurred in installing, operating and maintaining any commercial concession or specialty service that is not necessary for Landlord's provision, management, maintenance and repair of the Project. The following are examples of these specialty services: observatory; broadcasting facilities (other than the life-support and security system for the Project); luncheon club, cafeteria, or other dining facility; newsstand; flower services; shoeshine service; carwash; and athletic or recreational club.

(13) Any compensation paid to clerks, attendants, or other persons in commercial concessions in the Project that are operated by Landlord.

(14) Debt service, interest, payment of principal on mortgages or other financing costs or expenses.

(15) Rental payments to any ground lessor.

(16) Expenses incurred in enforcing obligations of other tenants of the Building or Project;

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Tenant ( )
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(17) Salaries and other compensation of executive officers of the managing agent of the Building or Project above the grade of senior Project manager;

(18) Costs of any service provided to any one tenant of the Project but not to tenants of the Project generally;

(19) Fines or penalties due to violations by Landlord of Legal Requirements.

(20) Costs, fees and compensation paid to Landlord, or to Landlord's subsidiaries or affiliates, for services to the Building or Project (including but not limited to management services) in excess of the cost for the same scope of services using union labor and rendered by an unaffiliated third party of comparable skill, competence, stature and reputation for a Class A office Project of similar size.

(21) Landlord's general corporate or partnership overhead and general administrative expenses.

(22) Fees or dues for trade associations.

(23) Entertainment, dining or travel expenses for any purpose.

(24) Rentals for equipment ordinarily considered to be of a capital nature (such as elevators and HVAC systems).

(25) All additions to Building or Project reserves including bad debts and rent loss reserves.

(26) The cost of repairing any latent defects in the original construction of the Building or Project.

(27) The cost of any political or charitable donations;

(28) Repair costs resulting from the negligence of Landlord or others.

(29) Costs incurred in connection with making any additions to, or building additional stories on, the Buildings in the Project or their plazas, or adding buildings or other structures to the Project.

(30) Landlord's gross receipts taxes for the Building or Project, personal and corporate income taxes, inheritance and estate taxes, franchise, gift and transfer taxes, and any real estate taxes payable or assessed for any period outside the term of the Lease.

(31) Special assessments or special taxes initiated as a means of financing improvements to the Building or Project and the surrounding areas thereof.

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Tenant ( )
Landlord ( )

(32) Any annual increase in Controllable Operating Costs (as defined below) over the base year in excess of four percent (4%), on a cumulative basis, over the cost of such Controllable Operating Costs for the prior year. “Controllable Operating Costs” include only the following costs: Cost incurred in property management fees, security and landscaping.

5.2 Tenant’s Share. If Operating Costs during any calendar year following the Base Year exceed the rentable square footage of the Complex multiplied by **$11.80** (the “Expense Stop”), Tenant shall pay to Landlord a sum which is equal to “Tenant’s Share” of such excess (“Operating Cost Payment”). “Tenant’s Share” means **7.35%**, which is calculated by dividing the rentable square footage of the Premises by the rentable square footage of the Complex as such rentable square footages are set forth in Paragraph 1, and multiplying such number by 100.

5.3 Notice and Payment. Landlord shall, at or as soon as practicable after the start of each calendar year subsequent to the Base Year (but no later than April 30th), provide Tenant with a Statement (the “Statement”) of the amount of the Operating Cost Payment for the preceding calendar year, and the amount of any payment due from Tenant to Landlord or from Landlord to Tenant, taking into account any payments made by Tenant for such preceding calendar year Operating Cost Payment. In addition, Statement shall include an amount which Landlord estimates will be Tenant’s Operating Cost Payment for the current calendar year, and one-twelfth (1/12th) of the amount thereof shall be added to the monthly Base Rent payments required to be made by Tenant in such year. If the amounts Tenant has paid during the year towards the current year’s Operating Cost Payment is less than or exceeds the amount required using said one-twelfth (1/12th) addition to Base Rent starting with the first month of the calendar year covered by such statement, then within thirty (30) days after receipt of the Statement, Tenant shall pay in cash any sums owed Landlord or, if applicable, Tenant shall receive a credit against any rent next accruing for any sum owed Tenant.

In no event will Tenant be entitled to receive the benefit of a reduction in Operating Costs below the Expense Stop costs.

For any partial calendar year at the termination of this Lease, Tenant’s Share of any increases in Operating Costs for such year over the Expense Stop shall be prorated on the basis of a 365-day year by computing Tenant’s Share of the increases in Operating Costs for the entire year and then prorating such amount for the number of days this Lease was in effect during such year. Notwithstanding the expiration or termination of this Lease, and within thirty (30) days after Tenant’s receipt of Landlord’s statement regarding the determination of increases in Operating Costs for the calendar year in which this Lease expires or terminates, Tenant shall pay to Landlord or Landlord shall pay to Tenant, as the case may be, an amount equal to the difference between Tenant’s Share of the increases in Operating Costs for such year (as prorated) and the amount previously paid by Tenant toward such increases. This provision shall survive the expiration or sooner termination of this Lease provided that Landlord shall have no right to collect any deficiency in Tenant’s Operating Cost Payment more than three hundred sixty-five (365) days following the expiration or sooner termination of this Lease.

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Tenant ( )
Landlord ( )

5.4 Additional Taxes. Tenant shall pay as a component of Operating Costs, Tenant's Share of any and all taxes payable by Landlord, whether or not now customary or within the contemplation of the parties hereto (i) upon, allocable to or measured by the area of the Building, (ii) upon all or any portion of the Rent payable hereunder and under other leases of space in the Building, including any gross receipts tax or excise tax levied with respect to the receipt of such Rent, or (iii) upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of the Building or an portion thereof; provided that such taxes are applicable to the term of this Lease and not otherwise excluded from Operating Costs.

5.5 Tenant's Right to Audit. The annual Statement of Operating Costs for the preceding year shall be provided by Landlord on or before April 30th of each calendar year after the Base Year of the Lease term. Within ninety (90) days after receipt of the Statement, Tenant shall be entitled, upon ten (10) days prior written notice ("Inspection Notice") and during normal business hours, at Landlord's office or such other place as Landlord shall reasonably designate, to inspect and examine those books and records of Landlord relating to the determination of Operating Costs for only the immediately preceding calendar year. Any third party engaged by Tenant to inspect or examine the books and records shall be a certified public accountant from a nationally or regionally recognized accounting firm and such accountant shall not be compensated on a contingency fee or similar basis. Should Tenant elect to inspect such records, Tenant's inspection shall be completed and the results thereof submitted to Landlord no later than two (2) months after Tenant's notification to Landlord of its intent to inspect Landlord's books and records. Tenant shall be deemed to have waived its right to inspect Landlord's books and records if Tenant fails to timely deliver the Inspection Notice, or fails to timely complete the inspection (unless Landlord was the cause of the delay). If, after inspection and examination of such books and records, Tenant disputes the amounts of Operating Costs charged by Landlord, Tenant may, by written notice to Landlord, request an independent audit of such books and records. The independent audit of the books and records shall be conducted by a certified public accountant ("CPA") acceptable to both Landlord and Tenant. If, within thirty (30) days after Landlord's receipt of Tenant's notice requesting an audit, Landlord and Tenant are unable to agree on the CPA to conduct such audit, then Landlord may designate a nationally recognized accounting firm not then employed by Landlord or Tenant to conduct such audit. The audit shall be limited to the determination of the amount of Operating Costs for the subject calendar year. If the audit discloses that the amount of Operating Costs billed to Tenant was incorrect, the appropriate party shall pay to the other party the deficiency or overpayment, as applicable. All costs and expenses of the audit shall be paid by Tenant unless the audit shows that Landlord overstated Operating Costs for the subject calendar year by more than five percent (5%), in which case Landlord shall pay all costs and expenses of the audit (not to exceed $10,000.00). Tenant and Tenant's representatives shall keep any information gained from such audit confidential and shall not disclose it to any other party. The exercise by Tenant of its audit rights hereunder shall not relieve Tenant of its obligation to timely pay all sums due hereunder, including, without limitation, the disputed Operating Costs.

6. USE

6.1 Use. The Premises shall be used and occupied by Tenant for general and executive office purposes and for no other purpose without the prior written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed.

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Tenant ( )
Landlord ( )

6.2 Suitability. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or the Building or with respect to the suitability of either for the conduct of Tenant's business, nor has Landlord agreed to undertake any modification, alteration or improvement to the Premises except as provided in the Work Letter. Except with respect to the latent defects in the Suite Improvements (as defined in Exhibit B), the taking of possession of the Premises by Tenant shall conclusively establish that the Premises and the Building were at such time in satisfactory condition unless within ten (10) days after such date Tenant shall give Landlord written notice specifying in reasonable detail the respects in which the Premises or the Building were not in satisfactory condition.

6.3 Access. Tenant shall have access to the Premises and the parking granted hereunder twenty-four (24) hours a day, seven (7) days a week.

6.4 Uses Prohibited.

(a) Tenant shall not do nor permit anything to be done in or about the Premises nor bring or keep anything therein which will in any way increase the existing rate or affect any fire or other insurance upon the Building or any of its contents, or cause a cancellation of any insurance policy covering said Building or any part thereof or any of its contents, nor shall Tenant sell or permit to be kept, used or sold in or about said Premises any articles which may be prohibited by a standard form policy of fire insurance.

(b) Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building, or injure or annoy them, or use or allow the Premises to be used for any unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises. Tenant shall not bring onto the Premises any apparatus, equipment or supplies that may overload the Premises or the Building or any utility or elevator systems or jeopardize the structural integrity of the Building or any part thereof.

(c) Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with, and at its sole cost and expense shall promptly comply with, any Legal Requirement now in force or which may hereafter be enacted or promulgated relating to the condition, use or occupancy of the Premises, excluding structural changes not relating to or affecting the condition, use or occupancy of the Premises or Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any Legal Requirement, shall be conclusive of the fact as between Landlord and Tenant.

7. SERVICE AND UTILITIES

7.1 Landlord's Obligations. Provided Tenant is not in default hereunder, Landlord shall furnish to the Premises during reasonable hours of generally recognized business days, to be determined by Landlord, and subject to the rules and regulations of the Building, water, gas and electricity suitable for the intended use of the Premises, heat and air conditioning required in Landlord's reasonable

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Landlord ( )

judgment for the comfortable use and occupancy of the Premises, scavenger, janitorial services as described in Exhibit E attached hereto, window washing service and elevator service customary in similar Class A office buildings in the competing geographical areas. Landlord shall also maintain and keep lighted the common lobbies, hallways, stairs and toilet rooms in the Building.

(a) Landlord's current hours of operation in Bishop Ranch (hereinafter "Hours of Operation") are 7 a.m. to 7 p.m., Monday through Friday, excepting holidays (New Year's Day, President's Day, Memorial Day, July 4th (Independence Day), Labor Day, Thanksgiving, and Christmas Day). In the event the holiday falls on a weekend, the business day closest to the holiday will be considered to be the holiday. The building and its services are available to Tenant 24 hours a day, seven (7) days a week, 365 days a year. The after hours rate for air conditioning and heating service after Landlord's Hours of Operation is currently $75.00 per hour, per floor. This rate is subject to adjustment based upon the decrease or increase in utilities as charged by Landlord's utility provider.

7.2 Tenant's Obligation. Tenant shall pay for, prior to delinquency, all telephone and all other materials and services, not expressly required to be paid by Landlord, which may be furnished to or used in, on or about the Premises during the term of this Lease.

7.3 Tenant's Additional Requirements

(a) Tenant shall pay for heat and air-conditioning furnished at Tenant's request during non-business hours and/or on non-business days on an hourly basis at a reasonable rate established by Landlord. Tenant shall not use in excess of reasonable amounts for a like tenant of the Project (as reasonably determined by Landlord) ("Building Standard Amounts") of electricity, water or any other utility without Landlord's prior written consent, which consent Landlord may refuse. If Landlord reasonably determines that Tenant is using water, electricity, or other utilities (excluding those used in server rooms or data centers) in excess of "Building Standard Amounts", th Landlord may cause a water meter or electric current meter to be installed in the Premises so as to measure the amount of water and electric current consumed for any such excess use. The cost of such meters and of installation, maintenance and repair thereof shall be paid by Tenant and Tenant agrees to pay Landlord promptly upon demand by Landlord for all such water and electric current consumed as shown by said meters, at the rates charged for such services by the city in which the Building is located or by the local public utility furnishing the same, plus any additional expense incurred in keeping account of the water and electric current so consumed. If a separate meter is not installed to measure any such excess use, Landlord shall have the right to reasonably estimate the amount of such use through qualified personnel. In addition, Landlord may impose a reasonable charge for the use of any additional or unusual janitorial services required by Tenant because of any Suite Improvements different from or above Building Standard Amounts, carelessness of Tenant or the nature of Tenant's business (including hours of operation). Notwithstanding the foregoing, any equipment that runs twenty-four (24) hours per day, seven (7) days per week or HVAC units that are installed in Tenant's server room or for Tenant's special equipment shall be sub-metered.

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Tenant ( )
Landlord ( )

(b) If any lights other than those designated as Building Standard Materials on Exhibit B are used in the Premises which increase the cost of sustaining the temperature otherwise maintained by the air conditioning system, Landlord may install supplementary air conditioning units in the Premises and the cost thereof, including the cost of installation, operation and maintenance thereof, shall be paid by Tenant to Landlord upon demand by Landlord. In addition, if any lights other than those designated as Building Standard Materials on Exhibit B are used in the Premises, Tenant shall pay the cost to replace any worn or dead bulbs or tubes.

(c) In no event shall Tenant (i) connect any apparatus, machine or device through electrical outlets except in the manner for which such outlets are designed and without the use of any device intended to increase the plug capacity of any electrical outlet or (ii) maintain at any time an electrical demand load in excess of four (4) watts per square foot of usable area of the Premises.

7.4 Nonliability. Except for Landlord's gross negligence or willful misconduct, Landlord shall not be liable for, and Tenant shall not be entitled to any abatement or reduction of Rent, by reason of Landlord's failure to furnish any of the foregoing when due to "Force Majeure Events" (as defined in Paragraph 25.9). If failure to furnish the foregoing is within Landlord's reasonable control and Tenant is unable to occupy all or any portion of the Premises due to such failure, Tenant shall be entitled to an abatement of Base Rent commencing with the fifth (5th) consecutive day of such failure or the fifth (5th) day of such failure in any thirty (30) day period, unless prior thereto Landlord commences to cure such failure and thereafter diligently proceeds with such cure not to exceed sixty (60) days. Any failure to furnish any of the foregoing shall not constitute an eviction of Tenant, constructive or otherwise and, notwithstanding any law to the contrary that may now or hereafter exist, Tenant shall not be entitled to terminate this Lease on account of such failure. Landlord shall not be liable under any circumstances for consequential damages, however occurring, through or in connection with failure to furnish any of the foregoing.

8. MAINTENANCE AND REPAIRS; ALTERATIONS AND ADDITIONS

8.1 Maintenance and Repairs

(a) Landlord's Obligations. Landlord shall maintain in good order, condition and repair the structural and common areas of the Building, and the basic heating, ventilating, air conditioning, electrical, plumbing, fire protection, life safety, security and mechanical systems of the Building (the "Building Systems"), and shall cause the common areas of the Building to comply with all Legal Requirements (including, without limitation, the ADA), provided that any maintenance and repair caused by the acts or omissions of Tenant or Tenant's agents, employees, invitees, visitors (collectively "Tenant's Representatives") shall be paid for by Tenant. Notwithstanding any law to the contrary that may now or hereafter exist, Tenant shall not have the right to make repairs at Landlord's expense or to terminate this Lease because of Landlord's failure to keep the foregoing in good order, condition and repair, nor shall Landlord be liable under any circumstances for any consequential damages or loss of business, however occurring, through or in connection with any such failure.

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Tenant ( )
Landlord ( )

(b) Tenant's Obligations

(1) Tenant, at Tenant's sole cost and expense, except for services furnished by Landlord pursuant to Paragraph 7 hereof, shall maintain the Premises in good order, condition and repair including the interior surfaces of the ceilings, walls and floors, all doors, interior windows, and all plumbing pipes, electrical wiring, switches, fixtures, lights which are not those designated as Building Standard Materials on Exhibit B, and equipment installed for the use of the Premises, and shall cause the Premises to comply with all Legal Requirements (including, without limitation, the ADA) which become effective after the Commencement Date. Notwithstanding any law to the contrary that may now or hereafter exist, Tenant shall not have the right to terminate this Lease because of Landlord's failure to keep the Premises in good order, condition and repair.

(2) In the event Tenant fails to maintain the Premises in good order, condition and repair, Landlord shall give Tenant notice to do such acts as are reasonably required to so maintain the Premises. In the event Tenant fails to promptly commence such work and diligently prosecute it to completion and after the notice and cure periods set out in Paragraph 18.1(e), Landlord shall have the right to do such acts and expend such funds at the expense of Tenant as are reasonably required to perform such work. Any amount so expended by Landlord shall be paid by Tenant promptly after demand with interest from the date expended by Landlord until paid by Tenant at the "Default Rate," as defined below. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Premises by Tenant as a result of performing any such work. As used in this Lease, "Default Rate" shall mean the lesser of twelve percent per annum (12%) or the maximum rate permitted by law.

(c) Compliance with Law. Landlord and Tenant shall each do all acts required to comply with all applicable Legal Requirements relating to their respective maintenance and repair obligations as set forth herein.

8.2 Alterations and Additions

(a) Tenant shall make no alterations, additions or improvements to the Premises or any part thereof without obtaining the prior written consent of Landlord which shall not be unreasonably withheld, conditioned or delayed.

(b) Landlord may impose as a condition to the aforesaid consent such requirements as Landlord may deem necessary in its reasonable discretion, including without limitation thereto, performing the work itself, specifying the manner in which the work is done, and selecting the contractor by whom the work is to be performed and the times during which it is to be accomplished. Tenant shall pay to Landlord upon demand an amount equal to the reasonable costs and expenses for time spent by Landlord's employees or contractors in supervising, approving and administering such alterations.

(c) All such alterations, additions or improvements, all other Above-Standard Improvements (as defined in Paragraph 25.19), and all work performed under the Work Letter shall be the property of Landlord and shall remain upon and be surrendered with the Premises, unless Landlord upon Landlord's consent to the installation of same, Landlord provides written notice to Tenant that Tenant shall remove all or any part of same.

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Tenant ( )
Landlord ( )

(d) All articles of personal property and all business and trade fixtures, machinery and equipment, cabinetwork, furniture and movable partitions owned by Tenant or installed by Tenant at its expense in the Premises shall be and remain the property of Tenant and may be removed by Tenant at any time during the Lease term when Tenant is not in default hereunder.

9. ENTRY BY LANDLORD

Landlord and Landlord's agents shall upon twenty-four (24) hours notice (except in the case of an emergency, in which case, as soon as practicable) have the right to enter the Premises to inspect the same, to supply janitorial service and any other service to be provided by Landlord to Tenant hereunder, to show the Premises to prospective purchasers and, as permitted under this Lease, to alter, improve or repair the Premises and any portion of the Building (and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, always providing the entrance to the Premises shall not be blocked thereby). Upon twenty-four (24) hours prior notice during the last six (6) months of the Lease term, Landlord or Landlord's agents may access the Premises to show it to prospective tenants and post "for lease" signs. Landlord shall conduct its activities under this Paragraph 9 in a manner that will minimize inconvenience to Tenant without incurring additional expense to Landlord. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults and safes, and Landlord and Landlord's agents shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency, in order to obtain entry to the Premises, and any entry to the Premises obtained by Landlord or Landlord's agents by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion thereof. Tenant shall not be released from its obligations under this Lease nor be entitled to any abatement of Rent on account of Landlord's entry under this Paragraph, and Tenant hereby waives any minor inconvenience occasioned thereby. Upon any entry on the Premises by Landlord or Landlord's agents, such entrants shall comply with Tenant's reasonable security requirements provided to Landlord in writing from time to time, and Tenant shall be permitted to have a representative present at all times.

10. LIENS

Tenant shall keep the Premises and the Building free from any liens arising out of work performed, materials furnished, or obligations incurred by Tenant and shall indemnify, hold harmless and defend Landlord from any liens and encumbrances arising out of any work performed, materials furnished or obligations incurred by or at the direction of Tenant. In the event that Tenant shall not, within twenty (20) days following the imposition of any such lien, cause such lien to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but no obligation, to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All such sums paid by Landlord and all expenses incurred by it in connection therewith, including attorneys' fees and costs, shall be payable to Landlord by Tenant on demand with interest at the Default Rate until paid. Landlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law, or which Landlord shall deem proper, for the protection of Landlord and the Premises, and any other party having an interest therein, from mechanics' and materialmen's liens, and Tenant shall give to Landlord at least three (3) business days prior written notice of the expected date of commencement of any work relating to alterations or additions to the Premises.

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Tenant ( )
Landlord ( )

11. INDEMNITY

11.1 Indemnity.

(a) Subject to Paragraph 12.4, Tenant shall protect, indemnify, defend and hold Landlord, its partners, members, officers, shareholders, directors, employees, agents and property managers harmless from and against any and all losses, damages, costs, claims, attorneys' fees, expenses, liability, fines, and penalties arising from (i) any default or breach by Tenant in the observance or performance of any of the terms, covenants or conditions of this Lease by Tenant or (ii) any gross negligence or willful misconduct of Tenant or Tenant Representative in, on, or about the Premises, or any part of the Project, either during or prior to occupancy or during the term of this Lease. Notwithstanding the foregoing, in no event shall Tenant be liable for indirect or consequential damages of Landlord (including lost profits) however occurring.

(b) Subject to Paragraph 12.4, Landlord shall protect, indemnify, defend and hold Tenant, its partners, members, officers, shareholders, directors and employees harmless from and against any and all losses, damages, costs, claims, attorneys' fees, expenses, liability, fines, and penalties arising from (i) any default or breach by Landlord in the observance or performance of any of the terms, covenants or conditions of this Lease by Landlord or (ii) any gross negligence or willful misconduct of Landlord or Landlord Representative in, on, or about the Premises, or any part of the Project, either during or prior to occupancy or during the term of this Lease. Notwithstanding the foregoing, in no event shall Landlord be liable for indirect or consequential damages of Tenant (including lost profits) however occurring.

11.2 Exemption of Landlord from Liability. Except in the event of Landlord's gross negligence or willful misconduct, Landlord shall not be liable for injury or damage which may be sustained by the person or property of Tenant, its employees, invitees or customers, or any other person in or about the Premises caused by or resulting from fire, steam, electricity, gas, water or rain, which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning, telephone cabling or wiring, or lighting fixtures of the same, whether the damage or injury results from conditions arising upon the Premises or upon other portions of the Building of which the Premises are a part, or from other sources. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant of the Building, nor shall Landlord be liable for consequential damages however occurring.

12. INSURANCE

12.1 Coverage. Tenant shall, at all times during the term of this Lease, and at its own cost and expense, procure and continue in force the following insurance coverage:

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Tenant ( )
Landlord ( )

(a) Commercial General Liability Insurance with a combined single limit for personal or bodily injury and property damage of not less than **$3,000,000** or such other level of coverage that Landlord may require in its reasonable judgment.

(b) Fire and Extended Coverage Insurance, including vandalism and malicious mischief coverage, covering and in an amount equal to the full replacement value of all fixtures, furniture and improvements installed in the Premises by or at the expense of Tenant.

12.2 Insurance Policies. The aforementioned minimum limits of policies shall in no event limit the liability of Tenant hereunder. The aforesaid insurance shall name Landlord and its partners, property manager, and mortgagees as an additional insured. Said insurance shall be with companies having a rating of not less than A-, XI in "Best's Insurance Guide". Tenant shall furnish from the insurance companies or cause the insurance companies to furnish certificates of coverage. No such policy shall be cancelable or subject to reduction of coverage or other modification or cancellation except after thirty (30) days prior written notice to Landlord by the insurer. All such policies shall be written as primary policies, not contributing with and not in excess of the coverage which Landlord may carry. Tenant shall, at least twenty (20) days prior to the expiration of such policies, furnish Landlord with evidence of renewals or binders. Tenant agrees that if Tenant does not take out and maintain such insurance, Landlord may (but shall not be required to) procure said insurance on Tenant's behalf and charge Tenant the premiums together with a reasonable handling charge and Default Interest from the date paid by Landlord, payable upon demand. Tenant shall have the right to provide such insurance coverage pursuant to blanket policies obtained by Tenant, provided such blanket policies expressly afford coverage to the Premises and to Tenant as required by this Lease.

12.3 Landlord's Insurance. During the term of this Lease Landlord shall maintain in effect insurance on the Building against fire, extended coverage perils and vandalism and malicious mischief (to the extent such coverages are available), with responsible insurers licensed to do business in California, insuring the Building in an amount equal to at least ninety-five percent (95%) of the replacement cost thereof, excluding foundations, footings and underground installations. Landlord may, but shall not be obligated to, carry additional commercially reasonable insurance against additional perils and/or in greater amounts.

12.4 Waiver of Subrogation. Tenant and Landlord hereby waive and release any and all right of recovery, whether arising in contract or tort, against the other, including employees and agents, arising during the term of this Lease for any and all loss or damage to any property located within or constituting a part of the Building or Complex, which loss or damage arises from the perils that could be insured against under the ISO Causes of Loss-Special Form Coverage including any deductible thereunder (whether or not the party suffering the loss or damage actually carries such insurance, recovers under such insurance or self insures the loss or damage) or which right of recovery arises from loss of earnings or rents resulting from loss or damage caused by such a peril. This mutual waiver is in addition to any other waiver or release contained in this Lease. Landlord and Tenant shall each have their insurance policies issued in such form as to waive any right of subrogation which might otherwise exist.

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Tenant ( )
Landlord ( )

13. DAMAGE OR DESTRUCTION.

13.1 Landlord's Duty to Repair. If all or a substantial part of the Premises are rendered untenantable or inaccessible by damage to all or any part of the Project from fire or other casualty then, unless either party elects to terminate this Lease pursuant to Paragraphs 13.2 or 13.3, Landlord shall, at its expense, use its commercially reasonable efforts to repair and restore the Premises and/or access thereto, as the case may be, to substantially their former condition to the extent permitted by the then applicable codes, laws and regulations; provided, however, that Tenant rather than Landlord shall be obligated at Tenant's expense to repair or replace Tenant's personal property, trade fixtures and any items or improvements that are required to be covered by Tenant's insurance under Paragraph 12.1(b).

If Landlord is required or elects to repair damage to the Premises and/or access thereto, this Lease shall continue in effect but Tenant's Base Rent and Operating Cost Payments from the date of the casualty through the date of substantial completion of the repair shall be abated by a proportionate amount based on the portion of the Premises that Tenant is prevented from using by reason of such damage or its repair; provided, however, that if the casualty is the result of the willful misconduct or negligence of Tenant or Tenant's Representatives, there will be no such rental abatement. In no event shall Landlord be liable to Tenant by reason of any injury to or interference with Tenant's business or property arising from fire or other casualty or by reason of any repairs to any part of the Project made necessary by such casualty.

13.2 Landlord's Right to Terminate. In the event of a casualty to the Project, Landlord may elect to terminate this Lease, effective as of the last day of the calendar month in which such election is made, under the following circumstances:

(a) Where, in the reasonable judgment of Landlord, the damage cannot be substantially repaired and restored under applicable laws and governmental regulations within one (1) year after the date of the casualty;

(b) Where, in the reasonable judgment of Landlord, adequate proceeds are not, for any reason, made available to Landlord from Landlord's insurance policies to make the required repairs;

(c) Where the Project is damaged or destroyed to the extent that the cost to repair and restore the Project exceeds twenty-five percent (25%) of the full replacement cost of the Project, whether or not the Premises are damaged or destroyed; or

(d) Where the damage occurs within the last twelve (12) months of the term of the Lease.

If any of the circumstances described in this Paragraph 13.2 arise, Landlord must notify Tenant in writing of that fact within ninety (90) days of the date of the casualty and in such notice Landlord must also advise Tenant whether Landlord has elected to terminate the Lease.

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Tenant ( )
Landlord ( )

13.3 Tenant's Right to Terminate. Tenant shall have the right to terminate this Lease if all or a substantial part of the Premises are rendered untenantable or inaccessible by damage to all or any part of the Project from fire or other casualty, provided that such casualty is not the result of the willful misconduct or negligence of Tenant or Tenant's Representatives, but only under the following circumstances:

(a) Tenant may elect to terminate this Lease if Landlord had the right under Paragraph 13.2 to terminate this Lease but did not elect to so terminate and Landlord failed to commence the required repair within ninety (90) days after the date it received proceeds to commence such repair. In such event, Tenant may terminate this Lease as of the date of the casualty by notice to Landlord given before the earlier of the date on which Landlord commences such repair or ten (10) days after the expiration of such ninety (90)-day period; or

(b) Tenant may elect to terminate this Lease in the circumstance described in Subparagraph 13.2(a). In such event, Tenant may terminate this Lease as of the date of the casualty by notice to Landlord given within thirty (30) days after Landlord's notice to Tenant pursuant to Paragraph 13.2.

13.4 Exclusive Rights. Landlord and Tenant each hereby agree that, notwithstanding any law to the contrary that may now or hereafter exist, neither party shall have any right to terminate this Lease in the event of any damage or destruction under any circumstances other than as provided in Paragraphs 13.2 and 13.3.

14. CONDEMNATION

If all or a material portion of the Premises shall be taken or appropriated for public or quasi-public use by right of eminent domain with or without litigation or transferred by agreement in connection with such public or quasi-public use, either party hereto shall have the right at its option, exercisable within thirty (30) days of receipt of notice of such taking, to terminate this Lease as of the date possession is taken by the condemning authority, provided, however, that before Tenant may terminate this Lease by reason of taking or appropriation as provided hereinabove, such taking or appropriation shall be of such an extent and nature as to substantially handicap, impede or impair Tenant's use of the Premises. If any part of the Building other than the Premises shall be so taken or appropriated, Landlord shall have the right at its option to terminate this Lease. No award for any partial or entire taking shall be apportioned, and Tenant hereby assigns to Landlord any award which may be made in such taking or condemnation, together with any and all rights of Tenant now or hereafter arising in or to the same or any part thereof; provided, however, that nothing contained herein shall be deemed to give Landlord any interest in or to require Tenant to assign to Landlord any award made to Tenant for the taking of personal property and fixtures belonging to Tenant and/or for Tenant's unamortized cost of leasehold improvements, so long as such award to Tenant does not decrease the value of the award that would otherwise be made to Landlord in such taking or condemnation. In the event of a partial taking which does not result in a termination of this Lease, rent shall be abated in the proportion which the part of Premises so made unusable bears to the rented area of the Premises immediately prior to the taking, and Landlord, at Landlord's cost, shall restore the Premises remaining to an architectural whole with the Base Rent reduced in proportion to what the area taken bears to the Premises prior to the taking. No temporary

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taking of the Premises and/or of Tenant's rights therein or under this Lease shall give Tenant the right to terminate this Lease or to any abatement of Rent thereunder. Any award made to Tenant by reason of any such temporary taking where Landlord does not terminate this Lease shall belong entirely to Tenant so long as said award does not diminish Landlord's award.

15. ASSIGNMENT AND SUBLETTING

15.1 Landlord's Consent Required. Except as provided in Paragraph 15.10, Tenant shall not assign, transfer, mortgage, pledge, hypothecate or encumber this Lease or any interest therein (each a "Transfer"), and shall not sublet the Premises or any part thereof, without the prior written consent of Landlord and any attempt to do so without such consent being first had and obtained shall be wholly void and shall constitute a breach of this Lease.

15.2 Reasonable Consent.

(a) If Tenant complies with the following conditions, Landlord shall not unreasonably withhold its consent to the subletting of the Premises or any portion thereof or the assignment of this Lease. Tenant shall submit in writing to Landlord (i) the name and legal composition of the proposed subtenant or assignee; (ii) the nature of the business proposed to be carried on in the Premises; (iii) the terms and provisions of the proposed sublease; (iv) such reasonable financial information as Landlord may request concerning the proposed subtenant or assignee; and (v) the form of the proposed sublease or assignment. Within ten (10) business days after Landlord receives all such information it shall notify Tenant whether it approves such assignment or subletting or if it elects to proceed under Paragraph 15.8 below.

(b) The parties hereto agree and acknowledge that, among other circumstances for which Landlord could reasonably withhold its consent to a sublease or assignment, it shall be reasonable for Landlord to withhold its consent where (i) the assignee or subtenant (a "Transferee") does not itself occupy the entire portion of the Premises assigned or sublet, (ii) Landlord reasonably disapproves of the Transferee's reputation or the character of the business to be conducted by the Transferee at the Premises, (iii) the Transferee's business entails the operation of a call center, or (iv) the assignment or subletting would materially increase the burden on the Building services or the number of people occupying the Premises.

15.3 Excess Consideration. If Landlord consents to the assignment or sublease, Landlord shall be entitled to receive as additional Rent hereunder fifty percent (50%) of any consideration paid by the Transferee for the assignment or sublease and, in the case of a sublease, fifty percent (50%) of the excess of the rent and other consideration payable by the subtenant over the amount of Base Rent and Operating Cost Payments payable hereunder applicable to the subleased space.

15.4 No Release of Tenant. No consent by Landlord to any assignment or subletting by Tenant shall relieve Tenant of any obligation to be performed by Tenant under this Lease, whether occurring before or after such consent, assignment or subletting, and the Transferee shall be jointly and severally liable with Tenant for the payment of Rent (or that portion applicable to the subleased space in the case of a sublease) and for the performance of all other terms and provisions of the Lease. The consent by

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Landlord ( )

Landlord to any assignment or subletting shall not relieve Tenant and any such Transferee from the obligation to obtain Landlord's express written consent to any subsequent assignment or subletting. The acceptance of rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any assignment, subletting or other transfer. Consent to one assignment, subletting or other transfer shall not be deemed to constitute consent to any subsequent assignment, subletting or other transfer.

15.5 Attorneys' Fees. Tenant shall pay Landlord's reasonable attorneys' fees incurred in connection with reviewing any proposed assignment or sublease (not to exceed $3,000.00).

15.6 Transfer of Ownership Interest. Intentionally Deleted

15.7 Effectiveness of Transfer. No permitted assignment by Tenant shall be effective until Landlord has received a counterpart of the assignment and an instrument in which the assignee assumes all of Tenant's obligations under this Lease arising on or after the date of assignment. The voluntary, involuntary or other surrender of this Lease by Tenant, or a mutual cancellation by Landlord and Tenant, shall not work a merger, and any such surrender or cancellation shall, at the option of Landlord, either terminate all or any existing subleases or operate as an assignment to Landlord of any or all of such subleases.

15.8 Landlord's Right to Space. Notwithstanding any of the above provisions of this Paragraph 15 to the contrary, if Tenant notifies Landlord that it desires to assign this Lease or sublet all or any part of the Premises, Landlord, in lieu of consenting to such assignment or sublease, may elect to terminate this Lease (in the case of an assignment or a sublease of the entire Premises), or to terminate this Lease as it relates to the space proposed to be subleased by Tenant (in the case of a sublease of less than the entire Premises). In such event, this Lease (or portion thereof) will terminate on the date the assignment or sublease was to be effective, and Landlord may lease such space to any party, including the prospective Transferee identified by Tenant.

15.9 No Net Profits Leases. Intentionally Deleted

15.10 Permitted Assignment or Sublease. Notwithstanding any provision to the contrary in Paragraph 15, Tenant, so long as Tenant notifies Landlord in writing at least thirty (30) days prior to any such sublease or assignment and so long as Tenant provides Landlord with a fully executed copy of any such sublease or assignment, shall not be required to obtain Landlord's consent to an assignment of the Lease or sublease of the Premises to an entity which controls, is controlled by or is under common control with Tenant or which succeeds to substantially all of Tenant's assets and business by merger, reorganization or purchase. All other such subparagraphs of Paragraph 15 shall apply to this Paragraph 15.10 and shall remain in effect.

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Landlord ( )

16. SUBORDINATION

16.1 Subordination. Tenant agrees that upon execution and delivery of a Subordination and Non-Disturbance Agreement in a form reasonably acceptable to Tenant and executed by any mortgagee or holder of a first deed of trust or ground lessor of the Complex this Lease, at Landlord's option, shall be subject and subordinate to all ground or underlying leases which may hereafter be executed affecting all or any part of the Project, and to the lien of any first mortgages or first deeds of trust (each a "First Mortgage") in any amount or amounts whatsoever now or hereafter placed on or against the Land or Building, Landlord's interest or estate therein, or any ground or underlying lease, without the necessity of the execution and delivery of any further instruments on the part of Tenant to effectuate such subordination. Notwithstanding the foregoing, if any mortgagee or trustee of a First Mortgage or ground lessor shall elect to have this Lease prior to the lien of its First Mortgage or ground lease, and shall give written notice thereof to Tenant, this Lease shall be deemed prior to such First Mortgage or ground lease, whether this Lease is dated prior to or subsequent to the date of said First Mortgage or ground lease or the date of the recording thereof.

16.2 Junior Liens. Tenant hereby agrees that this Lease shall be superior to the lien of any present or future mortgages or deeds of trust that are junior to any First Mortgage.

16.3 Subordination Agreements. Not more than once in any twelve (12) month period during the Lease term, if this Lease is subordinate to a First Mortgage or a ground lease, Tenant will execute and deliver to Landlord within ten (10) days of written demand from Landlord and without charge therefor, such further commercially reasonable instruments evidencing the subordination of this Lease to any First Mortgage or ground lease, or the subordination of any First Mortgage or ground lease to such Lease, pursuant to Paragraph 16.1, as the case may be, as may be required by Landlord.

16.4 Attornment. If this Project is transferred to any purchaser pursuant to or in lieu of proceedings to enforce any mortgage, deed of trust or ground lease (collectively, "Encumbrance"), and this Lease is either prior to such Encumbrance or the mortgagee or trustee of a First Mortgage or ground lessor of the Project elects to have this Lease survive such transfer, Tenant shall attorn to such purchaser and recognize such purchaser as the landlord under this Lease, and this Lease shall continue as a direct lease between such purchaser and Tenant.

17. QUIET ENJOYMENT

Landlord covenants and agrees with Tenant that upon Tenant paying the Rent and performing its other covenants and conditions under this Lease, Tenant shall have the quiet possession of the Premises for the term of this Lease as against any persons or entities lawfully claiming by, through or under Landlord, subject, however, to the terms of this Lease and of any Encumbrance.

18. DEFAULT; REMEDIES

18.1 Default. The occurrence of any of the following shall constitute an "Event of Default" by Tenant:

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Tenant ( )
Landlord ( )

(a) Tenant fails to pay Rent when due and such failure continues for five (5) days after Landlord's written notice that the same is due;

(b) Tenant fails to deliver any subordination agreement requested by Landlord within the period described in Paragraph 16 and such failure continues for five (5) days after Landlord's second written notice that the same is due;

(c) Tenant fails to deliver any estoppel certificate requested by Landlord within the period described in Paragraph 22 and such failure continues for five (5) days after Landlord's second written notice that the same is due;

(d) Tenant Transfers or attempts to Transfer this Lease without complying with the provisions of Paragraph 15;

(e) Tenant fails to observe and perform any other provision of this Lease to be observed or performed by Tenant, where such failure continues for twenty (20) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of the default is such that the same cannot reasonably be cured within said twenty (20) day period, Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion;

(f) Tenant abandons the Premises and fails to pay Rent; or

(g) The making by Tenant of any general assignment or general arrangement for the benefit of creditors; the filing by or against Tenant of a petition seeking relief under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days.

18.2 Remedies. Upon the occurrence of an Event of Default, Landlord may, at any time thereafter exercise the following remedies, which shall be in addition to any other rights or remedies now or hereafter available to Landlord at law or in equity:

(a) Maintain this Lease in full force and effect and recover Rent as it becomes due, without terminating Tenant's right to possession irrespective of whether Tenant shall have abandoned the Premises. In the event Landlord elects not to terminate the Lease, Landlord shall have the right to attempt to relet the Premises at such rent and upon such conditions and for such a term, and to do all acts necessary to maintain or preserve the Premises as Landlord deems reasonable and necessary without being deemed to have elected to terminate the Lease, including removal of all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant. In the event any such reletting occurs, rents received by Landlord from such subletting shall be applied (i) first, to the payment of the costs of maintaining, preserving, altering and preparing the Premises for subletting and other costs of subletting, including but not limited to

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brokers' commissions, attorneys' fees and expenses of removal of Tenant's personal property, trade fixtures, alterations and leasehold improvements; (ii) second, to the payment of Rent then due and payable; (iii) third, to the payment of future Rent as the same may become due and payable hereunder; and (iv) fourth, the balance, if any, shall be paid to Tenant upon (but not before) expiration of the term of this Lease. If the rents received by Landlord from such subletting, after application as provided above, are insufficient in any month to pay the Rent due and payable hereunder for such month, Tenant shall pay such deficiency to Landlord monthly upon demand. Notwithstanding any such subletting for Tenant's account without termination, Landlord may at any time thereafter, by written notice to Tenant, elect to terminate this Lease by virtue of a previous Event of Default.

(b) Terminate Tenant's right to possession of the Premises at any time by written notice to Tenant, in which case Tenant shall immediately surrender possession of the Premises to Landlord. Tenant expressly acknowledges that in the absence of such written notice from Landlord, no other act of Landlord, including, but not limited to, its re-entry into the Premises, its efforts to relet the Premises, its reletting of the Premises for Tenant's account, its storage of Tenant's personal property and trade fixtures, its acceptance of keys to the Premises from Tenant or its exercise of any other rights and remedies under this Paragraph 18.2, shall constitute an acceptance of Tenant's surrender of the Premises or constitute a termination of this Lease or of Tenant's right to possession of the Premises. If Landlord terminates Tenant's right to possession in writing, Landlord shall be entitled to recover from Tenant all damages as provided in California Civil Code Section 1951.2 or any other applicable existing or future law, ordinance or regulation providing for recovery of damages for such breach, including but not limited to the following:

(1) The reasonable cost of recovering the Premises; plus

(2) The reasonable cost of removing Tenant's alterations, trade fixtures and Above-Standard Improvements; plus

(3) All unpaid Rent due or earned hereunder prior to the date of termination, less the proceeds of any reletting or any rental received from subtenants prior to the date of termination applied as provided in subparagraph (a) above, together with interest at the Default Rate, on such sums from the date such Rent is due and payable until the date of the award of damages; plus

(4) The amount by which the Rent which would be payable by Tenant hereunder, including Operating Cost Payments as reasonably estimated by Landlord, from the date of termination until the date of the award of damages exceeds the amount of such rental loss Tenant proves could have been reasonably avoided, together with interest at the Default Rate on such sums from the date such Rent is due and payable until the date of the award of damages; plus

(5) The amount by which the Rent which would be payable by Tenant hereunder, including Operating Cost Payments, as reasonably estimated by Landlord, for the remainder of the then term, after the date of the award of damages exceeds the amount of such rental loss as Tenant proves could have been reasonably avoided, discounted at the discount rate published by the Federal Reserve Bank of San Francisco for member banks at the time of the award plus one percent (1%); plus

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(6) Such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

(c) During the continuance of an Event of Default, Landlord may enter the Premises without terminating this Lease and remove all Tenant's personal property, and trade fixtures from the Premises. If Landlord removes such property from the Premises and stores it at Tenant's risk and expense, and if Tenant fails to pay the cost of such removal and storage after written demand therefor and/or to pay any Rent then due, after the property has been stored for a period of thirty (30) days or more Landlord may sell such property at public or private sale, in the manner and at such times and places as Landlord in its sole discretion deems commercially reasonable following reasonable notice to Tenant of the time and place of such sale. The proceeds of any such sale shall be applied first to the payment of the expenses for removal and storage of the property, preparation for and conducting such sale, and attorneys' fees and other legal expenses incurred by Landlord in connection therewith, and the balance shall be applied as provided in subparagraph (a) above.

Tenant hereby waives all claims for damages that may be caused by Landlord's reentering and taking possession of the Premises or removing and storing Tenant's personal property pursuant to this Paragraph, and Tenant shall hold Landlord harmless from and against any loss, cost or damage resulting from any such act. No reentry by Landlord shall constitute or be construed as a forcible entry by Landlord.

(d) Landlord may cure the Event of Default at Tenant's expense. If Landlord pays any sum or incurs any expense in curing the Event of Default, Tenant shall reimburse Landlord upon demand for the amount of such payment or expense with interest at the Default Rate from the date the sum is paid or the expense is incurred until Landlord is reimbursed by Tenant.

18.3 Late Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges. Accordingly, if any installment of Base Rent or Operating Costs Payments is not received by Landlord or Landlord's designee within five (5) days of the date such amount shall be due, or if any installment of other Rent is not received by Landlord or Landlord's designee on or before the date such amount shall be due, Tenant shall pay to Landlord a late charge equal to ten percent (10%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

18.4 Interest. In addition to the late charges referred to above which are intended to defray Landlord's costs resulting from late payments, any late payment of Rent shall, at Landlord's option, bear interest from the due date of any such payment to the date the same is paid at the Default Rate, provided, however, that if Landlord imposes a late charge on any overdue payment, such overdue payment shall not begin to bear interest under this Paragraph 18.4 until thirty (30) days after the due date thereof.

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18.5 Default by Landlord.

(a) Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant to Landlord and to any mortgagee, trustee or ground lessor of the Project (each a "Holder") provided that the name and address has been furnished to Tenant in accordance with Paragraph 25.14, specifying that Landlord has failed to perform such obligations; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion ("Landlord Default").

(b) In the event of a Landlord Default, Tenant, at its option, without further notice or demand, shall have the right to any one or more of the following remedies in addition to all other rights and remedies provided at law or in equity or elsewhere herein:

(1) to pursue the remedy of specific performance; and

(2) to seek money damages for loss arising from Landlord's failure to discharge its obligations under the Lease.

(c) Nothing in Paragraph 18.5(b) shall relieve Landlord from its obligations hereunder, nor shall Paragraph 18.5(b) be construed to obligate Tenant to perform Landlord's repair obligations. Notwithstanding the foregoing, in the event of an emergency, Tenant may give Landlord such shorter notice as is practicable under the circumstances, and if Landlord fails to make such repairs immediately, Tenant may immediately undertake such repairs and Landlord shall reimburse Tenant for its actual costs within thirty (30) days from receipt of invoices for any such repair.

19. PARKING

Tenant and Tenant's employees, invitees and customers shall have the right to use the parking areas of the Building at a ratio of three (3) spaces per 1,000 square feet of the Premises and subject to such regulations and charges as Landlord shall reasonably adopt from time to time, and subject to the right of Landlord to restrict the use by Tenant and Tenant's Representatives when in the reasonable judgment of Landlord such use is excessive for the parking area in relationship to the reasonable use required by other Tenants. If Landlord becomes obligated under applicable laws or regulations or any other directive of any governmental or quasi-governmental authority to pay or assess fees or charges for parking in the Building's parking area, Tenant shall pay such amounts to Landlord as additional Rent.

20. RELOCATION OF PREMISES Intentionally Deleted

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21. MORTGAGEE PROTECTION.

Tenant agrees to give any Holder, by registered mail, a copy of any notice of default served upon the Landlord, provided that prior to such notice Tenant has been notified in writing (by way of written notice delivered to Tenant in accordance with Paragraph 25.14) of the address of such Holder. If Landlord shall have failed to cure such default within the time period set forth in Paragraph 18.5 the Holder shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be reasonably necessary to cure such default (including the time necessary to foreclose or otherwise terminate its Encumbrance, if necessary to effect such cure), and this Lease shall not be terminated so long as such remedies are being diligently pursued.

22. ESTOPPEL CERTIFICATES.

(a) Upon ten (10) days' written notice from Landlord, Tenant shall execute and deliver to Landlord, in form provided by or satisfactory to Landlord, a commercially reasonable certificate stating that this Lease is in full force and effect, describing any amendments or modifications hereto, acknowledging that this Lease is subordinate or prior, as the case may be, to any Encumbrance and stating any other information Landlord may reasonably request, including the term of this Lease, the monthly Base Rent, the estimated Operating Cost Payments, the date to which Rent has been paid, the amount of any security deposit or prepaid Rent, whether either party hereto is in default under the terms of the Lease, whether Landlord has completed its construction obligations hereunder and any other information reasonably requested by Landlord. Any person or entity purchasing, acquiring an interest in or extending financing with respect to the Project shall be entitled to rely upon any such certificate.

(b) If Landlord desires to finance or refinance the Building, or any part thereof, Tenant hereby agrees to deliver to any lender designated by Landlord such financial statements of Tenant as may be reasonably required by such lender unless Tenant's financial statements are publically available. Such statements shall include the past three years' financial statements of Tenant. All such financial statements shall be received by Landlord and its agents and lenders in confidence and shall be used only for the purposes herein set forth. Notwithstanding anything to the contrary in this Lease, upon ten (10) days' written notice from Tenant, Landlord shall provide to Tenant a commercially reasonable certificate containing reasonably requested factual statements executed by Landlord in favor of Tenant or any party extending credit to Tenant.

23. SURRENDER, HOLDING OVER

23.1 Surrender. Upon the expiration or termination of this Lease, Tenant shall surrender the Premises to Landlord in its condition on the Commencement Date, except for reasonable wear and tear and damage from casualty or condemnation; provided, however, that prior to the expiration or termination of this Lease Tenant shall remove from the Premises all Tenant's personal property, trade fixtures, alterations and other Above-Standard Improvements that Tenant has the right or is required by Landlord to remove under the provisions of this Lease. To the extent installed by Tenant, Tenant shall also be responsible for removal of all telephone cables and wires, CRT, data and telephone equipment, and any other form of cabling in the Premises. If any of such removal is not

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completed at the expiration or termination of this Lease, Landlord may remove the same at Tenant's expense. Any damage to the Premises or the Building caused by such removal shall be repaired promptly by Tenant or, if Tenant fails to do so, Landlord may do so at Tenant's expense, in which event Tenant shall immediately reimburse Landlord for such expenses together with interest at the Default rate until so paid. Tenant's obligations under this Paragraph 23.1 shall survive the expiration or termination of this Lease. Upon expiration or termination of this Lease or of Tenant's possession, Tenant shall surrender all keys to the Premises or any other part of the Building and shall make known to Landlord the combination of locks on all safes, cabinets and vaults that may be located in the Premises.

23.2 Holding Over. If Tenant remains in possession of the Premises after the expiration or termination of this Lease, Tenant's continued possession shall be on the basis of a tenancy at the sufferance of Landlord, and Tenant shall continue to comply with or perform all the terms and obligations of the Tenant under this Lease, except that the Base Rent during Tenant's holding over shall be one hundred fifty percent (150%) of the monthly Base Rent payable in the last month prior to the termination or expiration hereof. Tenant shall indemnify and hold Landlord harmless from and against all claims, liability, damages, costs or expenses, including reasonable attorneys fees and costs of defending the same, incurred by Landlord and arising directly from Tenant's failure to timely surrender the Premises, including Landlord's damages as a result of such prospective tenant rescinding or refusing to enter into the prospective lease of the Premises by reason of such failure to timely surrender the Premises; but in no event shall Tenant be liable for indirect or consequential damages.

24. HAZARDOUS MATERIALS

Tenant shall not (either with or without negligence) cause or permit the escape, disposal or release of Hazardous Materials (as defined below) in violation of any Legal Requirements. Tenant shall not allow the storage or use of such substances or materials in violation of any Legal Requirement the storage and use of such substances or materials, nor allow to be brought into the Project any such materials or substances except to use in the ordinary course of Tenant's business, and then only after written notice is given to Landlord of the identity of such substances or materials. "Hazardous Materials" means any substances, materials or wastes currently or in the future deemed defined in any Legal Requirement as "hazardous substance", "toxic substances", "contaminants", "pollutants" or words of similar import. For the avoidance of doubt, Hazardous Materials shall include those described in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq., any applicable state or local laws and the regulations adopted under these acts. If any lender or governmental agency shall ever notify Tenant that such lender or governmental agency requires testing to ascertain whether or not there has been any release of Hazardous Materials on account of Tenant's use or occupancy of the Premises, then Tenant shall promptly notify Landlord of the same, and the reasonable costs thereof shall be reimbursed by Tenant to Landlord upon demand as additional charges if such requirement applies to the Premises. Landlord shall have the right, but not the obligation, to enter the Premises at any reasonable time to perform any required testing, to confirm Tenant's compliance with the provisions of this Paragraph, and to perform Tenant's obligations under this Paragraph if Tenant has failed to do so. In addition, Tenant shall execute affidavits, representations and the like from time to time (but not more often than once every twelve (12) months) at Landlord's request concerning Tenant's actual knowledge regarding the presence of Hazardous Materials on the Premises. In all events, Tenant shall indemnify Landlord in the manner elsewhere provided in

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this Lease from any release of Hazardous Materials on the Premises occurring while Tenant is in possession, or elsewhere if caused by Tenant or persons acting under Tenant. The within covenants shall survive the expiration or earlier termination of the lease term. Notwithstanding the foregoing, Tenant shall be permitted to use Hazardous Materials customarily used in the ordinary course of office work.

24.1 Landlord's Warranty/Hazardous Materials. Landlord represents and warrants to Tenant that Landlord has no knowledge and has received no notice of any Hazardous Materials; neither the Premises, the Common Areas, the Building or the Complex is contaminated with or contains any Hazardous Materials or materials as of the Commencement Date. Landlord shall indemnify, defend, protect and hold Tenant harmless from and against any and all claims, losses, proceedings, damages, causes of action, liability, costs of expenses (including reasonable attorney's fees) arising as a result of any Hazardous Materials which exist within the Complex, Common Areas, Building or Premises before or after the Commencement Date which are not brought onto the Premises, Building or Complex by Tenant.

25. MISCELLANEOUS

25.1 Attornment. Upon any transfer by Landlord of Landlord's interest in the Premises or the Building (other than a transfer for security purposes only), Tenant agrees to attorn to any transferee or assignee of Landlord, provided that such transferee assumes in writing the obligations of Landlord under this Lease.

25.2 Captions; Attachments; Defined Terms

(a) The captions of the paragraphs of this Lease are for convenience only and shall not be deemed to be relevant in resolving any question of interpretation or construction of any paragraph of this Lease. The provisions of this Lease shall be construed in accordance with the fair meaning of the language used and shall not be strictly construed against either party. When required by the contents of this Lease, the singular includes the plural. Wherever the term "including" is used in this Lease, it shall be interpreted as meaning "including, but not limited to," the matter or matters thereafter enumerated.

(b) Exhibits attached hereto, and addenda and schedules initialed by the parties, are deemed to constitute part of this Lease and are incorporated herein.

(c) The words "Landlord" and "Tenant" as used herein, shall include the plural as well as the singular. Words used in neuter gender include the masculine and feminine and words in the masculine or feminine gender include the neuter. The obligations of this Lease as to a Tenant which consists of husband and wife shall extend individually to their sole and separate property as well as community property.

25.3 Entire Agreement. This Lease along with any exhibits and attachments hereto constitutes the entire agreement between Landlord and Tenant relative to the Premises, and this Lease and the exhibits and attachments may be altered, amended or revoked only by instrument in writing signed by both Landlord and Tenant. Landlord and Tenant agree hereby that all prior or contemporaneous oral agreements between and among themselves and their agents or representatives relative to the leasing of the Premises are merged in or revoked by this Lease.

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25.4 Severability. If any term or provision of this Lease shall, to any extent, be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforceable to the fullest extent permitted by law.

25.5 Costs of Suit

(a) If Tenant or Landlord brings any action for the enforcement or interpretation of this Lease, including any suit by Landlord for the recovery of Rent or possession of the Premises, the losing party shall pay to the prevailing party a reasonable sum for attorneys' fees. The "prevailing party" will be determined by the court before whom the action was brought based upon an assessment of which party's major arguments or positions taken in the suit or proceeding could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues in the court's decision.

(b) Should Landlord, without fault on Landlord's part, be made a party to any litigation instituted by Tenant or by any third party against Tenant, or by or against any person holding under or using the Premises by license of Tenant, or for the foreclosure of any lien for labor or material furnished to or for Tenant or any such other person or otherwise arising out of or resulting from any act or transaction of Tenant or of any such other person, Tenant covenants to save and hold Landlord harmless from any judgment rendered against Landlord or the Premises or any part thereof, and all costs and expenses, including reasonable attorneys' fees, incurred by Landlord in or in connection with such litigation.

25.6 Time; Joint and Several Liability. Time is of the essence of this Lease and each and every provision hereof, except as to the conditions relating to the delivery of possession of the Premises to Tenant. All the terms, covenants and conditions contained in this Lease to be performed by either party, if such party shall consist of more than one person or organization, shall be deemed to be joint and several, and all rights and remedies of the parties shall be cumulative and nonexclusive of any other remedy at law or in equity.

25.7 Binding Effect; Choice of Law. The parties hereto agree that all provisions hereof are to be construed as both covenants and conditions as though the words imparting such covenants and conditions were used in each separate paragraph hereof. Subject to any provisions hereof restricting assignment or subletting by Tenant, all of the provisions hereof shall bind and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns. This Lease shall be governed by the laws of the State of California.

25.8 Waiver. No covenant, term or condition or the breach thereof shall be deemed waived, except by written consent of the party against whom the waiver is claimed, and any waiver or breach of any covenant, term or condition shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant,

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term or condition. Acceptance by Landlord of any performance by Tenant after the time the same shall have become due shall not constitute a waiver by Landlord of the breach or default of any covenant, term or condition unless otherwise expressly agreed to by Landlord in writing.

25.9 Force Majeure. In the event Landlord or Tenant is delayed, interrupted or prevented from performing any of its obligations under this Lease (except the obligation to pay money to the other party hereto), including Landlord's obligations under the Work Letter, and such delay, interruption or prevention is due to fire, act of God, governmental act, strike, labor dispute, unavailability of materials or any other cause outside the reasonable control of Landlord or Tenant, as applicable (each a "Force Majeure Event"), then the time for performance of the affected obligations of Landlord or Tenant, as applicable, shall be extended for a period equivalent to the period of such delay, interruption or prevention. With respect to obligations of Landlord or Tenant required to be performed prior to the Commencement Date, each day of delay under this Paragraph 25.9 shall result in one (1) Scheduled Commencement Adjustment Day.

25.10 Landlord's Liability. The term "Landlord", as used in this Lease, shall mean only the owner or owners of the Project at the time in question. Notwithstanding any other term or provision of this Lease, the liability of Landlord for its obligations under this Lease is limited solely to Landlord's interest in the Project as the same may from time to time be encumbered, and no personal liability shall at any time be asserted or enforceable against any other assets of Landlord or against Landlord's stockholders, directors, officers or partners on account of any of Landlord's obligations or actions under this Lease. In addition, in the event of any conveyance of title to the Building or the Project, then from and after the date of such conveyance, Landlord shall be relieved of all liability with respect to Landlord's obligations to be performed under this Lease after the date of such conveyance. Upon any conveyance of title to the Building or the Project, the grantee or transferee, by accepting such conveyance, shall be deemed to have assumed Landlord's obligations to be performed under this Lease from and after the date of transfer, subject to the limitations on liability set forth above in this Paragraph 25.10. In no event will Landlord or Tenant be liable under this Lease for consequential or indirect damages or loss of profits.

25.11 Consents and Approvals. Wherever the consent, approval, judgment or determination of Landlord is required or permitted under this Lease, Landlord may exercise its good faith business judgment in granting or withholding such consent or approval or in making such judgment or determination without reference to any extrinsic standard of reasonableness, unless the provision providing for such consent, approval, judgment or determination specifies that Landlord's consent or approval is not to be unreasonably withheld, or that such judgment or determination is to be reasonable, or otherwise specifies the standards under which Landlord may withhold its consent.

The review and/or approval by Landlord of any item to be reviewed or approved by Landlord under the terms of this Lease or any Exhibits hereto shall not impose upon Landlord any liability for accuracy or sufficiency of any such item or the quality or suitability of such item for its intended use. Any such review or approval is for the sole purpose of protecting Landlord's interest in the Project under this Lease, and no third parties, including Tenant or Tenant's Representatives or any person or entity claiming by, through or under Tenant, shall have any rights hereunder.

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25.12 Signs. Tenant shall not place or permit to be placed in or upon the Premises where visible from outside the Premises or any part of the Building, any signs, notices, drapes, shutters, blinds or displays of any type without the prior consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed. Landlord shall include Tenant in the Building directories located in the Building. In addition Tenant shall have signage rights equivalent to similarly situated tenants of the Building on the Building monument sign and the entry doors of the Premises. Landlord reserves the right in Landlord's sole discretion to place and locate on the roof, exterior of the Building, and in any area of the Building not leased to Tenant such signs, notices, displays and similar items as Landlord deems appropriate in the proper operation of the Building and consistent with the operation of a Class A office building.

25.13 Rules and Regulations. Tenant and Tenant's Representatives shall observe and comply fully and faithfully with all reasonable and nondiscriminatory rules and regulations adopted by Landlord for the care, protection, cleanliness and operation of the Building and its tenants including those annexed to this Lease as Exhibit D and any reasonable and nondiscriminatory modification or addition thereto adopted by Landlord, provided Landlord shall give written notice thereof to Tenant. Landlord shall not be responsible to Tenant for the nonperformance by any other tenant or occupant of the Building of any of said rules and regulations. In the event of any conflict between the rules and regulations (whether annexed hereto as Exhibit D or later adopted) and this Lease, this Lease shall prevail.

25.14 Notices. All notices or demands of any kind required or desired to be given by Landlord or Tenant hereunder shall be in writing and shall be personally delivered, sent in the United States mail, certified or registered, postage prepaid, or sent by private messenger, addressed to the Landlord or Tenant respectively at the addresses set forth below:

Landlord:	**Tenant:**
Alexander Properties Company	**five9, Inc.**
One Annabel Lane, Suite 201	**4000 Executive Parkway, Suite 400**
San Ramon, CA 94583	**San Ramon, CA 94583**

or such other address as shall be established by notice to the other pursuant to this paragraph. Notices personally delivered or delivered by private messenger shall be deemed delivered when received at the address for such party designated pursuant to this paragraph. Notices sent by mail shall be deemed delivered on the earlier of the third business day following deposit thereof with the United States Postal Service or the delivery date shown on the return receipt prepared in connection therewith. Notwithstanding the foregoing, Landlord shall have the right, upon notice to Tenant thereof, to eliminate personal delivery as an effective means of notice hereunder.

25.15 Authority. Tenant represents and warrants that (i) it is a duly organized corporation and validly existing entity, (ii) the persons signing on behalf of such corporation are duly authorized to execute and deliver this Lease on behalf of Tenant and (iii) this Lease is binding upon Tenant in accordance with its terms. Landlord

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represents and warrants that (i) it is a duly organized partnership and validly existing entity, (ii) the persons signing on behalf of such partnership are duly authorized to execute and deliver this Lease on behalf of Landlord and (iii) this Lease is binding upon Landlord in accordance with its terms. If Tenant is a corporation, Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord a certified copy of a resolution of the board of directors of said corporation authorizing or ratifying the execution of this Lease.

25.16 Lease Guaranty. Intentionally Deleted

25.17 Brokers. Tenant and Landlord warrant and represent to each other that in the negotiating or making of this Lease neither the representing party nor anyone acting on its behalf has dealt with any real estate broker or finder who might be entitled to a fee or commission for this Lease other than Colliers International, whose commission is to be paid by Landlord pursuant to a separate agreement. Tenant and Landlord agree to indemnify and hold each other harmless from any claim or claims, including costs, expenses and attorney's fees incurred by indemnified party asserted by any other broker or finder for a fee or commission based upon any dealings with or statements made by the indemnifying party or its agents, employees or representatives.

25.18 Reserved Rights. Landlord retains and shall have the rights set forth below, exercisable without liability to Tenant for damage or injury to property, person or business and without effecting an eviction, constructive or actual, or disturbance of Tenant's use or possession of the Premises or giving rise to any claim for set-off or abatement of Rent, to reduce, increase, enclose or otherwise change at any time and from time to time the size, number, location, layout and nature of the common areas and facilities and other tenancies and premises in the Project and to create additional rentable areas through use or enclosure of common areas. Notwithstanding the foregoing, in the exercise of the aforesaid reserved rights, Landlord (i) shall not at anytime unreasonably interfere with Tenant's use, occupancy or access to the Premises or parking rights granted hereunder; (ii) shall not materially reduce Tenant's rights under this Lease; (iii) shall not reduce the level of any service provided by Landlord hereunder; (iv) shall provide Tenant reasonable advance written notice thereof; and (v) shall not increase Tenant's obligations hereunder (including any obligation to pay rent).

25.19 Tenant's Taxes. Tenant shall pay before delinquency (whether levied on Landlord or Tenant), any and all taxes assessed upon or measured by (i) Tenant's equipment, furniture, fixtures and other personal property located in the Premises, (ii) any improvements or alterations made to the Premises prior to or during the term of this Lease paid for by Tenant ("Above-Standard Improvements"), or (iii) this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises. For the purpose of determining said amounts, figures supplied by the County Assessor as to the amount so assessed shall be conclusive. Tenant shall comply with the provisions of any law, ordinance or rule of the taxing authorities which require Tenant to file a report of Tenant's property located in the Premises.

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25.20 Letter of Credit.

(a) Upon the execution of this Lease, Tenant shall deliver to Landlord a standby, at sight, clean, irrevocable, non-documentary and unconditional Letter of Credit issued by and drawable upon a money-center bank (a bank which accepts deposits, maintains accounts, has a local San Francisco Bay Area office and which will negotiate a letter of credit) (hereinafter referred to as the "Issuing Bank"), and has combined capital, surplus and undivided profits of not less than **FIVE HUNDRED MILLION AND NO/100 DOLLARS ($500,000,000.00)**, which Letter of Credit (i) shall name Landlord as beneficiary, (ii) be in the amount of **SEVEN HUNDRED THOUSAND AND 00/100 DOLLARS ($700,000.00)**, (iii) have a term of not less than three (3) years, (iv) permit multiple drawings, (v) be fully transferable by Landlord without the payment of any fees or charges, (vi) require that any draw on the Letter of Credit be made only upon receipt by the issuing Bank of a written letter from landlord certifying that an Event of Default has occurred and is then continuing, and (vii) provide that it is governed by the uniform Customs and Practice for Documentary Credits (1993 revisions), and otherwise be in form and content reasonably satisfactory to Landlord. The Letter of Credit shall have a term expiration date or be renewed annually for a period of three (3) years from the Commencement Date. If upon any transfer, any fees or charges shall be so imposed, then such fees or charges shall be payable solely by Tenant and the Letter of Credit shall so specify. The Letter of Credit shall provide that it shall be deemed automatically renewed, without amendment, for consecutive periods of one (1) year each thereafter, unless the Issuing Bank sends notice (the "Non-Renewal Notice") to Landlord by certified mail, return receipt requested, not less than forty-five (45) days next preceding the then expiration date of the Letter of Credit that it elects not to have such Letter of Credit renewed. Landlord shall have the right, after its receipt of the Non-Renewal Notice and until the expiration of the Letter of Credit to draw the full amount of the Letter of Credit, by sight draft on the Issuing Bank, and shall hold the proceeds of the Letter of Credit pursuant to the terms of this Paragraph 25.20 as cash security deposit.

(b) If an Event of Default in respect of any of the terms, covenants or conditions of this Lease, including the payment of rent, Landlord may apply or retain the whole or any part of the cash security so deposited or may notify the Issuing Bank and thereupon receive all or a portion of the monies represented by the Letter of Credit and hold such proceeds pursuant to the terms of this Paragraph 25.20 as a cash security deposit. The Landlord may use or apply, or retain the whole or any part of such proceeds, as the case may be, to the extent required for the payment of any Monthly Base Rent or any other sums due as a result of the Event of Default including (a) any sum which Landlord may expend or may be required to expend by reason of Tenant's Event of Default in respect of any of the terms, covenants or conditions of this Lease, and/or (b) and damages or deficiency in the reletting of the Premises, whether such damages or deficiency accrue or accrues before or after summary proceedings or other reentry by Landlord. Drawing upon the Letter of Credit shall be conditioned upon the presentation to the Issuing Bank of a certified statement executed by an authorized member, officer or general partner of Landlord that an Event of Default has occurred and is continuing under the Lease and Landlord is exercising its right to draw upon the Letter of Credit. If it is necessary for Landlord to apply or retain any part of the Letter of Credit, Tenant, upon demand, shall deposit with Landlord the amount so applied or retained so that Landlord shall have the full **SEVEN HUNDRED THOUSAND AND 00/100 DOLLARS ($700,000.00)** on hand at all times until (but not including) the **thirty-seventh (37th)** full calendar month of the term of this Lease. If Tenant shall fully and faithfully comply with all of the material terms, covenants and conditions of this Lease, the Letter of Credit, shall be returned to Tenant on the first (1st) day of the thirty-seventh (37th) full calendar month of the Lease. In the event of a sale of the real property or the Building or a master leasing of the Building, Landlord shall have the right to

Please Initial

Tenant ( )
Landlord ( )

transfer the Letter of Credit, and within five (5) business days after notice of such sale or leasing, Tenant, at its sole cost, shall arrange for the transfer of the Letter of Credit to the new landlord, as designated by Landlord in the foregoing notice or have the Letter of Credit reissued in the name of the new landlord and Landlord shall thereupon be released by Tenant from all liability for the return of such security, provided that the new landlord assumes thereupon in writing the obligations of Landlord hereunder. Upon such assumption by new landlord, Tenant shall look solely to the new landlord for the return of the Letter of Credit and the provisions hereof shall apply to every transfer or assignment made of the security to a new landlord. Tenant further covenants and agrees that it shall not assign or encumber or attempt to assign or encumber the Letter of Credit designated herein as security and that neither Landlord nor its successors or assignees shall be bound by any such agreement, encumbrances, attempted assignment or attempted encumbrance.

25.21 Right to Terminate. Landlord hereby grants Tenant with a one (1) time right to terminate this Lease (the "Right to Terminate") effective on the last day of the forty-eighth (48th) full calendar month of the term of this Lease (the "Termination Effective Date"). In the event Tenant elects to exercise this Right to Terminate, Tenant shall notify Landlord in writing no sooner than **thirteen (13)** months and no later than **twelve (12)** months prior to the Termination Effective Date. In the event of such notification Tenant shall pay Landlord a Termination Fee equal to $25.00 per rentable square foot of the Premises, with such fee being due and payable in full concurrently with the delivery of Tenant's notice that it is exercising its Right to Terminate. If said payment is not made within this time frame, Tenant's notice hereunder shall be deemed void.

25.22 Right of First Refusal. Landlord hereby grants Tenant a right of first refusal to lease (the "Right of First Refusal") any space in excess of 5,000 rentable square feet that is available as of the date this Lease has been fully executed or becomes available during the term of this Lease, the "Refusal Space". If and at such time as Landlord has received an expression of interest by a third party in leasing the Refusal Space, Landlord shall notify Tenant in writing of such interest, stating the location, the rentable area, and the basic business terms under which Landlord proposes to lease the Refusal Space", each a "First Refusal Notice". Tenant shall have seven (7) days after receipt of a Refusal Notice to deliver to Landlord, in writing, its notice that it is exercising its rights hereunder, the "Exercise Notice" on the terms set forth in the First Refusal Notice. Notwithstanding the foregoing, in the event Tenant delivers an Exercise Notice, and Tenant has at least four (4) years remaining on the term of this Lease, then notwithstanding the terms of the First Refusal Notice, Landlord shall provide Tenant with suite improvements comparable to those delivered to Tenant as of the Commencement Date (e.g. similar carpet, quantities on a pro rata basis of walls, doors, hardware, lighting, electrical outlets and finishes), the rate of Base Rent shall be $26.00 per rentable square foot per annum, there shall be no free rent and the expiration date for the Refusal Space shall be coterminous with the expiration date of this Lease. In the event Tenant delivers an Exercise Notice and there is less than four (4) years remaining on the term of this Lease then all of the terms and conditions in the First Refusal Notice shall be applicable on any Exercise Notice delivered by Tenant.

Please Initial

Tenant ( )
Landlord ( )

If Tenant does not timely deliver an Exercise Notice, then Landlord shall be free to lease the Refusal Space to another party, provided, however, if Landlord fails to lease the Refusal Space within six (6) months of the delivery of the First Refusal Notice to Tenant or the economic terms stated in the First Refusal Notice improve by a value of seven percent (7%) or more in favor of the proposed tenant, then Landlord shall reoffer the Refusal Space to Tenant by sending another First Refusal Notice to Tenant stating the then-current terms.

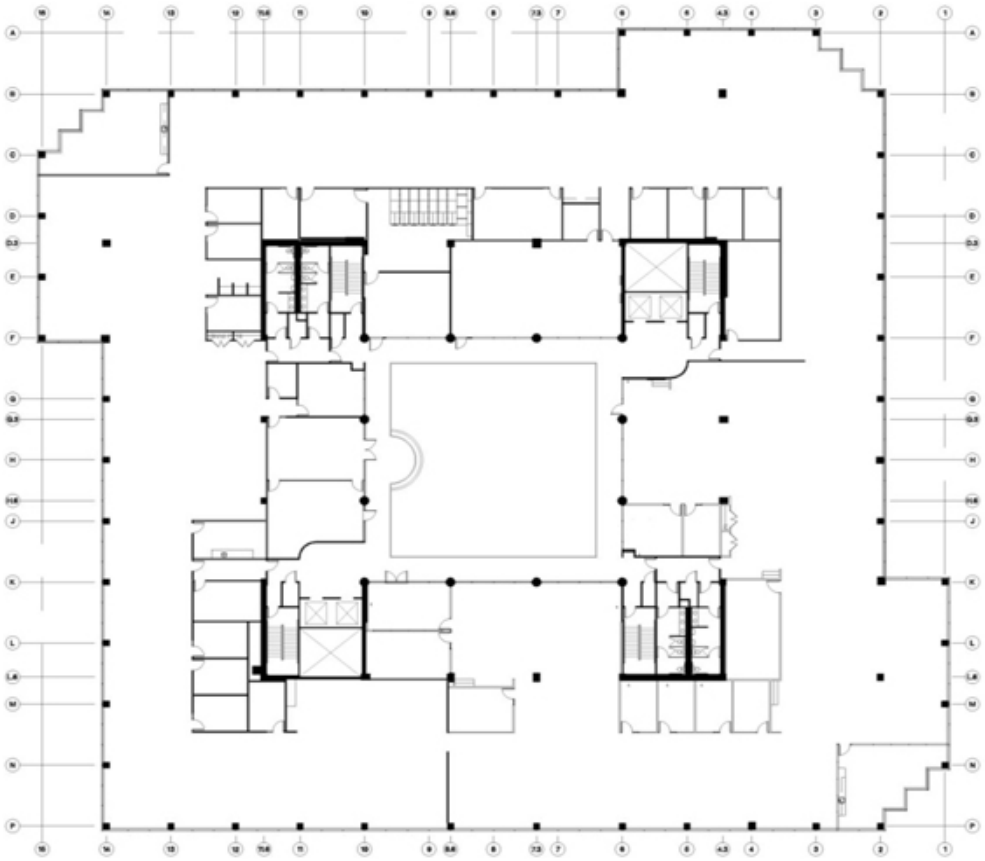
Please Initial

Tenant ( )
Landlord ( )

Landlord and Tenant have executed this Lease on the date and year set forth at the beginning of this Lease.

Landlord:	**Tenant:**
Alexander Properties Company, **a California limited partnership**	**five9, Inc.** **a Delaware corporation**
By: **/s/ Jim Clancy** **Title:** **CFO**	**By:** **/s/ Michael Burkland** **Title:** **CEO**
By: **/s/ Steve Barale** **Title:** **Controller**	**By:** _____ **Title:** _____

EXHIBIT A



46,414 RSF
Bishop Ranch 8, Building P
4000 Executive Parkway, Suite 400
San Ramon, CA 94583

Please Initial

Tenant ( )
Landlord ( )

EXHIBIT B

ATTACHED TO AND FORMING A PART OF
LEASE AGREEMENT

DATED AS OF **DECEMBER 16, 2011**

BETWEEN

ALEXANDER PROPERTIES COMPANY, AS LANDLORD,

AND

FIVE9, AS TENANT ("LEASE")

WORK LETTER

2. Suite Improvements. Landlord shall in a good and workmanlike manner and in compliance with all then-current Legal Requirements construct and install in the Premises the improvements and fixtures described in this Exhibit B and as shown on Exhibit C (the "Suite Improvements"). Improvements consisting of the type and materials (or alternates approved by Landlord), which approval shall not be unreasonably withheld, described on Schedule 1 attached hereto as Exhibit B are referred to herein as "Building Standard Materials". All Suite Improvements other than (a) "Building Shell" (as described in Schedule 1) or (b) those that utilize materials in addition to, substitution for or modification of the Building Standard Materials are called herein "Above-Standard Suite Improvements".

2.1. Plans.

(a) On or before **December 14, 2011**, Tenant will submit to Landlord a plan showing details and specifications sufficient to permit Landlord's contractor and subcontractors to price and construct the Suite Improvements. Such plans shall hereinafter be referred to as the Construction Drawings.

2.2. Construction. Upon Landlord's receipt of the Construction Drawings, approved by Tenant, Landlord shall proceed with reasonable diligence to cause the Suite Improvements to be Substantially Completed on or prior to the Scheduled Commencement Date. The Suite Improvements shall be deemed to be "Substantially Completed" when they have been completed in accordance with the Final Construction Drawings except for finishing details, minor omissions, decorations and mechanical adjustments of the type normally found on an architectural "punch list". (The definition of Substantially Completed shall also define the terms "Substantial Completion" and "Substantially Complete.") Punch list items shall be corrected by Landlord within thirty (30) days of Tenant's occupancy.

Please Initial

Tenant ( )
Landlord ( )

2.3. Cost of Suite Improvements. See Paragraph 1 of the Lease entitled PREMISES.

2.4. Landlord's Profit and Overhead. Intentionally Deleted

2.5. Tenant Delays.

Tenant shall be responsible for, and shall pay to Landlord, any and all costs and expenses incurred by Landlord in connection with any delay in the commencement or completion of any Suite Improvements and any increase in the cost of Suite Improvements (whether or not Above-Standard Suite Improvements) caused by (i) Tenant's failure to deliver the items described above within the time periods required above, (ii) any changes or modifications in the work requested by Tenant following approval of the Construction Drawings, or (iii) any other delay requested or caused by Tenant (collectively, "Tenant Delays"). Notwithstanding the foregoing, no Tenant Delay shall be deemed to have occurred unless and until Landlord gives written notice to Tenant specifying the action, inaction or occurrence constituting the Tenant Delay and the number of days of such Tenant Delay ("Tenant Delay Notice"). Notwithstanding anything to the contrary, each day of Tenant Delay will result in one (1) Scheduled Commencement Adjustment Day. In the event of a Tenant Delay, Landlord's obligation to deliver Substantial Completion may, at Landlord's option, be extended by one (1) day for each day of a Tenant Delay and Rent shall commence on the scheduled Commencement Date or as the case may be Free Rent will be reduced on a day for day basis for each day of Tenant Delay.

3. Commencement of Term. Upon Substantial Completion of the Suite Improvements, Landlord shall deliver possession of the Premises to Tenant. The Commencement Date will be the earlier of Substantial Completion of the Suite Improvements or the date Landlord would have completed the Premises and tendered the Premises to Tenant if Substantial Completion had not been delayed by the number of days specified in any and all Tenant Delay Notices given by Landlord as described in Paragraph 1.5.

4. Access to Premises. Landlord, at its reasonable discretion, shall allow Tenant or Tenant's Representatives to enter the Premises prior to the Substantial Completion to permit Tenant to make the Premises ready for its use and occupancy; provided, however, that prior to such entry of the Premises, Tenant shall provide evidence reasonably satisfactory to Landlord that Tenant's insurance, as described in Paragraph 12 of the Lease, shall be in effect as of the time of such entry. Such permission may be revoked at any time upon twenty-four (24) hours written notice, and Tenant or its Representatives shall not unreasonably interfere with Landlord or Landlord's contractor in completing the Building or the Suite Improvements. Tenant agrees that Landlord shall not be liable in any way for any injury, loss or damage which may occur to any of Tenant's property placed upon or installed in the Premises prior to the Commencement Date, the same being at Tenant's sole risk, and Tenant shall be liable for all injury, loss or damage to persons or property arising as a result of such entry of the Premises by Tenant or its Representatives.

Please Initial

Tenant ( )
Landlord ( )

5. Ownership of Suite Improvements. All Suite Improvements, whether or not Above-Standard Suite Improvements, and whether installed by Landlord or Tenant, shall become a part of the Premises, shall be the Property of Landlord and, unless Landlord elects otherwise as provided in the Lease, shall be surrendered by Tenant with the Premises, without any compensation to Tenant, at the expiration or termination of the Lease.

Please Initial

Tenant ( )
Landlord ( )

SCHEDULE 1 TO EXHIBIT B

BUILDING SHELL

* All core areas, elevator lobbies and restrooms complete.
* Main HVAC loop in place ready to receive mixing boxes for zoning.
* Main fire sprinkler risers and grid in place ready for drop down.
* After receipt of Tenant's approved Construction Drawings, all perimeter walls sheetrocked and ready for finish.
* Tenant side of core partitions are to be fire taped.
* Board over window heads to be finish taped.
* Column Furring at exterior columns is to be finish taped.
* Electrical service to closets on floor.
* Telephone sleeve to closets on floor.

BUILDING STANDARD MATERIALS

Electrical and Lighting

* Prismatic fixtures with dual switches.
* Indirect lighting is an alternate and must be approved by Landlord.

HVAC — (Typical installation per Tenant's Plan)

* One zone per 800 usable square feet.
* Individual pneumatic thermostats per 800 usable square feet.

Please Initial

Tenant ( )
Landlord ( )

Fire Sprinklers — (Typical installation per Tenant's Plan)

* One 165 degree rate, semi-recessed sprinkler head per 144 usable square feet.

Partitions and Doors

* 5/8-inch drywall on 2-1/2 inch steel studs with smooth finish.
* Solid core oak doors 36" x 96".
* Aluminum door jambs.
* Schlage "D" locks and latchsets.

Paint

* Kelly Moore or equal.

Ceiling Assembly

* USG: Aurora Reveal Tile.

Grid

* Donn DXL

Carpet, Tile and Base

* Carpet: 38 oz. Bigelow or carpet tile of equal cost.
* Armstrong Imperial Modern Excelon Tile or equal.
* 3/8 inch nylon composition pad.
* 4 inch rubber top set base or equal.

Window Covering

* Mini Blinds.

Please Initial

Tenant ( )
Landlord ( )

EXHIBIT C

SPACE PLAN

TO BE PROVIDED

Please Initial

Tenant ( )
Landlord ( )

EXHIBIT D

RULES AND REGULATIONS

1. No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed, printed, affixed or otherwise displayed by Tenant on or to any part of the outside or inside of the Building or the Premises without the prior written consent of Landlord and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant. All approved signs or lettering on doors shall be printed, painted, affixed or inscribed at the expense of Tenant by a person approved by Landlord. Tenant shall not place anything or allow anything to be placed near the glass of any window, door, partition or wall which may appear unsightly from outside the Premises; provided, however that Tenant may request Landlord to furnish and install a building standard window covering at all exterior windows at Tenant's cost. Tenant shall not install any radio or television antenna, loud speaker, or other device on or about the roof area or exterior walls of the Building.

2. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by Tenant or used by it for any purpose other than for ingress to and egress from the Premises. The halls, passages, exits, entrances, elevators, stairways, balconies and roof are not for the use of the general public and Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence in the judgment of the Landlord shall be prejudicial to the safety, character, reputation and interests of the Building and its tenants, provided that nothing herein contained shall be construed to prevent such access to the common areas by persons with whom Tenant normally deals in the ordinary course of its business unless such persons are engaged in illegal activities. In no event may Tenant go upon the roof of the Building.

3. Landlord will furnish Tenant with 50 keys to the Premises, free of charge. Additional keys shall be obtained only from Landlord and Landlord may make a reasonable charge for such additional keys. No additional locking devices shall be installed in the Premises by Tenant, nor shall any locking devices be changed or altered in any respect without the prior written consent of Landlord. All locks installed in the Premises excluding Tenant's vaults and safes, or special security areas (which shall be designated by Tenant in a written notice to Landlord), shall be keyed to the Building master key system. Landlord may make reasonable charge for any additional lock or any bolt (including labor) installed on any door of the Premises. Tenant, upon the termination of its tenancy, shall deliver to Landlord all keys to doors in the Premises.

4. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be deposited therein and Tenant shall bear the expense of any breakage, stoppage or damage resulting from its violation of this rule.

5. Tenant shall not overload the floor of the Premises or mark, drive nails, screw or drill into the partitions, woodwork or plaster or in any way deface the Premises or any part thereof. No boring, cutting or stringing of wires or laying of linoleum or other similar floor coverings or installation of wallpaper or paint shall be permitted except with the prior written consent of the Landlord and as the Landlord may direct.

Please Initial

Tenant ( )
Landlord ( )

6. Tenant may use the freight elevators in accordance with such reasonable scheduling as Landlord shall deem appropriate. Tenant shall schedule with Landlord, by written notice given no less than forty-eight (48) hours in advance, its move into or out of the Building which moving shall occur after 5:30 p.m. or on weekend days if required by Landlord; and Tenant shall reimburse Landlord upon demand for any additional security or other charges incurred by Landlord as a consequence of such moving. The persons employed by Tenant to move equipment or other items in or out of the Building must be acceptable to Landlord. The floors, corners and walls of elevators and corridors used for moving of equipment or other items in or out of the Project must be adequately covered, padded and protected and, Landlord may provide such padding and protection at Tenant's expense if Landlord determines that such measures undertaken by Tenant or Tenant's movers are inadequate. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment or furnishings brought into the Building and also the times and manner of moving the same in or out of the Building. Safes or other heavy objects shall, if considered necessary by Landlord, stand on wood strips of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of Tenant. There shall not be used in any space, or in the public halls of the Building, either by any Tenant or others, any hand trucks except those equipped with rubber tires and side guards.

7. Tenant shall not employ any person or persons other than the janitor of Landlord for the purpose of cleaning the Premises unless otherwise agreed to by Landlord in writing. Except with the written consent of Landlord, no person or persons other than those approved by Landlord shall be permitted to enter the Building for the purpose of cleaning the same. Tenant shall not cause any unnecessary labor by reason of Tenant's carelessness or indifference in the preservation of good order and cleanliness. Landlord shall in no way be responsible to any Tenant for any loss of property on the Premises, however occurring, or for any damage done to the effects of Tenant by the janitor or any other employee or any other person. Janitor service will not be furnished on nights when rooms are occupied after 9:30 p.m. Window cleaning shall be done only by Landlord.

8. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline or flammable, combustible or noxious fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord. Tenant shall not use, keep or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to the Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises or the Building. Tenant shall not make or permit to be made any unseemly or disturbing noises or disturb or interfere with occupants of this or neighboring Buildings or premises or those having business with them whether by the use of any musical instrument, radio, phonograph, unusual noise, or in any other way.

9. The Premises shall not be used for the storage of merchandise except as such storage may be incidental to the use of the Premises for general office purposes. Tenant shall not occupy or permit any portion of the Premises to be occupied for the manufacture or sale of

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Tenant ( )
Landlord ( )

liquor, narcotics, or tobacco in any form. The Premises shall not be used for lodging or sleeping or for any illegal purposes. No cooking shall be done or permitted by Tenant on the Premises, except that use by Tenant of Underwriters' Laboratory approved portable equipment for brewing coffee, tea and similar beverages and of microwave ovens approved by Landlord shall be permitted provided that such use is in accordance with all applicable federal, state and local laws, codes, ordinances, rules and regulations.

10. Landlord will direct electricians as to where and how telephone wires and any other cables or wires are to be installed. No boring or cutting for cables or wires will be allowed without the consent of Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.

11. Tenant shall not lay linoleum, tile, carpet or other similar floor covering so that the same shall be affixed to the floor of the Premises in any manner except as approved by the Landlord. Tenant shall bear the expense of repairing any damage resulting from a violation of this rule or removal of any floor covering.

12. No furniture, packages, supplies, equipment or merchandise will be received in the Building or carried up or down in the elevators, except between such hours and in such elevators as shall be designated by Landlord. In its use of such, Tenant shall not obstruct or permit the obstruction of walkways, ingress and egress to the Building and tenant spaces and at no time shall Tenant park vehicles which will create traffic and safety hazards or create other obstructions.

13. On Saturdays, Sundays and legal holidays all day, and on other days between the hours of 7:00 p.m. and 7:00 a.m. the following day, access to the Building or to the halls, corridors, elevators, or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the person or employee of the Building in charge and has a pass or is properly identified. Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. Tenant assumes all responsibility for protecting its Premises from theft, robbery and pilferage. In case of invasion, mob, riot, public excitement, or other commotion, the Landlord reserves the right to prevent access to the Building during the continuance of the same by closing the doors or otherwise, for the safety of the Tenants and protection of property in the Building and the Building. Landlord reserves the right to close and keep locked all entrance and exit doors of the Building on Saturdays, Sundays and legal holidays all day, and on other days between the hours of 7:00 p.m. and 7:00 a.m. and during such further hours as Landlord may deem advisable for the adequate protection of said Building and the property of its tenants, and to implement such additional security measures as Landlord deems appropriate for such purposes. The cost of such additional security measures, as reasonably allocated by Landlord to Tenant, shall be reimbursed by Tenant within thirty (30) days after receipt of Landlord's demand therefor.

14. Tenant shall see that the doors of the Premises are closed and securely locked before leaving the Building and must observe strict care and caution that all water faucets, water apparatus and utilities are entirely shut off before Tenant or Tenant's employees leave the Building, and that all electricity shall likewise be carefully shut off, so as to prevent waste or damage and for any default or carelessness Tenant shall make good all injuries sustained by other tenants or occupants of the Building or Landlord. On multiple-tenancy floors, all tenants shall keep the doors to the Building corridors closed at all times except for ingress and egress, and all tenants shall at all times comply with any rules and orders of the fire department with respect to ingress and egress.

Please Initial

Tenant ( )
Landlord ( )

15. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building.

16. Landlord shall attend to the requests of Tenant after notice thereof from Tenant by telephone, in writing or in person at the Office of the Landlord. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless under special instructions from the Landlord.

17. No vending machine or machines of any description shall be installed, maintained or operated upon the Premises without the written consent of the Landlord.

18. Tenant agrees that it shall comply with all fire and security regulations that may be issued from time-to-time by Landlord and Tenant also shall provide Landlord with the name of a designated responsible employee to represent Tenant in all matters pertaining to such fire or security regulations.

19. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenant or tenants, but no such waiver by Landlord shall be construed as a waiver of those Rules and Regulations in favor of any other tenant or tenants, nor prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all of the tenants of the Project.

20. Canvassing, soliciting, peddling or distribution of handbills or other written material in the Building and Project is prohibited and Tenant shall cooperate to prevent same.

21. Landlord reserves the right to (i) select the name of the Project and Building and to make such change or changes of name, street address or suite numbers as it may deem appropriate from time to time, (ii) grant to anyone the exclusive right to conduct any business or render any service in or to the Building and its tenants, provided such exclusive right shall not operate to require Tenant to use or patronize such business or service or to exclude Tenant from its use of the Premises expressly permitted in the Lease, and (iii) reduce, increase, enclose or otherwise change at any time and from time to time the size, number, location, layout and nature of the common areas and facilities and other tenancies and premises in the Project and to create additional rentable areas through use or enclosure of common areas. Tenant shall not refer to the Project by any name other than the name as selected by Landlord (as same may be changed from time to time), or the postal address, approved by the United States Post Office. Without the written consent of Landlord, Tenant shall not use the name of the Building or Bishop Ranch in connection with or in promoting or advertising the business of Tenant or in any respect except as Tenant’s address.

Please Initial

Tenant ( )
Landlord ( )

22. Tenant shall store all its trash and garbage within the Premises until removal of same to such location in the Project as may be designated from time to time by Landlord. No material shall be placed in the Project trash boxes or receptacle if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in the City of San Ramon without being in violation of any law or ordinance governing such disposal.

23. Landlord shall furnish heating and air conditioning during the hours of 7:00 a.m. and 7:00 p.m., Monday through Friday, except for holidays. In the event Tenant requires heating and air conditioning during off hours, Saturdays, Sundays or holidays, Landlord shall on notice provide such services at the rate established by Landlord from time-to-time. Landlord shall have the right to control and operate the public portions of the Building and the public facilities, and heating and air conditioning, as well as facilities furnished for the common use of the Tenants, in such manner as it deems best for the benefit of the Tenants generally.

24. The directory of the Building will be provided for the display of the name and location of tenants and Landlord reserves the right to exclude any other names therefrom. Any additional name that Tenant shall desire to place upon the directory must first be approved by Landlord and, if so approved, a charge will be made for each such name.

25. Except with the prior written consent of Landlord, Tenant shall not sell, or permit the sale from the Premises of, or use or permit the use of any sidewalk or common area adjacent to the Premises for the sale of newspapers, magazines, periodicals, theater tickets or any other goods, merchandise or service, nor shall Tenant carry on, or permit or allow any employee or other person to carry on, business in or from the Premises for the service or accommodation of occupants of any other portion of the Building, nor shall the Premises be used for manufacturing of any kind, or for any business or activity other than that specifically provided for in Tenant's lease.

26. The word "Tenant" occurring in these Rules and Regulations shall mean Tenant and Tenant's Representatives. The word "Landlord" occurring in these Rules and Regulations shall mean Landlord's assigns, agents, clerks, employees and visitors.

ACKNOWLEDGED AND ACCEPTED:

Landlord:	Tenant:
By: /s/ Jim Clancy	By: /s/ Michael Burkland
Date: 12/16/11	Date:

EXHIBIT E

JANITORIAL SPECIFICATIONS

The following specific janitorial services will be provided in accordance with provisions of Paragraph 7.1, Landlord's Obligations:

OFFICE AREAS (DAILY)

1. Empty all waste baskets and disposal cans, if liners used, replace as necessary.
2. Spot dust desks, chairs, file cabinets, counters and furniture.
3. Spot vacuum all carpets and walk-off mats; spot as necessary.
4. Sweep all hard surface floors with treated dust mop.

OFFICE AREAS (WEEKLY)

1. Vacuum carpets completely, including around base boards, etc.
2. Perform low dusting of furniture.
3. Dust window sills and ledges.

OFFICE AREAS (QUARTERLY)

1. Perform all high dusting of doors, sashes, moldings, etc.
2. Dust mini blinds as needed.

OFFICE AREA CORRIDORS AND LOBBIES (DAILY SERVICE)

1. Vacuum carpets and dust mop any hard floors.
2. Spot clean carpets of all spillage.
3. Clean all thresholds.

OFFICE AREA CORRIDORS AND LOBBIES (WEEKLY)

1. Perform all high dusting of doors, sashes, moldings, etc.
2. Vacuum and clean all ceiling vents.
3. Polish any metal railings, placards, etc.

Please Initial

Tenant ( )
Landlord ( )

STAIRWAYS (DAILY)

1. Sweep all hard surface steps.
2. Dust banisters.

STAIRWAYS (WEEKLY)

1. Sweep all hard surfaces.
2. Spot mop all spills as needed.

RESTROOMS COMMON AREA (DAILY SERVICE)

1. Empty all waste containers and replace liners as needed.
2. Clean all metal, mirrors, and fixtures.
3. Sinks, toilet bowls and urinals are to be kept free of scale.
4. Clean all lavatory fixtures using disinfectant cleaners.
5. Wash and disinfect underside and tops of toilet seats.
6. Wipe down walls around urinals.
7. Refill soap, towel, and tissue dispensers.
8. Wet mop tile floors with disinfectant solution.
9. Refill sanitary napkin machines as necessary.

RESTROOMS COMMON AREA (WEEKLY)

1. Perform high dusting and vacuum vents.
2. Use germicidal solution in urinal traps, lavatory traps, and floor drains.

RESTROOMS COMMON AREA (MONTHLY)

1. Scrub floors with power machine.
2. Wash down all ceramic tile and toilet compartments.

ELEVATORS (DAILY)

1. Vacuum floors.
2. Clean thresholds.
3. Spot walls and polish surfaces.

GENERAL

All glass entry doors to offices, corridors, or lunch rooms are to be cleaned as necessary.

Please Initial

Tenant ( )
Landlord ( )

EXHIBIT F

DOOR SIGN, DIRECTORY STRIP AND MAIL BOX REQUEST

1. I, the undersigned hereby authorize Landlord to order one glass door sign. The business name on it shall read: (All lettering must be left justified, no logos.)

__ __ __ __ __ __ __ __ __ __ __ __ __ __ __ __ __
(17 characters max)

__ __ __ __ __ __ __ __ __ __ __ __ __ __ __ __ __
(17 characters max)

__ __ __ __ __ __ __ __ __ __ __ __ __ __ __ __ __
(17 characters max)

2. The lobby directory strip shall read:

__ __ __ __ __ __ __ __ __ __ __ __ __ __ __ __ __
(23 characters max)

3. The floor directory strip shall read:

__ __ __ __ __ __ __ __ __ __ __ __ __ __ __ __ __
(23 characters max)

g h f Arrow Direction? (Circle one)

4. The mail box strip shall read:

_____

5. Daily Contact Name: _____

Phone: _____ Fax: _____

Email: _____

Signed: _____ Date: _____

Street Address:	4000 Executive Parkway
Suite No:	400
Building:	P
Complex:	Bishop Ranch 8

EXHIBIT G

COMMENCEMENT OF LEASE

It is hereby agreed to that

(a) the "Commencement Date" under that certain Lease dated **, 2011** and between **Alexander Properties Company** as Landlord and **five9** as Tenant, covering Premises located at 4000 Executive Parkway, **Suite 400**, is **, 2012**,

(b) the "Expiration Date" thereof is **5:00 P.M.** on **, 2018,** and

(c) Landlord has completed all of its construction obligations under the Work Letter, except for the following punch list items, which shall be completed by Landlord in accordance with the Lease and the Work Letter attached thereto.

ACKNOWLEDGED AND ACCEPTED:

Landlord:	Tenant:
By: _____	**By:** /s/ Michael Burkland
Date _____	**Title:** CEO

FIRST LEASE ADDENDUM

THIS FIRST LEASE ADDENDUM IS MADE AND ENTERED INTO THIS 24 DAY OF **October**, 2012, BY AND BETWEEN **ALEXANDER PROPERTIES COMPANY, A CALIFORNIA LIMITED PARTNERSHIP** (HEREINAFTER REFERRED TO AS "LANDLORD") AND **FIVE9, INC., A DELAWARE CORPORATION** (HEREINAFTER REFERRED TO AS "TENANT").

IT IS AGREED BETWEEN LANDLORD AND TENANT TO MODIFY THE LEASE DATED **DECEMBER 16, 2011** (HEREINAFTER REFERRED TO AS "LEASE") IN THE FOLLOWING MANNER:

Section 1. PREMISES

Subsection 1.1 Description. The size of the Premises is hereby increased by **16,063 rentable square feet**, located on the fifth floor of Building **P**, **4000 Executive Parkway**, **Suite 520** (hereinafter referred to as "**Expansion Space A**") for a new total of **62,477 rentable square feet** as shown on the attached Exhibit A, effective the earlier of **February 1, 2013** or upon the occupancy of Expansion Space A as evidenced by the execution of Exhibit G attached (hereinafter referred to as the **"Effective Date"**). Notwithstanding the foregoing in the event Landlord's work described in Subsection 1.2 below is not substantially completed by **February 1, 2013** then in such event the Effective Date will be the date Landlord delivers substantial completion of the improvements shown on Exhibit C.

Subsection 1.2 Work of Improvement. Landlord agrees to provide and install at its expense the improvements shown on the attached Exhibit C. Any changes to Exhibit C which have been approved by Tenant that increase the cost of the work shall be paid for by Tenant prior to the commencement of construction. Tenant shall be soley responsible for the installation and cost of its phone and data cabling.

Section 3. RENT

Subsection 3.1 Rent. The Base Rent shall hereby increase from **ONE HUNDRED THOUSAND FIVE HUNDRED SIXTY-THREE AND 67/100 DOLLARS ($100,563.67)** per month to **ONE HUNDRED THIRTY-EIGHT THOUSAND SEVEN HUNDRED THIRTEEN AND 30/100 DOLLARS ($138,713.30)** per month effective on the Effective Date. The Rental Rate for Expansion Space A is $28.50 per rentable square foot per annum. Notwithstanding the foregoing Tenant on or before **January 1, 2013** shall pay to Landlord the sum of **TWO HUNDRED THOUSAND AND 00/100 DOLLARS ($200,000.00)** which shall be applied against Rent when due.

Please Initial

Tenant (MB)
Landlord (JC)

Section 4. SECURITY DEPOSIT.

The amount in the second sentence of this Section 4 is hereby increased from **ONE HUNDRED THOUSAND FIVE HUNDRED SIXTY-THREE AND 67/100 DOLLARS ($100,563.67)** to **ONE HUNDRED THIRTY-EIGHT THOUSAND SEVEN HUNDRED THIRTEEN AND 30/100 DOLLARS ($138,713.30)**.

Section 5. TAX AND OPERATING COST INCREASES

Subsection 5.2 Tenant's Share. On the Effective Date Tenant's Share of Operating Costs shall be increased from **7.35%** to **9.89%**.

Section 25. MISCELLANEOUS

Subsection 25.21 Right to Terminate. The following sentence is added to the end of this Section:

The above referenced Right to Terminate shall not apply to Expansion Space A or any additional space that Tenant may lease on the fifth (5th) floor of the Building.

Subsection 25.22 Right of First Refusal. This Section 25.22 is hereby amended to add the following paragraph to the end of this Section:

Landlord represents that the existing leases for Suites 500, 514 and each contain a relocation provision and that the existing lease for Suite 525 does not contain a relocation provision. Tenant may request in writing that Landlord exercise its right to relocate any one or all of the tenants in Suites 500, 514 and 515. In the event Landlord relocates an existing fifth floor tenant and Tenant leases the additional fifth floor premises the terms and conditions for the additional premises shall be as follows:

a) The Base Rental Rate shall be $28.50 per rentable square foot per annum

b) The suite improvements shall be the same as those Landlord provided Tenant in Expansion Space A

c) The Term from the Commencement Date for the additional premises leased on the fifth (5th) floor shall be for a minimum of five (5) years from the commencement date of the additional expansion space.

Please Initial

Tenant (MB)
Landlord (JC)

With the exception of the modifications set out above, all other terms, covenants and agreements of the Lease shall remain in full force and effect.

Landlord:

Alexander Properties Company,
a California limited partnership

By: **/s/ Jim Clancy**
Title: **CFO**

By: **/s/ Steve Barale**
Title: **Controller**

Date: **10/26/12**

Tenant:

five9, Inc.
a Delaware Corporation

By: **/s/ Michael Burkland**
Title: **CEO**

By:
Title:

Date: **10/24/2012**

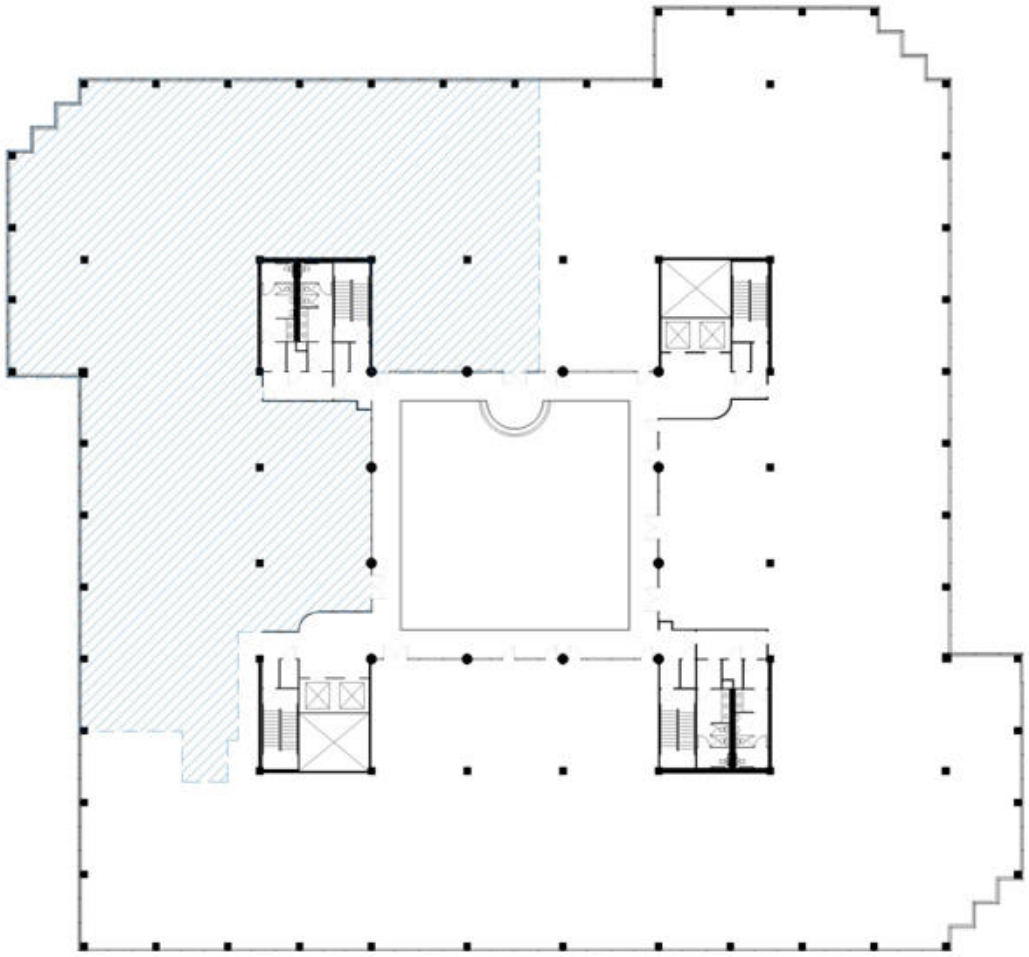
Regarding:

Expansion Space A:

Bishop Ranch 8, Building P
4000 Executive Parkway, Suite 520
San Ramon, CA 94583

EXHIBIT A

FLOOR PLAN



16,063 RSF
Bishop Ranch 8, Building P
4000 Executive Parkway, Suite 520
San Ramon, CA 94583

Please Initial
Tenant (MB)
Landlord (JC)

EXHIBIT G

COMMENCEMENT OF FIRST LEASE ADDENDUM

It is hereby agreed to that as of **January 15, 2013**, Landlord has delivered Substantial Completion of **Expansion Space A** located at **4000 Executive Parkway, Suite 520**, described in the First Lease Addendum dated **October 24, 2012**, by and between **ALEXANDER PROPERTIES COMPANY** as Landlord and **FIVE9, INC.** as Tenant. It is further agreed and understood that Landlord has granted Tenant and Tenant has accepted possession of **Expansion Space A** and that the **Effective Date** is **February 1, 2013**.

Landlord has granted Tenant prior occupancy of the space for the installation of its furniture, fixtures and equipment and as of **January 15, 2013** all of the terms and conditions of First Lease Addendum are in full force and effect. Rent for **Expansion Space A** shall commence on **February 1, 2013**.

ACKNOWLEDGED AND ACCEPTED:

Landlord:	Tenant:
By: /s/ Illegible	By: /s/ David Hill
Date: Jan. 15, 2013	Date: 1-15-13

Exhibit 23.1

When the transaction referred to in the eighth paragraph of Note 14 of the Notes to the Consolidated Financial Statements for the years ended December 31, 2011, 2012 and 2013 has been consummated, we will be in a position to render the following consent.

/s/ KPMG LLP

Santa Clara, California
March 24, 2014

Consent of Independent Registered Public Accounting Firm

The Board of Directors Five9, Inc.:

We consent to the use of our report included herein and to the reference to our firm under the heading “Experts” in the prospectus.

[unsigned]

Santa Clara, California
April __, 2014

Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the use in this Registration Statement (No. 333-194258) on Amendment No. 1 to Form S-1 of Five9, Inc. of our report dated January 16, 2014, relating to the financial statements of Face It, Corp., as of and for the years ended December 31, 2011 and 2012, which appears in such Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ Moss Adams LLP

Campbell, California
March 24, 2014

JONES DAY

SILICON VALLEY OFFICE • 1755 EMBARCADERO ROAD • PALO ALTO, CALIFORNIA 94303
TELEPHONE: +1.650.739.3939 • FACSIMILE: +1.650.739.3900

March 24, 2014

VIA EDGAR AND HAND DELIVERY

United States Securities and Exchange Commission
Division of Corporation Finance
100 F Street, NE
Washington, DC 20549

Attention: Barbara C. Jacobs, Assistant Director
Jeffrey Kauten, Attorney-Advisor
Stephen Krikorian, Accounting Branch Chief
Morgan Youngwood, Staff Accountant

RE: Five9, Inc.
Registration Statement on Form S-1
Filed March 3, 2014
File No. 333-194258

Ladies and Gentlemen:

On behalf of Five9, Inc. (the "*Company*"), we submit this letter in response to comments from the staff (the "*Staff*") of the Securities and Exchange Commission (the "*Commission*") dated March 17, 2014, relating to the Company's Registration Statement on Form S-1 (File No. 333-194258) filed with the Commission on March 3, 2014 (the "*Registration Statement*"). We are concurrently filing via EDGAR this letter and Amendment No. 1 to the Registration Statement (the "*Amended Registration Statement*"). For ease of reference, the text of the Staff's comments is included in bold-face type below, followed in each case by the Company's response. Except as otherwise provided, page references included in the body of the Company's responses are to the Amended Registration Statement.

Selected Consolidated Historical Financial and Operating Data

Pro forma net loss per share, page 43

1. We note from your disclosure on page 38 that you will use a portion of the proceeds to repay the outstanding balance under your revolving line of credit. Indicate whether you will also repay the term loan borrowed in February 2014. Once you determine the amount of debt to be repaid please revise to include pro forma earnings per share information giving effect to the number of shares issued in the offering whose proceeds will be used to extinguish a portion of your outstanding debt. Please ensure that the footnotes to your pro forma disclosures clearly support your calculations of both the numerator and denominator used in your pro forma disclosures. We refer you to SAB Topic 3.A by analogy and Rule 11-01(a)(8) and Rule 11-02(b)(7) of Regulation S-X.

Response: The Company advises the Staff that it does not intend to use a portion of the proceeds to repay outstanding balances under its loan and security agreements. The Company has revised its disclosure by removing any indication that it will use proceeds to repay these outstanding balances.

Contractual Obligations

Commitments, page 68

2. Revise to include in a footnote to the table that describes the loan and security agreement that was entered into in February 2014. The footnote should disclose the amount borrowed under the facility including the repayment terms.

Response: The Company has revised its disclosure in response to the Staff's comment. Please see footnote (4) on page 70.

Note 14 – Subsequent Events, page F-32

3. We note that you entered into a loan and security agreement in February 2014. Tell us what consideration you gave to providing disclosure as described in ASC 855-10- 50-3. In this regard, tell us how you considered presenting the new debt in your pro forma balance sheet columns presented on your historical balance sheet.

Response: The Company advises the Staff that it has reviewed ASC 855-10-50-3 and has revised its disclosure to present the new debt in its pro forma balance sheet columns presented on its historical balance sheet. Please see page F-3 and additional disclosures included in Note 1 to the Consolidated Financial Statements on page F-7**.**

Supplemental Matters

The Company advises the staff that the auditor's opinion has been modified to include a legend to indicate the form of opinion that will be issued upon the completion of the reverse stock split. The draft report will be removed and a signed report included prior to effectiveness. A similar treatment applies for the consent of independent registered public accounting firm. In accordance with the guidance set forth in Section 4700 of the Financial Reporting Manual of the SEC Staff, the draft report is accompanied by a signed preface of the auditor stating that it expects to be in a position to issue the report in the form presented at effectiveness.

* * * * * * *

Please acknowledge receipt of this letter and the enclosed materials by stamping the enclosed duplicate of this letter and returning it to the undersigned in the envelope provided.

If you have any questions, please feel free to contact me at 650.739.3987 or Ruben A. Garcia at 650.687.4191. Thank you for your cooperation and prompt attention to this matter.

Sincerely,

/s/ Timothy R. Curry

Timothy R. Curry

cc: Michael Burkland, President and Chief Executive Officer, Five9, Inc.
Barry Zwarenstein, Chief Financial Officer, Five9, Inc.
Anthony J. McCusker, Goodwin Procter LLP
Richard A. Kline, Goodwin Procter LLP