

As confidentially submitted to the Securities and Exchange Commission on April 17, 2015.

This draft registration statement has not been publicly filed with the Securities and Exchange Commission and all information herein remains strictly confidential.

Registration No. 333-

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

AppFolio, Inc.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

7372
*(Primary Standard Industrial
Classification Code Number)*

26-0359894
*(I.R.S. Employer
Identification Number)*

50 Castilian Drive
Goleta, California 93117
(805) 617-2167

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Brian Donahoo, Chief Executive Officer
Ida Kane, Chief Financial Officer
AppFolio, Inc.
50 Castilian Drive
Goleta, California 93117
(805) 364-6093

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

C. Craig Carlson, Esq.
Ryan C. Wilkins, Esq.
Stradling Yocca Carlson & Rauth, P.C.
660 Newport Center Drive
Newport Beach, California 92660
(949) 725-4000

Lisa A. Murison, Esq.
Stradling Yocca Carlson & Rauth, P.C.
100 Wilshire Boulevard
Santa Monica, California 90401
(424) 214-7000

Mark A. Bertelsen, Esq.
Jose F. Macias, Esq.
Wilson Sonsini Goodrich & Rosati, P.C.
650 Page Mill Road
Palo Alto, California 94304
(650) 493-9300

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, 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. (Check one):

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	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Class A Common Stock, \$0.0001 par value per share	\$	\$

- (1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
 (2) Includes the aggregate offering price of additional shares that the underwriters have the option to purchase to cover over-allotments, if any.
 (3) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.

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 Commission, acting pursuant to said Section 8(a), may determine.

[Table of Contents](#)

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold 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 we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)
Issued , 2015



Class A Common Stock

AppFolio, Inc. is offering shares of its Class A common stock. This is our initial public offering, and no public market currently exists for our shares. We anticipate that the initial public offering price will be between \$ and \$ per share.

Following this offering, we will have two classes of authorized common stock: the Class A common stock offered hereby and Class B common stock. The rights of the holders of our Class A common stock and Class B common stock will be identical, except with respect to voting and conversion rights. Each share of our Class A common stock will be entitled to one vote. Each share of our Class B common stock will be entitled to 10 votes and will be convertible at any time into one share of our Class A common stock. The holders of our outstanding Class B common stock, which include our executive officers, directors and principal stockholders, will hold approximately % of the combined voting power of our outstanding capital stock following this offering.

We intend to apply to list our Class A common stock on the NASDAQ Global Market under the symbol "APPF."

We are an "emerging growth company" as defined under the U.S. federal securities laws and, as such, have elected to comply with certain reduced public company reporting requirements. Investing in our Class A common stock involves risks. See "Risk Factors" beginning on page 17.

PRICE \$ A SHARE

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to AppFolio, Inc.
Per Share	\$	\$	\$
Total	\$	\$	\$

(1) See "Underwriters" for a description of the compensation payable to the underwriters.

We have granted the underwriters the right to purchase up to an additional shares of our Class A common stock to cover over-allotments.

The Securities and Exchange Commission and state regulators have not 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 of our Class A common stock to purchasers on , 2015.

MORGAN STANLEY
PACIFIC CREST SECURITIES
, 2015

CREDIT SUISSE
WILLIAM BLAIR

TABLE OF CONTENTS

Prospectus Summary	1	Executive Compensation	100
Risk Factors	17	Certain Relationships and Related Party Transactions	109
Cautionary Note Regarding Forward-looking Statements	44	Principal Stockholders	113
Industry and Market Data	45	Description of Capital Stock	115
Use of Proceeds	46	Shares Eligible For Future Sale	121
Dividend Policy	47	Material U.S. Federal Income and Estate Tax Considerations	
Capitalization	48	Applicable to Non-U.S. Holders of Our Class A Common Stock	124
Dilution	50	Underwriters	129
Selected Consolidated Financial Data	52	Legal Matters	134
Management's Discussion and Analysis of Financial Condition and		Experts	134
Results of Operations	54	Where You Can Find Additional Information	135
Letter From Our Chief Executive Officer	72	Index to Consolidated Financial Statements	F-1
Business	74		
Management	94		

In considering whether to purchase shares of our Class A common stock in this offering, you should rely only on the information contained in this prospectus and any free writing prospectus we file with the Securities and Exchange Commission, or SEC. Neither we nor the underwriters have authorized anyone to provide any information, or to make any representations, other than those contained in this prospectus or in any free writing prospectuses we file with the SEC. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may provide to you. This prospectus is an offer to sell only the shares of our Class A common stock offered hereby, but only under the circumstances and in the jurisdictions where it is lawful to do so.

The information contained in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or any sale of our Class A common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside of 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 in 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 outside of the United States.

Through and including _____, 2015 (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.

PROSPECTUS SUMMARY

This summary highlights certain information appearing elsewhere in this prospectus. This summary does not contain all the information you should consider in making a decision to invest in our Class A common stock. You should carefully read this entire prospectus, including the sections entitled “Risk Factors,” “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision.

Unless otherwise stated in this prospectus, references to “AppFolio,” “we,” “us,” and “our” refer to AppFolio, Inc. and its consolidated subsidiaries.

APPFOLIO, INC.

Our Mission

Our mission is to revolutionize the way small and medium-sized businesses grow and compete by enabling their digital transformation.

Overview

We provide industry-specific, cloud-based software solutions for small and medium-sized businesses, or SMBs, in the property management and legal industries, or verticals. Our platform is designed to be the system of record to automate essential business processes and the system of engagement to enhance business interactions between our customers and their clients and vendors. Our mobile-optimized software solutions have a user-friendly interface across multiple devices, enabling our customers to work at any time and from anywhere. Our property management software provides small and medium-sized property managers with an end-to-end solution to their business needs, enabling them to manage properties quickly and easily in a single, integrated environment. Our legal software provides solo practitioners and small law firms with a streamlined practice and case management solution, allowing them to manage their practices and case load within a flexible system. We also offer optional, but often mission-critical, Value+ services, such as our professionally designed websites and electronic payment services, which are seamlessly built into our core solutions.

SMBs face numerous issues that divert limited time and resources away from serving their clients and growing their businesses. The business activities of SMBs are complex and their day-to-day operations are often managed through inefficient manual processes and disparate software systems. The lack of automation and integrated technology places a significant administrative burden on these businesses, particularly in industries that involve unique workflows, relationships among multiple industry participants, significant data inputs, and compliance or regulatory requirements. While larger enterprises and consumers have been experiencing a transformational shift into the digital age, the legacy systems currently used by many SMBs are lagging behind in terms of technological sophistication and ease of use.

Business management software, which initially served to differentiate competitors, is now critical to any business’s survival and success in an increasingly connected and online world. The ability of SMBs to capitalize on the power of software to interact with their clients, vendors and other industry participants, and to mine the data and insights gleaned from these relationships, is integral to their ability to compete more effectively in commerce today, not only with other SMBs but also with larger enterprises. SMBs need an intuitive, reliable and fully integrated software solution that brings superior technology and services to their specific industry workflows and meets their key operational requirements.

We have custom-tailored our business to enable us to revolutionize the way that SMBs grow and compete. We refer to our approach to addressing similar, fundamental business needs of SMBs across our targeted verticals as our AppFolio Business System. At the center of our AppFolio Business System is a common technology platform, which provides functionality across our software solutions in our targeted verticals. We apply a disciplined approach of using market validation to select and develop new core functionality and Value+ services for our existing markets and to identify the most suitable adjacent markets and new verticals to pursue. Based on the results of our market validation process, we deploy exceptional cloud-based technology designed to improve the efficiency and productivity of businesses. We use in-bound marketing, participation at customer and industry events, and in-app messaging to educate new and existing customers on how our software solutions can transform their businesses. Based on the foundation created by our marketing activities, our sales team quickly builds relationships with potential customers, assesses their business challenges and demonstrates the benefits of our core functionality and Value+ services. We partner with our customers to navigate their digital transformation by streamlining the on-boarding process and providing ongoing advice on best practices. We continuously expand our core functionality and add new Value+ services based on feedback from our customers, which is collected across our organization and used by our research and product development team to release frequent updates to our software solutions. Our customer-centric culture fosters long-term relationships with our customers and helps to facilitate their business success.

Our core solutions address common business functions and interactions of SMBs in our targeted verticals by providing key functionality, including accounting, document management, real-time interactive search, data analytics and communication options. We currently offer AppFolio Property Manager, or APM, for property managers and MyCase for law firms. APM is a comprehensive solution for the operational requirements of small and medium-sized property managers, including activities such as posting and tracking tenant vacancies, handling the entire leasing process electronically, administering maintenance and repairs with their vendor networks, managing accounting and reporting to property owners. MyCase is a flexible practice and case management solution for solo practitioners and small law firms, providing time tracking, billing and payments, client communication, coordination with other lawyers and support staff, legal document management and assembly, and general office administration. As MyCase is in an earlier stage of development than APM, we are continuing to expand its core functionality.

In addition to our core solutions, we offer a range of optional, but often mission-critical, Value+ services. Our Value+ services are available on an as-needed basis and enable our customers to adapt our platform to their specific operational requirements. Today, we offer certain Value+ services to both our property manager and law firm customers, namely, professionally designed websites and electronic payment services. In addition, we offer the following Value+ services to our property manager customers: resident screening; tenant liability insurance; and our contact center to resolve or route incoming maintenance requests. Over time, we anticipate offering similar and additional Value+ services across our targeted verticals.

Due to our strong leadership, talented team and investments across our organization, we have experienced significant growth. Our senior management has a proven track record, averaging over 15 years of experience as pioneers in the cloud-based software industry, many of whom have worked together since 1999. For the years ended December 31, 2013 and 2014, our revenue was \$26.5 million and \$47.7 million, respectively, representing year-over-year growth of 80%. We increased our employee headcount from 254 employees as of December 31, 2013 to 377 employees as of December 31, 2014. As a result of these investments, we incurred net losses of \$7.3 million and \$8.6 million for the years ended December 31, 2013 and 2014, respectively. We have invested, and intend to continue to invest, heavily in our business to capitalize on our market opportunity.

Industry Background

Small and Medium-Sized Businesses Are a Large and Important Segment of the Economy

SMBs represent a significant proportion, and are an essential driver, of the U.S. economy. In particular, SMBs spark innovation, create jobs, and provide opportunities for success. According to the U.S. Small Business Administration's Office of Advocacy, in 2012, there were more than 28 million SMBs and, of those, the non-sole proprietor businesses employed approximately 56 million employees. Since the end of the U.S. recession, SMBs generated approximately 60% of net new jobs from mid-2009 through mid-2013.

Small and Medium-Sized Businesses Are Complex and Resource-Constrained

The business processes of SMBs are complex and involve a variety of participants, from employees to a myriad of external clients and vendors. Keeping track of communications and transactions with multiple industry participants has historically been time consuming, and establishing and managing these external relationships often requires a hands-on approach. SMBs must accomplish these tasks with fewer employees and limited financial resources available to invest in additional business infrastructure. SMBs need intuitive software solutions to improve business efficiency and productivity.

Small and Medium-Sized Businesses Still Rely on Manual Processes or a Patchwork of Legacy Software

While business today is increasingly conducted using cloud-based software, many SMBs have not adopted integrated, web-optimized technology solutions to unify and manage their business operations. Many of these companies still use manual processes or work with a variety of disparate systems. SMBs require a fully integrated software solution that meets their specific workflow needs in order to replace time-consuming manual processes and consolidate limited-use point solutions.

Cloud-Based Software Is Particularly Well-Suited to Meet the Needs of Small and Medium-Sized Businesses

Historically, only larger enterprises have had the funding and expertise to purchase and configure software to support their business processes. However, the shift to cloud-based software has made it possible to provide SMBs with access to enterprise-grade solutions with quick deployment and access across multiple devices, typically on a subscription or pay-as-you-go basis. Cloud computing also facilitates continuous software updates to enable technology to be easily adapted to the evolving needs of SMBs.

Mobility and Consumerization of IT Drive Expectations of Small and Medium-Sized Businesses and Their Clients

Technological advances have driven increased adoption of smartphones, tablets and other mobile devices, not only by consumers but also by businesses. In many cases, and particularly for interactions with SMBs, mobile devices have become the primary platform for conducting business and consuming information. Compared to enterprises, which employ mostly desk-based workers, SMB owners and employees are highly mobile. In addition, increased use by consumers of websites such as Google, and widespread mobile adoption of social media applications such as Facebook and Twitter, have created expectations on the part of the clients of SMBs that consumer-like mobile applications will be available for use in their commercial interactions to facilitate delivery of service anytime, anywhere.

Vertical Cloud-Based Software Delivers Tailored Solutions to Small and Medium-Sized Businesses

While providers of horizontal cloud-based solutions have focused on developing software that can be applied across multiple verticals, vertical cloud-based solution providers have embraced mass customization by

tailoring their applications to address the business needs of specific industries. As a result, vertical cloud-based solution providers have built significant domain expertise and close relationships with their customers, capitalizing on a customer feedback loop to better inform their product roadmaps and go-to-market strategy than their horizontal peers. Vertical cloud-based solution providers are also well-positioned to take advantage of big data analytics by leveraging the data inherent in their customer base to deliver value-added functionality.

Small and Medium-Sized Businesses Are Constantly Evolving and Demand “Living Software”

The needs of SMBs are constantly evolving, and business management software is expected to keep pace by responding rapidly with new functionality. Developers have been able to capitalize on recent technological advances, lower development costs, greater social acceptance of technology and deeper industry knowledge to provide continuous software updates. In turn, technical expertise in software development, including the ability to reduce the time-to-market of a potentially disruptive solution, can assist SMBs to become leaders in their respective industries.

Small and Medium-Sized Businesses Need a Trusted Adviser to Help Navigate Their Digital Transformation

Owners and managers of SMBs have to balance a variety of different functions as part of their jobs. When they are using disparate systems to accomplish their daily tasks, frequently with little to no IT support, their everyday activities can quickly become onerous. SMBs need a strategic partner to outline digital initiatives and the framework within which to bring them into the digital future. Customer service can serve as a key differentiator for cloud-based solution providers by easing the on-boarding process, providing ongoing advice on best practices, and channeling customer feedback into the continuous development of the platform.

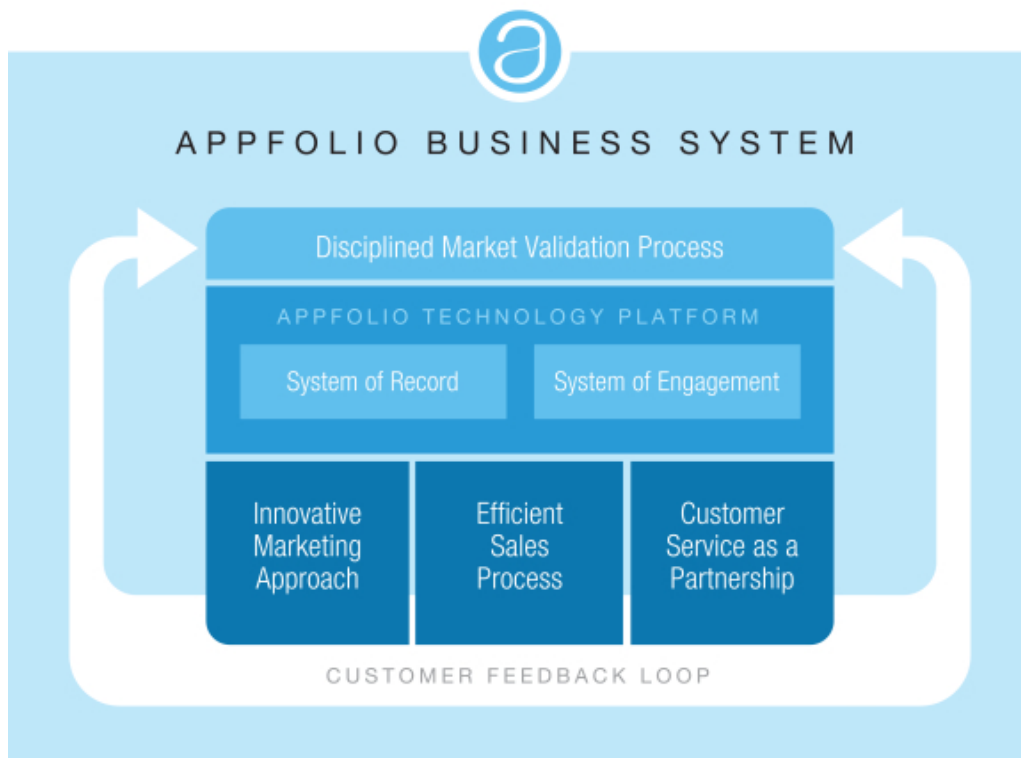
Our Market Opportunity

We believe that the lack of comprehensive, industry-specific, cloud-based software solutions for SMBs in many industries is a significant opportunity for us. According to Parallels, the cloud market for SMBs was \$62 billion in 2013 and will double by 2016, growing to \$125 billion. Additionally, according to Parallels, the U.S. SMB cloud market alone represented \$24 billion in 2014 and is estimated to grow to \$38 billion in 2017. We currently offer our cloud-based solutions to SMBs in the property management and legal verticals and believe our AppFolio Business System can be leveraged to develop, market, and sell business management software to SMBs in other industries.

For the property management vertical, based on our internal analysis and industry experience, we estimate the total addressable market in the United States to be at least \$5.0 billion for SMBs (which we define as companies with 20 to 3,000 rental units under management, consisting of residential, commercial and homeowner association, or HOA, units). For the legal vertical, based on our internal analysis and industry experience, we estimate the total addressable market in the United States to be at least \$2.0 billion for SMBs (which we define as law firms with less than 20 employees).

Our AppFolio Business System

Since our founding, we have established our culture and designed our business to meet the specific needs of SMBs in their particular industries. We refer to our approach to addressing the specific needs of SMBs across our targeted verticals as our AppFolio Business System. Our AppFolio Business System has been explicitly developed to find, evaluate and serve verticals in which we can deliver a transformative, easy-to-use software solution that can handle the key operational requirements of SMBs at a low overall cost of ownership.



Key elements of our AppFolio Business System include:

- **Disciplined Market Validation Process.** Since our founding, we have worked closely with our customers, partners and other industry participants to inform our product roadmap. We have consistently applied a disciplined market validation process to select and develop new core functionality and Value+ services, and to identify the most suitable adjacent markets and new verticals to target. This approach facilitates faster and more focused product development, with higher confidence that our software solutions will rapidly find market acceptance within our targeted verticals.
- **AppFolio Technology Platform.** At the center of our AppFolio Business System is our modern, cloud-based technology platform, which encompasses a wide variety of reusable core functionality and Value+ services that can be leveraged to provide continuous updates across our software solutions in our targeted verticals. The functionality of our platform has been developed with a view to improving business efficiency and productivity for SMBs.
- **Innovative Marketing Approach.** We believe a key element of our AppFolio Business System is efficiently creating and delivering industry-specific content and educating SMBs in our targeted verticals to build our market presence. Our go-to-market strategy across our targeted verticals leverages in-bound marketing techniques, including content marketing, search engine optimization, or SEO, and search engine marketing, or SEM. Our marketing programs, including our participation at customer and industry events, are used by our sales development team to further nurture potential sales leads. We also use in-app messaging to remind existing customers of our Value+ services at natural points in their workflow, making it easy for our customers to increase usage and find out about new Value+ services.

- **Efficient Sales Process.** Based on the foundation created by our marketing programs and sales development team, we are able to quickly build relationships with potential customers, assess their business challenges and demonstrate the benefits of our core functionality. Following on-boarding of our core solution, our sales team identifies specific Value+ services that enable our customers to further streamline and grow their businesses. Our transparent pricing model is designed to simplify the sales process by pricing subscriptions in a uniform manner based on the size of our customers' businesses.
- **Customer Service as a Partnership.** Our customer service team partners with our customers to assist them with on-boarding and help ensure they are optimally using our software solution early in their relationship with us. We believe this process is critical to our customers' success and plays an important role in customer retention. We also provide ongoing training and support, and regularly provide advice on best practices. Our customer service is an essential component of our AppFolio Business System, serving to deepen our relationships with our customers, maximize the value of our software solutions for their businesses, and encourage word-of-mouth referrals from satisfied customers.
- **Customer Feedback Loop.** We are committed to listening to and understanding our customers based on proactive customer dialogue and feedback about our software solutions. This provides valuable insight into the operations of SMBs in our targeted verticals. Our product management team routinely engages with our customer service and sales and marketing organizations, as well as our customers, partners and other industry participants, to provide guidance to our engineering team. Our agile, team-based engineering approach and continual integration of customer feedback allows us to release frequent updates to our software solutions quickly and seamlessly.

These components of our AppFolio Business System strengthen our brands and customer loyalty, resulting in customer promotion and feedback that we leverage in developing, marketing and selling our software solutions across our targeted verticals.

Our Solutions

We provide SMBs with cloud-based business management software solutions that are designed and developed with our customers' industry-specific business needs in mind.

- **All-in-One System.** Our core solutions have been designed and developed to suit the specific workflows of SMBs in our targeted verticals. We believe that, by focusing on specific industries, we are better able to provide our customers with broad functionality that meets their key business needs and eliminates their need for a myriad of disparate point solutions. Our vision for each vertical software solution includes fully integrated functionality that provides a single system of record to automate routine processes and a system of engagement to optimize business interactions among our customers and their clients and vendors.
- **Essential Value+ Services.** Our software solutions include optional, but often mission-critical, Value+ services that our customers can adopt to enhance our core solutions. These services range from upfront professional website design to ongoing high-volume transactional services, such as electronic payment services, in addition to industry-specific services, such as resident screening, for our property manager customers.
- **Modern Cloud-Based Solutions.** We have designed and developed our software solutions on a modern cloud-based platform, allowing for rapid and cost-effective deployment of our enterprise-class software solutions and frequent updates to help ensure our software solutions incorporate the latest technological advances and adapt to industry trends.
- **Built for Any Device, Anytime, Anywhere.** We recognize that SMBs handle multiple responsibilities that require them to be available 24/7, and they demand flexible software solutions that are compatible

with the laptops, tablets and smartphones they already own to allow them to work at any time and from anywhere. Our software solutions are designed to enable users to move seamlessly from one device to another, to run on multiple operating systems and to launch in a variety of browsers.

- **User-Friendly Interface.** We invest significant time and resources in streamlining and rationalizing our functionality to enable an intuitive and user-friendly customer experience. Our users are often able to benefit immediately from our software solutions with little to no training. We designed our interface to resemble the social media applications our customers already use, making it easy to transition their businesses to our platform because of a preexisting familiarity.
- **Ever-Evolving Functionality.** We direct our investment in research and product development based on our market validation findings and customer feedback loop, which inform the development of new core functionality and Value+ services that are directly relevant to our customers' businesses and foster best practices based on deep industry knowledge.
- **Vertical Data Analytics.** As a vertical cloud-based solution provider, we are uniquely positioned to capture data across our customer base, forming a new source of industry-specific business data. Our customers benefit from data analytics in the form of business performance management through a wide variety of customizable reports and business optimization through aggregated benchmarking data, which provides visibility across their industries.

Benefits of Our Solutions

- **Benefits to Our SMB Customers.** Our cloud-based business management software solutions enable our customers to eliminate manual processes and collapse a myriad of point solutions into a single system of record and system of engagement, all at a lower cost than an inflexible on-premise software product. Our software solutions facilitate the automation of recurring transactions to improve efficiency, vertical data analytics to provide visibility, and seamless communication, which combine to produce tangible time savings, reduced expenses and increased revenue.
- **Benefits to Clients of SMBs.** Our software solutions help ensure clients of SMBs experience high quality, professional service, improved responsiveness and easy access to useful information. Clients of SMBs are able to interact with the owners and managers of SMBs through our intuitive, consumer-like interfaces and to complete a variety of tasks online.
- **Benefits to Vendors of SMBs.** Our software solutions enable vendors of SMBs to streamline transactions with the owners and managers of SMBs by automating processes and facilitating communications.

Our Competitive Strengths

We believe that our significant growth within our targeted verticals is based on the following key competitive strengths:

- **AppFolio Business System.** We believe that our AppFolio Business System, including our experience in market validation, as well as our consistent, multi-functional approach to using our customers' feedback, serves to differentiate us from our competitors. We strive to develop exceptional cloud-based technology capable of transforming our customers' businesses, and our product management team coordinates closely with our sales and marketing, customer service and engineering teams to continuously update and improve our user experience with new core functionality and Value+ services. By re-using key elements of our platform across our software solutions and leveraging a common business strategy, we can more easily enter adjacent markets and new verticals.

- **Deep Domain Expertise.** We have developed considerable industry-specific domain expertise within our targeted verticals. Our domain expertise within our targeted verticals allows us to address the unique workflows of our customers and differentiate ourselves from horizontal software competitors. This industry-specific knowledge enables us to offer a broad range of tightly integrated core functionality and Value+ services that would otherwise require the purchase and use of multiple disparate point solutions, such as accounting, payment, customer relationship management and business intelligence software. Our AppFolio Business System, including our disciplined market validation approach and customer feedback loop, positions us to build our industry expertise efficiently as we enter adjacent markets and new verticals.
- **Focus on Vertical Cloud-Based Solutions for SMBs.** We recognized at the outset that SMBs have software needs and face challenges that are different from those of larger enterprises. We have focused exclusively on creating cost-effective, cloud-based solutions for SMBs, enabling us to create a full customer experience tailored to their unique needs. We believe we can more easily identify prospective customers and adapt our marketing strategies accordingly, resulting in lower customer acquisition costs and faster market penetration. We also utilize data captured across our customer base to deliver innovative new functionality and inform our product roadmap. We believe we can leverage our experience serving SMBs to address similar, fundamental business needs across our targeted verticals.
- **Customer Obsessed.** We are intensely focused on customer happiness and success. By thoroughly understanding our customers' needs, we are able to deliver an exceptional customer experience. We continuously monitor customer satisfaction, seek feedback from our customers on our core solutions and Value+ services, and design and develop our offerings to deliver meaningful impact to our customers. Our strong value proposition is validated through our customer reviews and real-time feedback that is published unfiltered on our website.
- **Predictable Revenue Model.** We employ a business model that produces predictable revenues. We achieve this by charging recurring subscription fees for our core solutions and providing a number of Value+ services that are generally recurring in nature. Our business management software solution is a critical element of the day-to-day operations of our customers, leading to lasting customer relationships. We employ success-based pricing for our software solutions with a view to increasing our revenues over time as our customers' businesses grow and they increasingly adopt Value+ services.
- **Experienced Management Team.** The members of our senior management team have a proven track record, averaging over 15 years of experience as pioneers in the cloud-based software industry, many of whom have worked together since 1999. This level of expertise enables our management team to effectively manage the challenges associated with building a lasting company.

Our Growth Strategy

Our growth strategy is to provide increasingly valuable cloud-based business management software solutions to SMBs across the specific verticals we choose to target. We have managed, and plan to continue to manage, our business towards the achievement of long-term growth that we believe will positively impact long-term stockholder value, and not towards the realization of short-term financial or business metrics, or short-term stockholder value. Key components of our growth strategy include:

- **Maintain Product and Technology Leadership.** We have made, and will continue to make, significant investments in research and product development to expand our core functionality and add new Value+ services through our continuous product innovation efforts. We intend to continue using market validation techniques and our close relationships with our customers as a key source of feedback to inform and direct our product roadmap. We may also choose to acquire technologies to accelerate our time-to-market for certain functionality or entry into adjacent markets or new verticals.

- **Keep Our Existing Customers Happy.** Customer success is essential to our long-term success. We place significant emphasis on customer service to differentiate our software solutions from competing products and this will continue to be a critical component of our business strategy in the future. We do not separately charge our customers for ongoing training and support, which we believe is a key factor in retaining our existing customers and deepening their understanding of our core functionality and Value+ services. We believe that maintaining our focus on customer satisfaction will drive greater adoption and utilization of our software solutions, including through referrals from existing customers to potential new customers within our targeted verticals.
- **Expand Adoption and Use by Existing Customers.** We intend to expand our core functionality and add new Value+ services to meet the evolving needs and requirements of our customers. We believe that, as our customers save time and money using our software solutions, they will have the opportunity to invest newly available resources to grow their businesses. As our customers grow, we expect they will use our technology to manage their larger businesses on our platform and increasingly adopt and use additional Value+ services.
- **Target New Customers.** We plan to grow our customer base through our sophisticated sales and marketing programs, including industry thought leadership and education, and the referral power of satisfied customers promoting our software solutions within our targeted verticals. We believe that the market for cloud-based business management software is large and underserved both within the industries in which we currently operate and the broader SMB market. We believe that our prominent online presence and efficient sales and marketing infrastructure will continue to attract new customers in our targeted verticals.
- **Enter New Adjacent Markets.** We currently participate in a number of markets within our existing verticals and are constantly evaluating adjacent markets based on our deliberate market validation strategy and customer feedback. We believe that, while we are continuously developing our software solution within one market, we can apply the product enhancements and learnings from that market as we extend our platform into each successive adjacent market.
- **Expand into New Verticals.** We consistently review potential opportunities to expand into additional verticals. We plan to enforce a disciplined approach to growth by using market validation techniques to assess the scope and nature of business challenges faced by SMBs in any potential new vertical, their likelihood of purchasing a cloud-based solution to solve their problems and their potential spend on such solutions. Any new vertical will also need to fit within our proven business strategy, including our management team's assessment of available alternatives, such as the number and size of potential adjacent market opportunities, and the relative risk and return of these opportunities.

Risks Associated with Our Business

Our business is subject to numerous risks and uncertainties of which you should be aware before you decide to invest in our Class A common stock. These risks may prevent us from achieving our business objectives, and may materially and adversely affect our business, financial condition, results of operations and prospects. These risks are discussed in greater detail in the section entitled "Risk Factors" immediately following this prospectus summary. Some of these risks are:

- If we are unable to enter new verticals, or if our software solution for any new vertical fails to achieve market acceptance, our operating results could be adversely affected and we may be required to reconsider our growth strategy;
- We have a limited operating history and have incurred significant operating losses. As a result of continuing investments across our organization to grow our business, we do not expect to be profitable for the foreseeable future;

- We manage our business towards the achievement of long-term growth that we believe will positively impact long-term stockholder value, and not towards the realization of short-term financial or business metrics, or short-term stockholder value;
- Actual or perceived security vulnerabilities in our software solutions, breaches of our security controls, or other unauthorized access to our customers' data could reduce market acceptance of our software solutions and cause us to lose customers;
- Service outages and other performance problems associated with our technology infrastructure or software solutions could harm our reputation;
- We face a number of risks in our payment processing business that could adversely affect our operating results;
- Our quarterly results may fluctuate significantly and period-to-period comparisons of our results may not be meaningful;
- Business management software for SMBs is a relatively new and developing market and, if the market develops more slowly than we expect or declines, our operating results could be adversely affected;
- If we are unable to introduce successful enhancements, including new and innovative core functionality and Value+ services for our existing verticals, or new products for adjacent markets and additional verticals, our business could be adversely affected;
- Our business depends on existing customers renewing their subscriptions with us and expanding their use of our Value+ services, and a decline in customer renewal rates, or failure to convince existing customers to adopt and utilize our Value+ services, would harm our operating results; and
- The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of this offering, including our executive officers, directors and principal stockholders, which will limit your ability to influence corporate matters. The holders of our outstanding Class B common stock will hold approximately % of the combined voting power of our outstanding capital stock following this offering.

Corporate Information

We were formed in 2006 as a Delaware limited liability company and converted to a Delaware corporation in 2007. Our principal executive offices are located at 50 Castilian Drive, Goleta, California 93117, and our telephone number is (805) 617-2167. Our website is www.appfolioinc.com. The information contained on or accessed through our website does not constitute part of this prospectus, and you should not consider information contained on or accessed through our website in deciding whether to invest in our Class A common stock. References to our website address in this prospectus are inactive textual references only.

“AppFolio,” “MyCase,” the AppFolio logo, the MyCase logo, and other trademarks and trade names of AppFolio and MyCase appearing in this prospectus are our property. All other trademarks or trade names appearing in this prospectus are the property of their respective owners. Solely for convenience, the trademarks and trade names in this prospectus are referred to without the ® and ™ symbols. We do not intend our use or display of the trademarks, trade names or service marks of other parties to imply a relationship with, or endorsement or sponsorship of us by, such other parties.

Implications of Being an Emerging Growth Company

We qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements and may be relieved of other significant requirements that are otherwise generally applicable to public companies. These provisions include:

- an exemption from compliance with the auditor attestation requirement on the effectiveness of our internal control over financial reporting;
- an exemption from compliance with any requirement that the Public Company Accounting Oversight Board may adopt regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements;
- reduced disclosure about our executive compensation arrangements; and
- exemptions from the requirements to obtain a non-binding advisory vote on executive compensation or stockholder approval of any golden parachute arrangements.

We will remain an emerging growth company until the earliest to occur of:

- the last day of the fiscal year in which our annual gross revenue is \$1.0 billion or more;
- the day we qualify as a “large accelerated filer” under applicable SEC rules and regulations;
- the issuance, in any three-year period, by us of more than \$1.0 billion in non-convertible debt securities; and
- the last day of the fiscal year ending after the fifth anniversary of the completion of this offering.

We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act. However, we intend to take advantage of the other exemptions discussed above. Accordingly, the information contained in this prospectus may be different from the information you receive from other public companies in which you have invested.

THE OFFERING

Class A common stock offered by us	shares
Class A common stock to be outstanding immediately after this offering	
	shares
Class B common stock to be outstanding immediately after this offering	
	shares
Total Class A common stock and Class B common stock to be outstanding immediately after this offering	
	shares
Option to purchase additional shares of our Class A common stock	

The underwriters have an option to purchase up to an additional shares of our Class A common stock from us. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.

Use of proceeds

We estimate that we will receive net proceeds from this offering of \$ million, or \$ million if the underwriters exercise in full their option to purchase additional shares of our Class A common stock, assuming an initial public offering price of \$ per share, which is the midpoint of the price range on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to obtain additional capital, enhance our financial flexibility and create a public market for our Class A common stock. We intend to use the net proceeds from this offering for working capital and other general corporate purposes. In addition, we may in the future enter into arrangements to acquire or invest in complementary businesses, services, technologies or intellectual property rights. However, we have no agreements or commitments with respect to any such acquisitions or investments at this time.

See the section entitled "Use of Proceeds" for additional information.

Voting rights

Shares of our Class A common stock are entitled to one vote per share. Shares of our Class B common stock are entitled to 10 votes per share.

Holder of our Class A common stock and Class B common stock will vote together as a single class, unless otherwise required by law or our amended and restated certificate of incorporation. The holders of our outstanding Class B common stock, which include our executive officers, directors and principal stockholders, will hold approximately % of the

Risk factors

combined voting power of our outstanding capital stock following this offering and will have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors and the approval of any change-in-control transaction.

See the sections entitled “Principal Stockholders” and “Description of Capital Stock” for additional information.

Investing in our Class A common stock involves risks. See the section entitled “Risk Factors” for a discussion of factors you should carefully consider before deciding to invest in our Class A common stock.

Proposed NASDAQ symbol

“APPF”

Upon the completion of this offering, our amended and restated certificate of incorporation will provide for two classes of common stock: Class A common stock and Class B common stock. All shares of our existing common stock and convertible preferred stock outstanding immediately prior to the completion of this offering will be converted and reclassified into shares of our Class B common stock. In addition, all options to purchase shares of our common stock outstanding immediately prior to the completion of this offering will become exercisable for shares of our Class B common stock. Throughout this prospectus, we refer to our common stock outstanding prior to the completion of this offering as our existing common stock.

The total number of shares of our Class A common stock and Class B common stock to be outstanding immediately after this offering, after giving effect to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into shares of our Class B common stock in connection with this offering, is based upon no shares of our Class A common stock and 104,196,556 shares of our Class B common stock outstanding as of December 31, 2014, and excludes:

- 4,866,995 shares of our Class B common stock issuable upon the exercise of outstanding options to purchase shares of our Class B common stock under our 2007 Stock Incentive Plan, or the 2007 Plan, as of December 31, 2014, at a weighted average exercise price of \$0.78 per share;
- 682,700 shares of our Class B common stock issuable upon the exercise of outstanding options to purchase shares of our Class B common stock under the 2007 Plan granted after December 31, 2014, with an exercise price of \$1.41 per share;
- 100,000 shares of our Class B common stock issued pursuant to restricted stock awards under the 2007 Plan granted after December 31, 2014, at a purchase price of \$1.41 per share;
- shares of our Class A common stock reserved for future issuance under our 2015 Stock Incentive Plan, or the 2015 Plan, which will become effective on the day immediately prior to the date of completion of this offering; and
- shares of our Class A common stock reserved for future issuance under our 2015 Employee Stock Purchase Plan, or the ESPP, which will become effective on the day immediately prior to the date of completion of this offering.

The 2015 Plan and the ESPP each provide for automatic annual increases in the number of shares reserved thereunder. We have determined not to make any further awards under the 2007 Plan upon completion of this offering. See the section entitled “Executive Compensation—Stock Incentive Plans” for additional information.

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

- the filing and effectiveness of our amended and restated certificate of incorporation, and the effectiveness of our amended and restated bylaws, each of which will occur in connection with the completion of this offering;
- the reclassification of all outstanding shares of our existing common stock into an equivalent number of shares of our Class B common stock, which will occur immediately prior to the completion of this offering;
- the conversion and reclassification of all outstanding shares of our convertible preferred stock into an aggregate of 68,026,659 shares of our Class B common stock, which will occur immediately prior to the completion of this offering; and
- no exercise of the underwriters' option to purchase up to an additional shares of our Class A common stock.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables summarize our historical consolidated financial data for the periods indicated. We have derived the summary consolidated statements of operations data for the fiscal years ended December 31, 2013 and 2014 and the summary consolidated balance sheet data as of December 31, 2013 and 2014 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statements of operations data for the fiscal year ended December 31, 2012 and the summary consolidated balance sheet data as of December 31, 2012 from our audited consolidated financial statements, which are not included in this prospectus. Our historical results are not necessarily indicative of the results we expect in the future.

The following summary consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Year Ended December 31,		
	2012	2013	2014
(in thousands, except per share data)			
Consolidated Statements of Operations Data:			
Revenue	\$ 12,706	\$26,542	\$ 47,671
Costs and operating expenses:			
Cost of revenue (exclusive of depreciation and amortization) ⁽¹⁾	8,211	13,616	22,555
Sales and marketing ⁽¹⁾	8,001	10,337	16,876
Research and product development ⁽¹⁾	4,067	5,057	6,505
General and administrative ⁽¹⁾	2,736	2,286	6,489
Depreciation and amortization	2,079	2,850	3,805
Total costs and operating expenses	<u>25,094</u>	<u>34,146</u>	<u>56,230</u>
Operating loss	(12,388)	(7,604)	(8,559)
Other income (expense), net	—	287	(121)
Interest income, net	72	12	59
Net loss	<u>\$(12,316)</u>	<u>\$(7,305)</u>	<u>\$(8,621)</u>
Net loss per share, basic and diluted ⁽²⁾	<u>\$ (0.38)</u>	<u>\$ (0.22)</u>	<u>\$ (0.25)</u>
Weighted average common shares outstanding, basic and diluted	<u>32,418</u>	<u>33,749</u>	<u>35,027</u>
Pro forma net loss per share, basic and diluted (unaudited) ⁽²⁾			<u>\$ (0.08)</u>
Pro forma weighted average common shares, basic and diluted (unaudited)			<u>103,054</u>

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

Cost of revenue (exclusive of depreciation and amortization)	\$ 49	\$ 63	\$ 68
Sales and marketing	41	39	48
Research and product development	48	49	19
General and administrative	110	96	757
Total stock-based compensation expense	<u>\$ 248</u>	<u>\$ 247</u>	<u>\$ 892</u>

(2) See Note 2 of the notes to our consolidated financial statements for an explanation of the basic and diluted net loss per share of our common stock, and the pro forma basic and diluted net loss per share.

	As of December 31,		
	2012	2013	2014
Consolidated Balance Sheet Data:			
Cash and cash equivalents	\$ 3,943	\$ 11,269	\$ 5,412
Total assets	22,109	27,707	25,434
Deferred revenue	2,289	2,943	3,780
Convertible preferred stock	51,288	63,166	63,166
Total stockholders' deficit	(36,984)	(43,959)	(51,467)

RISK FACTORS

An investment in our Class A common stock involves risks. You should carefully consider the risks and uncertainties described below, together with all of the other information included in this prospectus, including our consolidated financial statements and the related notes included elsewhere in this prospectus, before investing in our Class A common stock. If any of the following risks are realized, our business, financial condition, operating results and prospects could be materially and adversely affected. In that case, the trading price of our Class A common stock may decline, and you may lose all or part of your investment.

Risks Related to Our Business and Our Industry

If we are unable to enter new verticals, or if our software solution for any new vertical fails to achieve market acceptance, our operating results could be adversely affected and we may be required to reconsider our growth strategy.

Our growth strategy is dependent, in part, on leveraging our AppFolio Business System, including our common technology platform, to expand into new verticals. However, we may be unable to identify new verticals that meet our criteria for selecting industries that cloud-based solutions are ideally suited to address. In addition, our market validation process may not support entry into selected verticals due to our perception of the overall market opportunity or of the willingness of market participants within those verticals to adopt our software solutions. Further, we may prefer to pursue alternative growth strategies, such as entry into markets that are adjacent to the markets in which we currently participate within our existing verticals.

Even if we choose to enter new verticals, our market validation process does not guarantee our success in any particular vertical. We may be unable to develop a software solution for a new vertical in time to take advantage of the identified market opportunity, and any delay in our time-to-market could expose us to additional competition or other factors that could impede our success. In addition, any software solution we develop for a new vertical may not provide the functionality required by potential customers and, as a result, may not achieve widespread market acceptance within the new vertical. To the extent we choose to enter new verticals, we may invest significant resources to develop and expand the functionality of our software solutions to meet the needs of customers in those verticals, which investments will occur in advance of our realization of revenue from them. If we elect not to enter new verticals in the future, or if we choose to enter new verticals and do so without achieving market acceptance for our software solutions, our reputation could be harmed, our operating results could be adversely affected, and we may be required to reconsider our growth strategy.

In addition, while we expedited our entry into the legal vertical through the acquisition of MyCase in 2012, our practice and case management solution is in an earlier stage of development than APM, our property management solution, and we are in the process of expanding the core functionality and Value+ services associated with our legal software. We face significant competition in the legal market from both vertical software vendors and cloud-based solution providers that offer one or more point solutions. There can be no assurance that we will be able to achieve market acceptance for our legal software at or near the levels achieved by our property management software. The success of our vertical market strategy depends, in part, on our ability to continue to significantly increase the number of our law firm customers and the revenue derived from them, and our failure to achieve these objectives could have an adverse impact on our operating results.

We have a limited operating history and have incurred significant operating losses. As a result of continuing investments across our organization to grow our business, we do not expect to be profitable for the foreseeable future.

We were formed in 2006 and launched our first product, APM, in 2008. We expedited our entry into the legal vertical through the acquisition of MyCase in 2012. As a result, we have a limited operating history and limited experience selling our software solutions, especially within the legal vertical. These and other factors

[Table of Contents](#)

combine to make it more difficult for us to accurately forecast our future operating results, which in turn makes it more difficult for us to prepare accurate budgets and to implement strategic plans. We expect that this uncertainty will continue to exist in our business for the foreseeable future, and will be exacerbated to the extent we introduce new functionality, or enter adjacent markets or new verticals.

We have incurred net losses in each fiscal period since our formation. We incurred net losses of \$7.3 million and \$8.6 million for the years ended December 31, 2013 and 2014, respectively. As of December 31, 2014, we had an accumulated deficit of \$53.0 million. These losses and accumulated deficit reflect the substantial investments we have made across our organization to develop our software solutions and capitalize on our market opportunity. In order to implement our business strategy, we intend to continue to make substantial investments in, among other things:

- our research and product development organization to enhance the ease of use and functionality of our software solutions by adding new core functionality, Value+ services and other improvements to address the evolving needs of our customers, as well as to develop new products for adjacent markets and new verticals;
- our customer service organization to deepen our relationships with our customers, assist our customers in achieving success through the use of our software solutions, and promote customer retention;
- our sales and marketing organization, including expansion of our direct sales organization and marketing programs, to increase the size of our customer base, increase adoption and utilization of Value+ services by our new and existing customers, and enter adjacent markets and new verticals;
- maintaining and expanding our technology infrastructure and operational support, including data center operations, to promote the security and availability of our software solutions, and support our growth; and
- our general and administrative functions, including hiring additional finance, IT, human resources and administrative personnel, to support our growth and assist us in achieving and maintaining compliance with public company reporting and compliance obligations.

As a result of our continuing investments to grow our business in these and other areas, we expect our expenses to increase significantly, and we do not expect to be profitable for the foreseeable future. Even if we are successful in increasing our customer base, and increasing revenue from new and existing customers, we may not be able to generate additional revenue in amounts that are sufficient to cover our expenses. We may incur significant losses in a particular period for a number of reasons, including as a result of the other risks and uncertainties described elsewhere in this prospectus. We cannot assure you that we will achieve profitability in the future or that, if we do become profitable, we will sustain profitability over any particular period of time. Any additional operating losses will have a negative impact on our stockholders' deficit.

We manage our business towards the achievement of long-term growth that we believe will positively impact long-term stockholder value, and not towards the realization of short-term financial or business metrics, or short-term stockholder value.

As a private company, we have concentrated on the long term, and that has served us well. As a public company, this will not change. If opportunities arise that might cause us to sacrifice our performance with respect to short-term financial or business metrics, but that we believe are in the best interests of our stockholders, we will take those opportunities. Our priority will be to achieve long-term value for our stockholders.

We focus on growing our customer base by launching new and innovative core functionality and Value+ services to address our customers' evolving business needs, developing new products for adjacent markets and additional verticals, and improving the experience of our users across our targeted verticals. We prioritize product innovation and user experience over short-term financial or business metrics. We will make product

[Table of Contents](#)

decisions that reduce our short-term operating results if we believe that these decisions are consistent with our strategic objective to achieve long-term growth. These decisions may not be consistent with the short-term expectations of certain investors, and may cause significant fluctuations in our operating results from period to period. In addition, notwithstanding our intention to make strategic decisions that positively impact long-term stockholder value, the decisions we make may not produce the long-term benefits we expect.

Following this offering, our executive officers, directors and principal stockholders will control a majority of the combined voting power of our outstanding capital stock. As a result, they will be able to continue to exercise significant influence and control over the establishment and implementation of our future business plans and strategic objectives, as well as control all matters submitted to our stockholders for approval. These persons may manage our business in ways with which you disagree and which may be adverse to your interests.

Actual or perceived security vulnerabilities in our software solutions, breaches of our security controls or other unauthorized access to our customers' data could reduce market acceptance of our software solutions and cause us to lose customers.

In providing our software solutions, we store and transmit large amounts of our customers' data, including sensitive and proprietary data. Our software solutions are typically the system of record and system of engagement for all or a portion of our customers' businesses, and the data processed through our software solutions is critical to their businesses. Cyber-attacks and other malicious Internet-based activity continue to increase in frequency and magnitude as evidenced by the recent targeting of a number of media and technology companies. As our business grows, the number of users of our software solutions, as well as the amount of information we store, is increasing, and our brands are becoming more widely recognized. We believe these factors combine to elevate the risk that we will become a target for this type of malicious activity. Techniques used to sabotage, or to obtain unauthorized access to, systems or networks change frequently and generally are not recognized until launched against a target. Therefore, we may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventive measures. In addition, some of our third-party partners also collect information from transactions with our customers, and these third parties are subject to similar threats of cyber-attacks and other malicious Internet-based activity.

If our security measures, or the security measures of our third-party partners, are breached as a result of negligence, wrongdoing or malicious activity on the part of our employees, our partners' employees or our customers' employees, or as a result of any error, product defect or otherwise, and this results in the disruption of the confidentiality, availability or integrity of our customers' data, we could incur liability to our customers and to individuals or organizations whose information was being stored by our customers, as well as fines from payment processing networks, and regulatory action by governmental bodies. If we experience a widespread security breach, we cannot be certain that our insurance coverage will be sufficient to compensate us for liabilities actually incurred or that insurance will continue to be available to us on reasonable terms, or at all. In addition, any breaches of our security controls or other unauthorized access to our customers' data could result in reputational damage, adversely affect our ability to attract new customers and cause existing customers to reduce or discontinue the use of our software solutions, all of which could harm our business and operating results. Furthermore, the perception by our current or potential customers that our software solutions could be vulnerable to security breaches, even in the absence of a particular problem or threat, could reduce market acceptance of our software solutions and cause us to lose customers.

Service outages and other performance problems associated with our technology infrastructure could harm our reputation.

We have experienced significant growth in the number of users and the amount of data that our technology infrastructure supports, and we expect this growth to continue. We seek to maintain sufficient excess capacity in our technology infrastructure to meet the needs of all of our customers, including to facilitate the expansion of existing customer deployments and the provisioning of new customer deployments. In addition, we need to

[Table of Contents](#)

properly manage our technology infrastructure in order to support version control, changes in hardware and software parameters, and the evolution of our software solutions. However, the provision of new hosting infrastructure requires significant lead-time.

We have experienced, and may in the future experience, website disruptions, service outages and other performance problems with our technology infrastructure. These problems may be caused by a variety of factors, including infrastructure changes, power or network outages, fire, flood or other natural disasters affecting our data centers, human or software errors, viruses, security breaches, fraud or other malicious activity, spikes in customer usage and denial of service issues. In some instances, we may not be able to identify the cause or causes of these service outages and performance problems within an acceptable period of time. If our technology infrastructure fails to keep pace with the increased number of users and amount of data, or if we are unable to avoid service outages and performance problems, or to resolve them quickly, it could adversely affect our ability to attract new customers, result in the loss of existing customers and harm our reputation, all of which could adversely affect our business and operating results.

Errors, defects or other disruptions in our software solutions could harm our reputation and result in significant expenditures to correct the problem.

Our customers use our software solutions to manage critical aspects of their businesses, and any errors, defects or other disruptions in the performance of our software solutions may result in loss of or damage to our customers' data and disruption to our customers' businesses, which could harm our reputation. We provide continuous updates to our software solutions and, while our software updates undergo extensive testing prior to their release, these updates may contain undetected errors when first introduced. In the past, we have discovered errors, failures, vulnerabilities and bugs in our software updates after they have been released, and similar problems may arise in the future. Real or perceived errors, failures, vulnerabilities or bugs in our software solutions could result in negative publicity, loss of customers, delay in market acceptance of our software solutions, loss of competitive position, withholding or delay of payment to us, claims by customers for losses sustained by them and potential litigation. In any such event, we may be required to expend additional resources in order to help correct the problem or, in order to address customer service or reputational concerns, we may choose to expend additional resources to take corrective action even where not required. The costs incurred in correcting any material errors, defects or other disruptions could be substantial and there may not be any corresponding increase in revenue to offset these costs. In addition, we may not carry insurance sufficient to compensate us for any losses that may result from claims arising from errors, defects or other disruptions in our software solutions.

We face a number of risks in our payment processing business that could adversely affect our operating results.

In connection with our electronic payment services, we process payments and subsequently submit these payments to our customers after varying clearing times established by us. These payments are settled through our sponsoring clearing bank and, in the case of electronic funds transfers, or EFT, through our Originating Depository Financial Institutions, or ODFIs, pursuant to agreements with one or more national banking institutions that we may contract with from time to time. Our electronic payment services subjects us to a number of risks, including, but not limited to:

- liability for customer costs related to disputed or fraudulent transactions if those costs exceed the amount of the customer reserves we have during the clearing period or after payments have been settled to our customers;
- electronic processing limits on the amounts that any single ODFI, or collectively all of our ODFIs, will underwrite;
- reliance on sponsoring clearing banks, card payment processors and other electronic payment partners to process electronic transactions;

[Table of Contents](#)

- failure by us or our partners to adhere to applicable laws, regulations and standards that may legally or contractually apply to the provision of electronic payment services;
- continually evolving and developing laws and regulations governing money transmission and anti-money laundering, the application or interpretation of which is not clear in some jurisdictions;
- incidences of fraud, a security breach, an error, defect, failure, vulnerability or bug in our electronic payments platform, or our failure to comply with required external audit standards; and
- our inability to increase our fees at times when our electronic payment partners increase their transaction processing fees.

If any of these risks related to our electronic payment services were to materialize, our business or operating results could be negatively affected. Although we attempt to structure and adapt our electronic payment services to comply with complex and evolving laws, regulations and standards, our efforts do not guarantee compliance. In the event that we are found to be in violation of our legal or contractual requirements, we may be subject to monetary fines or penalties, cease and desist orders, mandatory product changes, or other liabilities that could have an adverse effect on our operating results.

Additionally, with respect to the processing of EFTs, we are exposed to financial risk. EFTs between our customer and another user may be returned for various reasons such as insufficient funds or stop payment orders. These returns are charged back to the customer by us. However, if we or our sponsoring clearing bank is unable to collect such amounts from the customer's account or if the customer refuses or is unable to reimburse us for the chargeback, we bear the risk of loss for the amount of the transfer. While we have not experienced material losses resulting from chargebacks in the past, there can be no assurance that we will not experience significant losses from chargebacks in the future.

Evolution and expansion of our electronic payment services may subject us to additional risks and regulatory requirements.

The evolution and expansion of our electronic payment services may subject us to additional risks and regulatory requirements, including laws and regulations governing money transmission and anti-money laundering. These requirements vary throughout the markets in which we operate, and several jurisdictions lack clarity in the application and interpretation of these rules. Our efforts to comply with these rules could require significant management time and effort, as well as significant expenditures, and will not guarantee our compliance with all regulatory requirements, especially given that the applicable regulatory frameworks are constantly changing and subject to evolving interpretation. While we maintain a compliance program focused on applicable laws and regulations throughout our applicable industries, there is no guarantee that we will not be subject to fines, penalties or other regulatory actions in one or more jurisdictions, or be required to adjust our business practices to accommodate future regulatory requirements.

Our quarterly results may fluctuate significantly and period-to-period comparisons of our results may not be meaningful.

Our quarterly results, including the levels of our revenue, costs and operating expenses, and operating margins, may fluctuate significantly in the future, and period-to-period comparisons of our results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of our future performance. In addition, our quarterly results may not fully reflect the underlying performance of our business.

Factors that may cause fluctuations in our quarterly results include, but are not limited to:

- our ability to retain our existing customers, and to expand adoption and utilization of our core solutions and Value+ services by our existing customers;

[Table of Contents](#)

- our ability to attract new customers, the type of customers we are able to attract, the size and needs of their businesses, and the cost of acquiring these new customers;
- our ability to convert customers who start their accounts on a free trial into paying subscribers;
- the mix of our core solutions and Value+ services sold during the period;
- variations in the timing of sales of our core solutions and Value+ services as a result of trends impacting the verticals in which we sell our software solutions;
- the timing and market acceptance of new core functionality, Value+ services and other products introduced by us and our competitors;
- changes in our pricing policies or those of our competitors;
- the timing of our recognition of revenue;
- the amount and timing of costs and operating expenses related to the maintenance and expansion of our business, infrastructure and operations;
- the amount and timing of costs and operating expenses associated with assessing or entering adjacent markets or new verticals;
- the amount and timing of costs and operating expenses related to the development or acquisition of businesses, services, technologies or intellectual property rights, and potential future charges for impairment of goodwill from these acquisitions;
- the timing and impact of security breaches, service outages or other performance problems with our technology infrastructure and software solutions;
- the timing and costs associated with legal or regulatory actions;
- changes in the competitive dynamics of our industry, including consolidation among competitors, strategic partners or customers;
- loss of our executive officers or other key employees;
- industry conditions and trends that are specific to the verticals in which we sell or intend to sell our software solutions; and
- general economic and market conditions.

Fluctuations in quarterly results may negatively impact the value of our Class A common stock, regardless of whether they impact or reflect the overall performance of our business. If our quarterly results fall below the expectations of investors or any securities analysts who follow our stock, or below any guidance we may provide, the price of our Class A common stock could decline substantially.

Business management software for SMBs is a relatively new and developing market and, if the market develops more slowly than we expect or declines, our operating results could be adversely affected.

We currently provide cloud-based business management software for SMBs in the property management and legal industries and, as part of our business strategy, we will assess entry into new verticals. While the overall market for cloud-based business management software is rapidly growing, it is not as mature as the market for legacy on-premise software applications. In addition, when compared to larger enterprises, SMBs have not historically purchased enterprise resource planning or other enterprise-wide software systems to manage their businesses due to the cost and complexity of implementing such systems, which generally did not address their industry-specific needs. Furthermore, a number of widely adopted cloud-based solutions have not traditionally targeted SMBs. As a result, many SMBs still run their businesses using manual processes and

[Table of Contents](#)

disparate software systems that are not web-optimized, while others may have invested substantial resources to integrate a variety of point solutions into their organizations to address one or more specific business needs and, therefore, may be reluctant to migrate to a vertical cloud-based solution designed to apply to their entire business. Because we derive, and expect to continue to derive, substantially all of our revenue from sales of our cloud-based business management software to SMBs in our targeted verticals, our success will depend, to a substantial extent, on the widespread adoption by SMBs in these verticals of cloud computing in general and of cloud-based business management software in particular.

The market for industry-specific, cloud-based business management software for SMBs, both generally, and specifically within the property management and legal industries, is evolving and, in comparison to the overall market for cloud-based solutions, is relatively small. The continued expansion of this market depends on numerous factors, including:

- the cost and perceived value associated with cloud-based business management software relative to on-premise software applications and disparate point solutions;
- the ability of cloud-based solution providers to offer SMBs the functionality they need to operate and grow their businesses;
- the willingness of SMBs to transition from their existing software systems, or otherwise alter their existing businesses practices, to migrate their businesses to a vertical cloud-based business management software solution; and
- the ability of cloud-based solution providers to address security, privacy, availability and other concerns.

If cloud-based business management software does not achieve widespread market acceptance among SMBs, our revenue may increase at a slower rate than we expect and may even decline, which could adversely affect our operating results. In addition, it is difficult to estimate the rate at which SMBs will be willing to transition to vertical cloud-based business management software in any particular period, which makes it difficult to estimate the overall size and growth rate of the market for cloud-based business management software for SMBs at any given point in time or to forecast growth in our revenue or market share.

Our estimates of market opportunity may prove to be inaccurate and, even if the markets in which we compete meet or exceed our size estimates, we could fail to increase our revenue or market share.

Market opportunity estimates are subject to significant uncertainty and are based on assumptions and estimates, including our internal analysis and industry experience. Assessing the market for industry-specific, cloud-based business management software for SMBs is particularly difficult due a number of factors, including limited available information and rapid evolution of the market. Consequently, the estimates in this prospectus relating to the size of the SMB market for cloud-based business management software for the property management and legal industries may prove to be inaccurate.

In addition, even if the markets in which we compete meet or exceed the size estimates in this prospectus, our business could fail to grow in line with our forecasts, or at all, and we could fail to increase our revenue or market share. Our growth, and our ability to serve a significant portion of our target markets, will depend on many factors, including our success in executing our business strategy, which is subject to many risks and uncertainties, including the other risks and uncertainties described elsewhere in this prospectus. Accordingly, estimates of market opportunity in this prospectus should not be taken as indicative of our future growth.

If we are unable to introduce successful enhancements, including new and innovative core functionality and Value+ services for our existing verticals, or new products for adjacent markets or additional verticals, our business could be adversely affected.

The software industry in general, and in our targeted verticals in particular, is characterized by rapid technological advances, changing industry standards, evolving customer requirements and intense competition. Our ability to attract new customers, increase revenue from our existing customers, and expand into adjacent markets depends, in part, on our ability to enhance the functionality of our existing software solutions by introducing new and innovative core functionality and Value+ services that keep pace with technological developments, and provide functionality that addresses the evolving business needs of our customers. In addition, our growth over the long term depends, in part, on our ability to introduce new products for adjacent markets or additional verticals that we identify through our market validation process. Market acceptance of our current and future software solutions will depend on numerous factors, including:

- the unique functionality of our software solutions and the extent to which our software solutions meet the business needs of our customers;
- the perceived benefits of our cloud-based business management software solutions relative to on-premise software applications or other competitive products;
- the pricing of our software solutions relative to competitive products;
- perceptions about the security, privacy and availability of our software solutions relative to competitive products;
- time-to-market of our new core functionality, Value+ services and products; and
- perceptions about the quality and responsiveness of our customer service organization.

If we are unable to successfully enhance the functionality of our existing software solutions, including our core solutions and Value+ services, and develop new products that gain market acceptance in adjacent markets and additional verticals, our revenue may increase at a slower rate than we expect and may even decline, which could adversely affect our operating results.

Our business depends substantially on existing customers renewing their subscriptions with us and expanding their use of our Value+ services, and a decline in customer renewal rates, or failure to convince existing customers to adopt and utilize our Value+ services, would harm our operating results.

In order for us to maintain or increase our revenue and improve our operating results, it is important that our existing customers continue to pay subscription fees for the use of our core solutions, as well as increase their adoption and utilization of our Value+ services. Our customers that start their accounts using a free trial have no obligation to begin a paid subscription. In addition, our customers have no obligation to renew their subscriptions with us upon expiration of their subscription periods, which range from one month to one year. We cannot assure you that our customers will renew their subscriptions with us. In addition, although a significant portion of our revenue growth has historically resulted from the adoption and utilization of our Value+ services by our existing customers, we cannot assure you that our existing customers will continue to broaden their adoption and utilization of our Value+ services, or use our Value+ services at all. If our existing customers do not renew their subscriptions and increase their adoption and utilization of our existing or newly developed Value+ services, our revenue may increase at a slower rate than we expect and may even decline, which could adversely impact our operating results.

Word-of-mouth referrals represent a significant source of new customers for us and provide us with an opportunity to cost-effectively market and sell our software solutions. The loss of our existing customers, or the failure of our existing customers to adopt and use additional Value+ services, could have a significant impact on our reputation in our targeted verticals and our ability to acquire new customers cost-effectively. A reduction in the number of our existing customers, even if offset by an increase in new customers, could have the impact of reducing our revenue and operating margins.

[Table of Contents](#)

In an effort to retain our customers and to expand our customers' adoption and utilization of our Value+ services, we may choose to use increasingly costly sales and marketing efforts. In addition, we may make significant investments in research and product development to introduce Value+ services that ultimately are not broadly adopted by our customers, which could result in a significant increase in costs without a corresponding increase in revenue. Furthermore, we may fail to identify Value+ services that our customers need for their businesses, in which case we could miss opportunities to increase our revenue.

We expect to continue to derive a significant portion of our revenue from our property manager customers, and factors resulting in a loss of these customers could adversely affect our operating results.

Historically, most of our revenue has been derived from APM, our property management solution, and we expect that our property manager customers will continue to account for a significant portion of our revenue for the foreseeable future. The businesses of our property manager customers are typically significantly larger than those of our law firm customers. In addition, our property management solution has been available for longer, is more established within its vertical with a larger customer base, and currently offers a greater number of Value+ services. We could lose property manager customers as a result of numerous factors, including:

- the expiration or termination of subscription agreements;
- the introduction of competitive products or technologies;
- changes in pricing policies by us or our competitors;
- acquisitions or consolidations within the industry;
- bankruptcies or other financial difficulties facing our customers; and
- conditions or trends that are specific to the property management industry.

The loss of a significant number of our property manager customers, or the loss of even a small number of our larger property manager customers, could cause our revenue to increase at a slower rate than we expect or even decline. In addition, we may be unable to grow revenue from our existing property manager customers by increasing their adoption and utilization of our Value+ services. Even if we continue to experience significant growth in our customer base within the legal vertical, it may be insufficient to offset slower growth or a decline in the property management business, which could adversely affect our operating results.

Our growth depends in part on the success of our strategic relationships with third parties.

In order to grow our business, we anticipate that we will continue to depend on our relationships with third parties, including our data center operators, electronic payment partners and other third parties that support delivery of our software solutions. Identifying partners, negotiating agreements and maintaining relationships requires significant time and resources. Our competitors may be more effective than us in cost-effectively building relationships with third parties that enhance their products and services, allow them to provide more competitive pricing, or offer other benefits to their customers. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of current and potential strategic partners willing to establish or maintain relationships with us, and could increase the price at which products or services are available to us. If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenue could be impaired, which could negatively impact our operating results. Even if we are successful, we cannot assure you that these relationships will result in increased customer adoption and usage of our software solutions or improved operating results. Furthermore, if our partners fail to perform as expected, we may be subjected to litigation, our reputation may be harmed, and our business and operating results could be adversely affected.

We depend on data centers and computing infrastructure operated by third parties and any disruption in these operations could adversely affect our operating results.

We currently serve our customers through a combination of our own servers located in third-party data center facilities, and servers and data centers operated by Amazon. While we control and have access to our own servers and the other components of our network that are located in our external data centers, we do not control the operation of any of these third-party data center 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 third-party data center operators is acquired, we may be required to transfer our servers and other infrastructure to new data center facilities, and we may incur significant costs and possible service interruptions in connection with doing so.

Problems faced by our third-party data center operators, or with any of the service providers with whom we or they contract, could adversely affect the experience of our customers. Our third-party data center operators could decide to close their facilities without adequate notice. In addition, any financial difficulties, such as bankruptcy, faced by our third-party data center operators, or any of the service providers with whom we or they contract, may have negative effects on our business. Additionally, if our data centers are unable to keep up with our growing needs for capacity or any spikes in customer demand, it could have an adverse effect on our business. Any changes in third-party service levels at our data centers could result in loss of or damage to our customers' stored information and service interruptions, which could hurt our reputation. These issues could also cause us to lose customers, harm our ability to attract new customers, or subject us to potential liability, any of which could adversely affect our operating results.

Our systems are not fully redundant, and we have not yet implemented a complete disaster recovery plan or business continuity plan. Although the redundancies we do have in place will permit us to respond, at least to some degree, to service outages, our third-party data centers are vulnerable in the event of failure. We do not yet have adequate structure or systems in place to recover from a data center's severe impairment or total destruction, and recovery from the total destruction or severe impairment of any of our third-party data centers could be difficult and may not be possible at all.

We use third-party service providers for important payment processing and reporting functions and their failure to fulfill their contractual obligations could harm our reputation and disrupt our business.

We use payment processing organizations and other service providers to enable us to provide electronic payment services to our customers, including EFT, and access to various reporting tools, such as background and credit checks. As a result, we have significantly less control over these payment processing and reporting functions than if we were to maintain and operate them ourselves. In some cases, functions necessary to our business are performed on proprietary third-party systems and software to which we have no access. We also generally do not have long-term contracts with these organizations and service providers. In addition, some of these organizations and service providers compete with us by directly or indirectly selling payment processing or reporting services to customers. The failure of these organizations and service providers to renew their contracts with us or to fulfill their contractual obligations could harm our reputation, result in significant disruptions to our business, and adversely affect our operating results.

Our platform must integrate with a variety of devices, operating systems and browsers that are developed by others, and if we are unable to ensure that our software solutions interoperate with such devices, operating systems and browsers, our software solutions may become less competitive, and our operating results may be harmed.

We offer our software solutions across a variety of operating systems and through the Internet. We are dependent on the interoperability of our platform with third-party devices, desktop and mobile operating systems, as well as web browsers that we do not control. Any changes in such devices, systems or web browsers that

degrade the functionality of our software solutions or give preferential treatment to competitive services could adversely affect adoption and usage of our software solutions. In addition, in order to deliver high quality software solutions, we will need to continuously enhance and modify our functionality to keep pace with changes in Internet-related hardware, mobile operating systems such as iOS and Android, browsers and other software, communication, network and database technologies. We may not be successful in developing enhancements and modifications that operate effectively with these devices, operating systems, web browsers and other technologies or in bringing them to market in a timely manner. Furthermore, uncertainties regarding the timing or nature of new network platforms or technologies, and modifications to existing platforms or technologies, could increase our research and product development expense. In the event that it is difficult for our customers to access and use our software solutions, our customer growth may be harmed, and our operating results could be adversely affected.

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

The overall market for business management software is global, highly competitive and continually evolving in response to changes in technology, operational requirements, and laws and regulations. Although earlier in its development, the market for cloud-based business management software is also highly competitive and subject to similar market factors.

While we focus on providing industry-specific, cloud-based business management software solutions to SMBs in our targeted verticals, we compete with other vertical cloud-based solution providers that serve companies of all sizes, as well as with horizontal cloud-based solution providers that provide broad cloud-based solutions across multiple verticals. Our competitors include established vertical software vendors, as well as newer entrants in the market. We also face competition from numerous cloud-based solution providers that focus almost exclusively on one or more point solutions. Continued consolidation among cloud-based providers could lead to significantly increased competition.

Although the domain expertise required to successfully develop, market and sell cloud-based business management software solutions in the property management and legal verticals may hinder new entrants that are unable to invest the necessary resources to develop and deploy cloud-based solutions with the same level of functionality as ours, many of our competitors and potential competitors are larger and have greater name recognition, longer operating histories, and significantly greater resources than we do. As a result, our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, operational requirements and industry standards. Some of these competitors may have more established customer relationships or strategic partnerships with third parties that enhance their products and services. Other competitors may offer products or services that address one or a number of business functions on a standalone basis at lower prices or bundled as part of a broader product sale, or with greater depth than our software solutions. In addition, our current and potential competitors may develop, market and sell new technologies with comparable functionality to our software solutions, which could force us to decrease our prices in order to remain competitive. For all of these reasons, we may not be able to compete effectively against our current and future competitors, which could harm our business.

Pricing pressure may cause us to change our pricing model, which could hurt our renewal rates and adversely affect our operating results.

As the markets for our existing software solutions mature, or as current and future competitors introduce new products or services that compete with ours, we may experience pricing pressure and be unable to renew our subscription agreements with existing customers or attract new customers at prices that are consistent with our pricing model and operating budget. If this were to occur, it is possible that we would have to change our pricing model, offer price incentives or reduce our prices. In addition, our customers are SMBs, which are typically more price sensitive than larger enterprises. Changes to our pricing model could hurt our renewal rates and adversely affect our revenue and operating results.

If we lose key members of our management team, our business may be harmed.

Our success and future growth depend, in part, upon the continued services of our executive officers and other key employees. From time to time, there may be changes in our executive officers or other key employees resulting from the hiring or departure of these personnel, which may disrupt our business. Our executive officers and other key employees are generally employed on an at-will basis, which means that these personnel could terminate their employment with us at any time. Additionally, the equity awards held by many of our executive officers and other key employees will be close to fully vested at the time of the completion of this offering, and these employees may not have sufficient financial incentive to stay with us. The loss of one or more of our executive officers or other key employees, or the failure by our executive team to work effectively with our employees and lead our company, could have an adverse effect on our business.

Our corporate culture has contributed to our success and, if we cannot maintain this culture as we grow, we could lose the passion, creativity, teamwork, focus and innovation fostered by our culture.

We believe that our culture has been and will continue to be a key contributor to our success. If we do not continue to develop our corporate culture or maintain our core values as we grow and evolve, we may be unable to foster the passion, creativity, teamwork, focus and innovation we believe we need to support our growth. Any failure to preserve our culture could negatively affect our ability to recruit and retain personnel and to effectively focus on and pursue our strategic objectives. Moreover, liquidity available to our employee security holders following this offering could lead to disparities of wealth among our employees, which could adversely impact relations among employees and our culture in general. Our transition from a private company to a public company may result in a change to our corporate culture, which could harm our business.

We expect to experience rapid growth and if we fail to manage our growth effectively, we may be unable to execute our business plan.

We have experienced significant growth since our formation in 2006, and we anticipate that we will continue to experience growth and expansion of our operations. For example, since our incorporation, we have significantly increased the number of employees across our organization, introduced new Value+ services, including our electronic payment services and tenant liability insurance program, and entered a new vertical with the acquisition of MyCase. This growth in the size, complexity and diversity of our business has placed, and we expect that our continued growth will continue to place, a significant strain on our management, administrative, operational and financial resources, as well as our company culture. Our future 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 develop and improve our operational and financial controls and our reporting systems and procedures, and to nurture and build on our company culture. Failure to effectively manage growth could adversely impact our business, including by resulting in errors or delays in deploying new core functionality to our customers, delays or difficulties in introducing new Value+ services or other products, declines in the quality or responsiveness of our customer service organization, increases in costs and operating expenses, and other operational difficulties. If any of these risks actually occurs, it could harm our reputation, adversely affect our operating results, and inhibit or preclude us from achieving our strategic objectives.

We depend on highly skilled personnel and, if we are unable to retain or hire additional qualified personnel, we may not be able to achieve our strategic objectives.

To execute our growth plan and achieve our strategic objectives, we must continue to attract and retain highly qualified and motivated personnel across our organization. In particular, in order to continue to enhance our software solutions, add new and innovative core functionality and Value+ services, as well as develop new products, it will be critical for us to substantially increase the size of our research and product development organization, including hiring highly skilled engineers with experience in designing, developing and testing cloud-based software solutions. Competition for software engineers is intense within our industry and there

[Table of Contents](#)

continues to be upward pressure on the compensation paid to these professionals. In addition, in order for us to achieve broader market acceptance of our software solutions, grow our customer base, and pursue adjacent markets and new verticals, we will need to continue to significantly increase the size of our sales and marketing organization. Identifying and recruiting qualified sales personnel and training them in the use of our platform requires significant time and expense, and it can be particularly difficult to retain these personnel.

Many of the companies with which we compete for experienced personnel have greater name recognition and financial resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that we or these employees have breached their legal obligations, resulting in a diversion of our time and resources. In addition, our headquarters are located in Santa Barbara, California, which is not generally recognized as a prominent commercial center, and it is challenging to attract qualified professionals due to our geographic location. As a result, we may have difficulty hiring and retaining suitably skilled personnel with the qualifications and motivation to expand our business. If we are unable to attract and retain the personnel necessary to execute our growth plan, we may be unable to achieve our strategic objectives and our operating results may suffer.

In addition, prospective and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived value of our equity awards decline, or if the price of our Class A common stock experiences significant volatility, it may adversely affect our ability to recruit and retain highly skilled employees. If we fail to attract new personnel or to retain and motivate our current personnel, our future growth prospects could be adversely affected and our business could be harmed.

We have acquired, and may in the future acquire, other companies or technologies, which could divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations.

We have acquired, and may in the future acquire, other companies or technologies to complement or expand our software solutions, optimize our technical capabilities, enhance our ability to compete in our targeted verticals, provide an opportunity to expand into an adjacent market or new vertical, or otherwise offer growth or strategic opportunities. For example, in 2012, we acquired MyCase, which allowed us to accelerate our time-to-market in the legal vertical. The pursuit of acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated.

We have limited experience acquiring other businesses. We may not be able to integrate acquired assets, technologies, personnel and operations successfully or achieve the anticipated synergies or other benefits from the acquired business due to a number of risks associated with acquisitions, including:

- incurrence of acquisition-related costs;
- difficulties integrating the assets, technologies, personnel or operations of the acquired business in a cost-effective manner, or inability to do so;
- difficulties and additional expenses associated with supporting legacy products and services of the acquired business;
- difficulty converting the customers of the acquired business to our software solutions and contract terms;
- diversion of management's attention from our business to address acquisition and integration challenges;
- adverse effects on our existing business relationships with customers and strategic partners as a result of the acquisition;

Table of Contents

- cultural challenges associated with integrating employees from the acquired organization into our company;
- the loss of key employees;
- use of resources that are needed in other parts of our business;
- use of substantial portions of our available cash to consummate the acquisition; and
- unanticipated costs or liabilities associated with the acquisition.

If an acquired business fails to meet our expectations, our operating results, business and financial position may suffer. In addition, acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. Furthermore, a significant portion of the purchase price of companies we may acquire could be allocated to goodwill and other intangible assets, which must be assessed for impairment. 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 adversely affect our operating results.

If our property manager customers stop requiring residents to provide proof of tenant liability insurance, if insurance premiums decline or if the insureds experience greater than expected losses, our operating results could be harmed.

We generate revenue by offering tenant liability insurance through a wholly owned subsidiary. Some of our property manager customers require residents to provide proof of tenant liability insurance and offer to enroll residents in their tenant liability insurance policy as additional insureds. If demand for rental housing declines, or if our property manager customers believe that it may decline, these customers may reduce their rental rates and stop requiring residents to provide proof of tenant liability insurance in order to reduce the overall cost of renting and make their rental offerings more competitive. If our property manager customers stop requiring residents to provide proof of tenant liability insurance or elect to enroll residents in insurance programs offered by competing providers, or if insurance premiums otherwise decline, our revenues from insurance services could be adversely affected.

Additionally, our tenant liability insurance policies are underwritten by us, and we are required by our insurance partner to maintain a reserve to cover potential claims under the policies. While our policies have a limit of \$100,000 per occurrence, there is no limit on the dollar amount of claims that could be made against us in any particular period or in the aggregate. In the event that claims by the insureds increase unexpectedly, our reserve may not be sufficient to cover our resultant liability under the policies. To the extent we are required to pay out amounts to insureds that are significantly higher than our current reserves, it could have an adverse effect on our operating results.

Our tenant liability insurance business is subject to state governmental regulation, which could limit the growth of our insurance business and impose additional costs on us.

Our wholly owned subsidiary holds a license from the State of Hawaii Insurance Division of the Department of Commerce and Consumer Affairs and our third-party service providers maintain licenses with a number of other individual state departments of insurance. Collectively, we are subject to state governmental regulation and supervision in connection with the operation of our tenant liability insurance business. This state governmental supervision could limit the growth of our insurance business by increasing the costs of regulatory compliance, limiting or restricting the products or services we provide or the methods by which we provide them, or subjecting us to the possibility of regulatory actions or proceedings. Our continued ability to maintain these insurance licenses in the jurisdictions in which we are licensed depends on our compliance with the rules and regulations promulgated from time to time by the regulatory authorities in each of these jurisdictions. Furthermore, state insurance departments conduct periodic examinations, audits and investigations of the affairs of insurance companies, any of which could result in the expenditure of significant management time or financial resources.

[Table of Contents](#)

In all jurisdictions, the applicable laws and regulations are subject to amendment or interpretation by regulatory authorities. Generally, such authorities are vested with relatively broad discretion to grant, renew and revoke licenses and approvals and to implement rules and regulations. Accordingly, we may be precluded or temporarily suspended from carrying on some or all of the activities of our insurance business or otherwise be fined or penalized in a given jurisdiction. No assurances can be given that our insurance business can continue to be conducted in any given jurisdiction as it has been conducted in the past or that we will be able to expand our insurance business in the future.

All of our revenues are generated by sales to customers in our targeted verticals, and factors that adversely affect the applicable industry could also adversely affect us.

Currently, all of our sales are to customers in the property management and legal industries. Demand for our software solutions could be affected by factors that are unique to and adversely affect our targeted verticals. In particular, the property management and legal industries are highly regulated, subject to intense competition and impacted by changes in general economic and market conditions. For example, changes in applicable laws and regulations could significantly impact the software functionality demanded by our customers and require us to expend significant resources to ensure our software solutions continue to meet their evolving needs. In addition, other industry-specific factors, such as industry consolidation or the introduction of competing technology, could lead to a significant reduction in the number of customers that use our software solutions within a particular vertical or the Value+ services demanded by these customers. Further, if the rental housing or legal markets decline, our customers may decide not to renew their subscriptions or they may cease using our Value+ services in order to reduce costs and remain competitive. As a result, our ability to generate revenue from our property manager and law firm customers could be adversely affected by specific factors that affect the property management or legal industries.

Our software solutions address functions within the heavily regulated property management and legal industries, and our customers' failure to comply with applicable laws and regulations could subject us to litigation.

We sell our software solutions to customers within the property management and legal industries. Our customers use our software solutions for business activities that are subject to a number of laws and regulations, including state and local real property laws and legal ethics rules. Any failure by our customers to comply with laws and regulations applicable to their businesses, and in particular to the functions for which our software solutions are used, could result in fines, penalties or claims for substantial damages against our customers. To the extent our customers believe that such failures were caused by our software solutions or our customer service organization, our customers may make a claim for damages against us, regardless of whether we are responsible for the failure. We may be subject to lawsuits that, even if unsuccessful, could divert our resources and our management's attention and adversely affect our business, and our insurance coverage may not be sufficient to cover such claims against us.

If we are unable to deliver effective customer service, it could harm our relationships with our existing customers and adversely affect our ability to attract new customers.

Our business depends, in part, on our ability to satisfy our customers, both by providing software solutions that address their business needs, and by providing on-boarding services and ongoing customer service, which contributes to retaining customers and increasing adoption and utilization of our Value+ services by our existing customers. Once our software solutions are deployed, our customers depend on our customer service organization to resolve technical issues relating to their use of our solutions. We may be unable to respond quickly to accommodate short-term increases in customer demand for support services or may otherwise encounter a customer issue that is difficult to resolve. If a customer is not satisfied with the quality or responsiveness of our customer service, we could incur additional costs to address the situation. As we do not separately charge our customers for support services, increased demand for our support services would increase costs without corresponding revenue, which could adversely affect our operating results.

[Table of Contents](#)

In addition, our sales process is highly dependent on the ease of use of our software solutions, our reputation and positive recommendations from our existing customers. Any failure to maintain high-quality or responsive customer service, or a market perception that we do not maintain high-quality or responsive customer service, could harm our reputation, cause us to lose customers and adversely impact our ability to sell our software solutions to prospective customers.

If we are unable to maintain and promote our brands, or to do so in a cost-effective manner, our ability to achieve market acceptance of our software solutions and expand our customer base will be impaired.

We believe that maintaining and promoting our brands is critical to achieving widespread awareness and acceptance of our software solutions, and maintaining and expanding our customer base. We also believe that the importance of brand recognition will increase as competition in our targeted verticals increases. If we do not continue to build awareness of our brands, we could be placed at a competitive disadvantage to companies whose brands are, or become, more recognizable than ours. Maintaining and promoting our brands will depend, in part, on our ability to continue to provide new and innovative core functionality and Value+ services and best-in-class customer service, as well as the effectiveness of our sales and marketing efforts. If we fail to deliver products and functionality that address our customers' business needs, or if we fail to meet our customers' expectations for customer service, it could weaken the perception of our brands and harm our reputation. Additionally, the actions of third parties may affect our brands and reputation if customers do not have a positive experience using the services of our third-party partners that support our software solutions. Maintaining and enhancing our brands may require us to make substantial investments, and these investments may not result in commensurate increases in our revenue. If we fail to successfully promote and maintain our brands, or if we incur expenses in this effort that are not offset by increased revenue, our business and operating results could be adversely affected.

If we are unable to increase sales of our software solutions to larger customers while mitigating the risks associated with serving such customers, our business and operating results may suffer.

While we plan to continue to market and sell our software solutions to SMBs, our growth strategy is dependent, in part, upon increasing sales of our software solutions to larger customers within the SMB market. Sales to larger customers involve risks that may not be present, or that are present to a lesser extent, in sales to smaller businesses. As we seek to increase our sales to larger customers, we may invest considerably greater amounts of time and financial resources in our sales and marketing efforts. In addition, we may face longer sales cycles and experience less predictability and greater competition in completing some of our sales than we have in selling our software solutions to smaller entities. Although we generally have not configured our software solutions or negotiated our pricing for specific customers, which has historically resulted in reduced upfront selling costs, our ability to successfully sell our software solutions to larger customers may be dependent, in part, on our ability to develop functionality, or to implement pricing policies, that are unique to particular customers. It may also be dependent on our ability to attract and retain sales personnel with experience selling to larger organizations. Also, because security breaches or other performance problems with respect to larger customers may result in greater economic harm to these customers and more adverse publicity, there is increased financial and reputational risk associated with serving such customers. If we are unable to increase sales of our software solutions to larger customers, while mitigating the risks associated with serving such customers, our business and operating results may suffer.

Because we recognize revenue from subscriptions for our software solutions over the terms of the subscription agreements, downturns or upturns in new business may not be immediately reflected in our operating results.

We recognize revenue from customers ratably over the terms of their subscription agreements, which range from one month to one year. As a result, some of the revenue we report in each period is derived from the recognition of deferred revenue relating to subscription agreements entered into during previous periods. Consequently, a decline in new or renewed subscriptions in any one period may not be reflected in our revenue

[Table of Contents](#)

results for that period. However, any such decline will negatively affect our revenue in future quarters. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription period. Accordingly, the effect of downturns or upturns in our sales and the market acceptance of our software solutions, and potential changes in our customer retention rates, may not be apparent in our operating results until future periods.

Because our invoicing is generally for periods less than one year, we do not have significant deferred revenue and our growth is therefore heavily dependent on subscription sales and renewals in the current year.

Our growth is heavily dependent on subscription sales and renewals in the current year. We offer our core solutions and Value+ subscription services to customers pursuant to subscription agreements with relatively short terms ranging from one month to one year. We generally invoice our customers for subscription services in monthly, quarterly or annual installments, typically in advance of the subscription period. As a result, we do not have significant deferred revenue because invoicing is generally for periods less than one year. We do not currently intend to extend the terms of our subscription agreements, or to invoice our customers less frequently, and we expect that we will continue to depend on current-year sales and renewals to drive our growth.

Failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brands.

We currently rely on patent, trademark, copyright and trade secret laws, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our intellectual property rights. Our success and ability to compete depend, in part, on our ability to protect our intellectual property, including our proprietary technology and our brands. If we are unable to protect our proprietary rights adequately, our competitors could use the intellectual property we have developed to enhance their own products and services, which could harm our business.

In order to monitor and protect our intellectual property rights, we may be required to spend significant resources. 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, or require us to pay costly royalties. 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 adversely affect our business and operating results.

We may be sued by third parties for alleged infringement of their proprietary rights.

There is considerable patent, trademark, copyright, trade secret and other intellectual property development activity in our industry. Our success depends, in part, on 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 technology or software solutions. From time to time, our competitors or other third parties may claim that we are infringing upon 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 software solutions. Any claims or litigation, regardless of merit, could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages, settlement costs or ongoing royalty payments, require that we comply with other unfavorable license and other terms, or prevent us from offering our software solutions in their current form. Even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the attention of our management and key personnel from our business operations and harm our operating results.

Our software solutions contain open source software, which may pose particular risks to our proprietary source code, and could have a negative impact on our business and operating results.

We use open source software in our software solutions and expect to continue to use open source software in the future. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source licenses could be construed in a manner that imposes unanticipated conditions, restrictions or costs on our ability to provide or distribute our software solutions. Additionally, we may from time to time face claims from third parties alleging ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation, which could be costly for us to defend, and could require us to make our source code freely available, purchase a costly license or cease offering the implicated core functionality and Value+ services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and product development resources, and we may not be able to complete it successfully or in a timely manner. In addition to risks related to license requirements, usage of certain 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 software. Many of these risks could be difficult to eliminate or manage, and could have a negative effect on our business and operating results.

Changes in laws and regulations related to the Internet or changes in the Internet infrastructure itself may diminish the demand for our software solutions, and could have a negative impact on our business.

The future success of our business depends upon the continued use of the Internet as a primary medium for commerce, communication and business services. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the Internet as a commercial medium. Changes in these laws or regulations could require us to modify our software solutions in order to comply with these changes. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the Internet, or for the commerce conducted via the Internet. These laws or charges could limit the growth of Internet-related commerce or communications generally, result in reductions in the demand for Internet-based business services such as ours, and cause us to incur significant expenses.

The use of the Internet in general could be adversely affected by delays in the development or adoption of new standards and protocols to handle increased demands of Internet activity, accessibility, reliability, security, cost, ease of use and quality of service. In addition, the use of the Internet as a medium for commerce, communication and business services may have been, and may continue to be, adversely affected by concerns regarding network outages, software errors, viruses, security breaches, fraud or other malicious activity. If the use of the Internet is adversely affected by these issues, demand for our software solutions could suffer.

Privacy and data security laws and regulations could impose additional costs on us and reduce the demand for our software solutions.

Our customers store and transmit a significant amount of personal or identifying information through our technology platform. Privacy and data security have become significant issues in the United States and in other jurisdictions where we may offer our software solutions. The regulatory framework relating to privacy and data security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Federal, state and foreign government bodies and agencies have in the past adopted, or may in the future adopt, laws and regulations regarding the collection, use, processing, storage and disclosure of personal or identifying information obtained from customers and other individuals. In addition to government regulation, privacy advocates and industry groups may propose various self-regulatory standards that may legally or contractually apply to our business. Because the interpretation and application of many privacy and data security laws, regulations and applicable industry standards are uncertain, it is possible that these laws, regulations and

standards may be interpreted and applied in a manner inconsistent with our existing privacy and data management practices. As we expand into new jurisdictions or verticals, we will need to understand and comply with various new requirements applicable in those jurisdictions or verticals.

To the extent applicable to our business or the businesses of our customers, these laws, regulations and industry standards could have negative effects on our business, including by increasing our costs and operating expenses, and delaying or impeding our deployment of new core functionality, Value+ services and products. Compliance with these laws, regulations and industry standards requires significant management time and attention, and failure to comply could result in negative publicity, subject us to fines or penalties, or result in demands that we modify or cease existing business practices. In addition, the costs of compliance with, and other burdens imposed by, such laws, regulations and industry standards may adversely affect our customers' ability or desire to collect, use, process and store personal information using our software solutions, which could reduce overall demand for them. Even the perception of privacy and data security concerns, whether or not valid, may inhibit market acceptance of our software solutions in certain verticals. Furthermore, privacy and data security concerns may cause our customers' clients, vendors, employees and other industry participants to resist providing the personal information necessary to allow our customers to use our applications effectively. Any of these outcomes could adversely affect our business and operating results.

We may require additional capital to support our operations or the growth of our business, and we cannot be certain that this capital will be available on reasonable terms when required, or at all.

On occasion, we may need additional capital to grow our business and meet our strategic objectives. Our ability to obtain additional capital, if and when required, will depend on numerous factors, including investor and lender demand, our historical and forecasted financial and operating performance, our market position, and the overall condition of the capital markets. We cannot guarantee that additional financing will be available to us on favorable terms when required, or at all. In addition, if we raise additional funds through the issuance of equity securities, those securities may have powers, preferences or rights senior to the rights of our Class A common stock, and our existing stockholders may experience dilution. If we raise additional funds through the issuance of debt securities, we may incur interest expense or other costs to service the indebtedness, or we may be required to encumber certain assets, which could negatively impact our operating results. Furthermore, if we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support the growth of our business and the achievement of our strategic objectives could be significantly impaired and our operating results may be harmed.

Financing agreements we are party to or may become party to may contain operating and financial covenants that restrict our business and financing activities. Failure to comply with these covenants, or other restrictions, could result in default under these agreements.

Our existing credit agreement with Wells Fargo Bank, N.A. contains certain operating and financial restrictions and covenants, including limitations on dividends, dispositions, mergers or consolidations, incurrence of indebtedness and liens, and other corporate activities. These restrictions and covenants, as well as those contained in any future financing agreements that we may enter into, may restrict our ability to finance our operations, and to engage in, expand or otherwise pursue our business activities and strategic objectives. Our ability to comply with these covenants may be affected by events beyond our control, and breaches of these covenants could result in a default under our existing credit agreement and any future financial agreements that we may enter into. If not waived, defaults could cause our outstanding indebtedness under our existing credit agreement and any future financing agreements that we may enter into to become immediately due and payable.

Because our long-term growth strategy involves expansion of our sales to customers outside the United States, our business will be susceptible to the risks associated with international operations.

A component of our growth strategy involves the expansion of our international operations and worldwide customer base. To date, we have realized an immaterial amount of revenue from customers outside the United

[Table of Contents](#)

States. Operating in international markets will require significant resources and management attention and will subject us to regulatory, economic, geographic and political risks that are different from those in the United States. Because of our limited experience with international operations and significant differences between the United States and international markets, our international expansion efforts may not be successful in creating demand for our software solutions outside of the United States or in effectively selling subscriptions to our software solutions in the international markets we enter. If we invest substantial time and resources to expand our international operations and are unable to do so successfully, our business and operating results could suffer.

We will incur significantly increased costs and devote substantial management time as a result of operating as a public company.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. We will be subject to certain requirements under the Securities Act of 1933, as amended, or the Securities Act, the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act and the related rules and regulations of the SEC. We will also be subject to the listing standards of the NASDAQ Global Market, or NASDAQ. We expect that the requirements of these laws, rules, regulations and listing standards will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult and time consuming, and place significant strain on our personnel, systems and resources. We will need to hire additional accounting and financial personnel with appropriate public company experience and technical knowledge. We cannot predict with certainty the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs, which will increase our general and administrative expense. We also expect that operating a public company will make it more difficult and expensive for us to obtain director and officer liability insurance on reasonable terms. As a result, it may be more difficult for us to attract and retain qualified people to serve on our board of directors or as executive officers.

We have identified material weaknesses in our internal control over financial reporting that, if not corrected, could result in material misstatements to our financial statements.

In connection with the audit of our consolidated financial statements as of and for the year ended December 31, 2014, our independent registered public accounting firm identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or 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 would not be prevented or detected on a timely basis. We have not designed or maintained an effective control environment with sufficient personnel with an appropriate level of accounting and financial reporting expertise with respect to the accounting for non-routine, complex transactions. This lack of an effective control environment contributed to a material weakness in our accounting policies and procedures designed to address the accounting for unusual or complex transactions. These material weaknesses resulted in audit adjustments in our 2014 financial statements and a revision to our 2012 and 2013 financial statements.

Neither we nor our independent registered public accounting firm has performed or was required to perform an evaluation of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. While we have begun the process of evaluating the design and operation of our internal control over financial reporting and implementing additional processes and controls, we are in the early phases and will not complete our implementation until after this offering is completed. During the course of our evaluation and implementation, we may identify additional control deficiencies, which could give rise to other material weaknesses, in addition to the material weaknesses described above. The material weaknesses described above or any newly identified material weakness could result in a material misstatement of our annual or interim consolidated financial statements that would not be prevented or detected.

If we fail to achieve and maintain an effective system of internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

We are not currently required to comply with the rules and regulations of the SEC implementing Section 404 of the Sarbanes-Oxley Act and, therefore, are not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. Upon becoming a public company, we will be required to comply with the SEC's rules and regulations implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting. Though we will be required to disclose changes made in our internal controls and procedures on a quarterly basis, Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting commencing with our second annual report on Form 10-K by providing a management report on internal control over financial reporting. Pursuant to the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until the later of the year following our first annual report required to be filed with the SEC or the date we are no longer an emerging growth company.

If we continue to have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. Ineffective internal control over financial reporting, failure to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner and the inability to express an opinion as to the effectiveness of our internal control over financial reporting could cause investors to lose confidence in our reported financials and other information, which could have a negative effect on the market price of our Class A common stock. Additionally, it could lead to an investigation by the SEC, NASDAQ or other regulatory authorities, which could require additional financial and management resources.

We are an emerging growth company and our decision to comply with certain reduced reporting and disclosure requirements could make our Class A common stock less attractive to investors.

We qualify as an emerging growth company under the JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements and may be relieved of other significant requirements that are otherwise generally applicable to public companies. These provisions include:

- an exemption from compliance with the auditor attestation requirement on the effectiveness of our internal control over financial reporting;
- an exemption from compliance with any requirement that the Public Company Accounting Oversight Board may adopt regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure about our executive compensation arrangements; and
- exemptions from the requirements to obtain a non-binding advisory vote on executive compensation or stockholder approval of any golden parachute arrangements.

We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act. However, we intend to take advantage of the other exemptions discussed above. Accordingly, the information contained in this prospectus may be different from the information you receive from other public companies in which you have invested.

We cannot predict if investors will find our Class A common stock less attractive as a result of our reliance on these exemptions. If some investors find our Class A common stock less attractive as a result of our reliance on these exemptions, there may be a less active trading market for our Class A common stock, the market price of our Class A common stock may be more volatile, and the trading price of our Class A common stock may be lower than that of comparable companies.

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

As of December 31, 2014, we had U.S. federal net operating loss carryforwards of approximately \$56.3 million and state net operating loss carryforwards of approximately \$40.2 million, which begin to expire in 2027 and 2017, respectively. As of December 31, 2014, we had U.S. federal credit carryforwards of approximately \$2.0 million and state credit carryforwards of approximately \$2.1 million. The federal credit carryforwards begin to expire in 2027 and the state credits carry forward indefinitely. Under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an “ownership change” occurs if there is a cumulative change in our ownership by “5% shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. It is possible that our existing net operating loss and/or credit carryforwards may be subject to limitations arising from previous ownership changes, and this offering or future issuances of our stock could cause an ownership change. Furthermore, our ability to utilize net operating loss and/or credit carryforwards of companies that we have acquired or may acquire in the future may be subject to limitations. Any such limitations on our ability to use our net operating loss carryforwards and other tax assets could adversely impact our business, financial condition and operating results.

Tax laws or regulations could be enacted or changed and existing tax laws or regulations could be applied to us or to our customers in a manner that could increase the costs of our software solutions and adversely impact our operating results.

The application of federal, state, local and foreign tax laws to services provided electronically is continuously evolving. New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted or amended at any time, possibly with retroactive effect, and could be applied solely or disproportionately to services provided over the Internet. These enactments or amendments could adversely affect our sales activity due to the inherent cost increase the taxes would represent and ultimately result in a negative impact on our operating results.

In addition, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, modified or applied adversely to us, possibly with retroactive effect, which could require us or our customers to pay additional tax amounts, as well as require us or our customers to pay fines or penalties, as well as interest on past amounts. If we are unsuccessful in collecting such taxes due from our customers, we could be held liable for such costs, thereby adversely impacting our operating results.

We may be subject to additional tax liabilities.

We are subject to income, sales, use, value added and other taxes in the United States and other jurisdictions in which we conduct business, and such laws and rates vary by jurisdiction. Certain jurisdictions in which we do not collect sales, use, value added or other taxes on our sales may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to pay or collect such taxes in the future. If we receive an adverse determination as a result of an audit or related litigation, or we unilaterally determine that we have misinterpreted provisions of the tax regulations to which we are subject, there could be a material effect on our tax provision, net income or cash flows in the period or periods for which that determination is made.

Adverse economic conditions may negatively impact our business.

The growth of our business depends on the overall demand for business management software and on the economic health of our existing and prospective customers. Future economic changes could negatively impact the U.S. and global economy, which could cause customers to reduce or delay their information technology spending, or resist migrating from their existing software to our software solutions. This could in turn reduce

[Table of Contents](#)

demand for our software solutions and result in a loss of customers, reductions in subscription duration and value, slower adoption of new technologies, increased price competition, longer sales cycles and increased sales and marketing expenditures. Any of these events could have an adverse effect on our business and operating results.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States, or GAAP, 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 these principles or interpretations could have a significant impact on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change. For example, in May 2014, the FASB issued Accounting Standards Update, or ASU, No. 2014-09, *Revenue from Contracts with Customers*, which will replace most existing revenue recognition guidance under GAAP when it becomes effective for us in 2017, although the FASB has proposed rules to defer its effectiveness until 2018. We have not yet determined the effect of this guidance on our financial condition or results of operations.

Risks Related to Our Class A Common Stock and This Offering

The market price of our Class A common stock may be volatile, and you could lose all or part of your investment.

Prior to the completion of this offering, there has been no public market for shares of our Class A common stock. We cannot assure you that an active trading market for our Class A common stock will develop, or, if developed, that any market will be sustained following this offering. If trading in our Class A common stock is not active, you may not be able to sell your shares as quickly as you would prefer, or at all. The initial public offering price of our Class A common stock will be determined through negotiation between us and the underwriters. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell shares of our Class A common stock following this offering. In addition, the market price of our Class A common stock following this offering is likely to be highly volatile. Accordingly, the market price of our Class A common stock after this offering may be higher or lower than the initial public offering price of our Class A common stock and could be subject to wide fluctuations in response to various factors, many of which may be beyond our control and may not be related to our overall financial or operating performance.

Fluctuations in the price of our Class A common stock could cause you to lose all or part of your investment because you may not be able to sell your shares at or above the price you paid in this offering. There are numerous factors that could cause fluctuations in the market price of our Class A common stock, including:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of software company stocks;
- changes in operating performance and stock market valuations of other software companies generally or those that sell cloud-based solutions within our targeted verticals in particular;
- sales of shares of our Class A common stock by us or our stockholders, or perceptions that such sales may occur;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow us, or our failure to meet these estimates or the expectations of investors;
- the guidance we may provide to the public, any changes in that guidance or our failure to meet that guidance;
- announcements by us or our competitors of new products or services;

[Table of Contents](#)

- the public's reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other software companies;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management; and
- general economic conditions and trends, including slow or negative growth of our markets.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and adversely affect the price of our Class A common stock.

The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of this offering, including our executive officers, directors and principal stockholders, which will limit your ability to influence corporate matters.

Our Class B common stock has 10 votes per share, and our Class A common stock, which is the stock we are offering in this offering, has one vote per share. Upon the completion of this offering, the holders of the outstanding shares of our Class B common stock, including our executive officers, directors, and principal stockholders, will collectively hold approximately % of the combined voting power of our outstanding capital stock. Because of the 10-to-one voting ratio between our Class B common stock and Class A common stock, the holders of our Class B common stock will collectively continue to control a majority of the combined voting power of our outstanding capital stock and will therefore be able to continue to exercise significant influence and control over the establishment and implementation of our future business plans and strategic objectives, as well as to control all matters submitted to our stockholders for approval. These persons may manage our business in ways with which you disagree and which may be adverse to your interests. This concentrated control may also have the effect of delaying, deterring or preventing a change-in-control transaction, depriving our stockholders of an opportunity to receive a premium for their capital stock or negatively affecting the market price of our Class A common stock.

Future transfers by holders of our Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions. The conversion of our Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of the holders of our Class B common stock who retain their shares over the long term.

Anti-takeover provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our amended and restated certificate of incorporation that will be filed immediately prior to the completion of this offering, and our amended and restated bylaws that will be in effect immediately prior to the completion

[Table of Contents](#)

of this offering, contain provisions that could have the effect of rendering more difficult hostile takeovers, change-in-control transactions or changes in our board of directors or management. Among other things, these provisions:

- authorize the issuance of preferred stock with powers, preferences and rights that may be senior to our common stock, which can be created and issued by our board of directors without prior stockholder approval;
- provide for the adoption of a staggered board of directors whereby the board is divided into three classes, each of which has a different three-year term;
- provide that the number of directors will be fixed by the board;
- prohibit our stockholders from filling board vacancies;
- provide for the removal of a director only for cause and then only by the affirmative vote of the holders of a majority of the combined voting power of our outstanding capital stock;
- prohibit stockholders from calling special stockholder meetings;
- prohibit stockholders from acting by written consent without holding a meeting of stockholders;
- require the vote of at least two-thirds of the combined voting power of our outstanding capital stock to approve amendments to our certificate of incorporation or bylaws;
- require advance written notice of stockholder proposals and director nominations; and
- provide for a dual-class common stock structure, as discussed above.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, or DGCL, which may delay, deter or prevent a change-in-control transaction. Section 203 imposes certain restrictions on mergers, business combinations and other transactions between us and holders of 15% or more of our common stock.

Any provision of Delaware law, our amended and restated certificate of incorporation, or our amended and restated bylaws, that has the effect of rendering more difficult, delaying, deterring or preventing a change-in-control transaction could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

After this offering, a total of 104,196,556 shares of our outstanding capital stock will be restricted from immediate resale but may be sold in the near future, which could depress the market price of our Class A common stock.

Prior to this offering, there has been no public market for shares of our Class A common stock, and a liquid trading market for our Class A common stock may not develop or be sustained after this offering. Future sales of a substantial number of shares of our Class A common stock in the public market after this offering, or the perception that such sales could occur, could adversely affect the market price of our Class A common stock prevailing from time to time after this offering and could impair our ability to raise equity capital in the future.

Based on the number of shares of our existing common stock outstanding as of December 31, 2014, upon the completion of this offering, a total of shares of our Class A common stock and 104,196,556 shares of our Class B common stock will be outstanding, after giving effect to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into shares of our Class B common stock immediately prior to the completion of this offering.

Our executive officers, directors and the holders of substantially all of the shares of our Class B common stock, and of options to purchase shares of our Class B common stock, are subject to lock-up agreements with the

[Table of Contents](#)

underwriters under which they have agreed, subject to specific exceptions, not to sell any of their shares of our Class B common stock for 180 days following the date of this prospectus.

The shares of our Class A common stock to be sold in this offering will generally be freely tradable in the public market without restriction under the Securities Act, unless these shares are purchased by our “affiliates,” as that term is defined in Rule 144 under the Securities Act, or Rule 144. Subject to the lock-up agreements, and the provisions of Rule 144 and Rule 701 under the Securities Act, or Rule 701, as well as our insider trading policy, the 104,196,556 shares of our Class B common stock will be available for sale in the public market at various times beginning 181 days after the date of this prospectus.

Following the expiration of the lock-up agreements, stockholders holding approximately 68,026,659 shares of our Class B common stock will be entitled to registration rights with respect to the sale of the shares of our Class A common stock into which these shares are convertible.

In addition, we intend to file a registration statement under the Securities Act to register all of the shares of our common stock subject to options outstanding or reserved for issuance under the 2007 Plan, the 2015 Plan, and the ESPP. Shares registered under this registration statement will be freely tradable in the public market, subject to any vesting restrictions and lock-up agreements applicable to these shares.

Future sales of our Class A common stock could cause the market price of our Class A common stock to decline and make it more difficult for you to sell shares of our Class A common stock.

The purchase price of our Class A common stock might not reflect its value, and you may be diluted as a result of this offering and future equity issuances.

Based on the assumed initial public offering price of our Class A common stock of \$ per share, which is the midpoint of the price range on the cover page of this prospectus, investors purchasing shares of our Class A common stock in this offering will experience immediate dilution in the pro forma net tangible book value per share of \$ per share as of December 31, 2014. Investors purchasing shares of our Class A common stock in this offering will contribute approximately % of the total amount invested by stockholders since our inception, but will only own approximately % of the total number of shares of our common stock to be outstanding upon the completion of this offering. To the extent that, following the completion of this offering, any outstanding options to purchase shares of our Class B common stock are exercised, any new equity awards are issued under the 2015 Plan, or any shares are purchased under the ESPP, there will be further dilution to investors purchasing shares of our Class A common stock in this offering. In addition, in the future, we may choose to raise additional capital through the sale of shares of our Class A common stock, or other securities convertible into, or exercisable or exchangeable for, shares of our Class A common stock, due to our financial requirements, strategic considerations, general economic conditions, or otherwise. Any such issuance would result in further dilution to investors purchasing shares of our Class A common stock in this offering.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business, our market or our competitors, or if they adversely change their recommendations regarding our Class A common stock, the market price and trading volume of our Class A common stock could decline.

The trading market for our Class A common stock will be influenced by the research and reports that securities or industry analysts may publish about us, our business, our market or our competitors. If few analysts commence coverage of us, the market price for our Class A common stock could be negatively affected. If any of the analysts who may cover us adversely change their recommendations regarding our Class A common stock or provide more favorable recommendations about our competitors, the market price of our Class A common stock may decline. If any of the analysts who may cover us were to cease coverage of us or fail to publish reports on us regularly, visibility of our company in the financial markets could decrease, which in turn could cause the market price or trading volume of our Class A common stock to decline.

[Table of Contents](#)

Our management team will have broad discretion over the use of proceeds and 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 to us from this offering for working capital and other general corporate purposes. Our management team will retain broad discretion over the allocation of the net proceeds from this offering, and investors will be relying on the judgment of our management regarding the application of these net proceeds. These net proceeds may be used for corporate purposes that do not favorably affect our operating results or in a way with which you disagree. In addition, until we use the net proceeds from this offering, we plan to invest them, and these investments may not yield a favorable rate of return or may lose value. If we do not invest or apply the net proceeds from this offering in ways that enhance stockholder value, we may fail to achieve our strategic objectives and expected financial results, which could cause our stock price to decline.

We do not expect to declare any dividends in the foreseeable future.

We have never declared or paid any cash dividends on our existing common stock. We do not anticipate declaring or paying any cash dividends to holders of our Class A common stock in the foreseeable future and intend to retain all future earnings for the growth of our business. In addition, the terms of our credit facility restrict our ability to pay dividends. Consequently, investors may need to rely on sales of our Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors should not purchase our Class A common stock with the expectation of receiving cash dividends.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws, which statements are subject to substantial risks and uncertainties. These forward-looking statements are principally contained in the sections entitled “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” although we make forward-looking statements throughout this prospectus. Forward-looking statements include all statements that are not statements of historical facts and can be identified by words such as “anticipates,” “believes,” “seeks,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “could,” “will,” “would” or similar expressions and the negatives of those expressions. In particular, forward-looking statements contained in this prospectus relate to, among other things, our future or assumed financial condition, results of operations, business forecasts and plans, strategic plans and objectives, product development plans, capital needs and financing plans, use of proceeds from this offering, competitive position, industry environment, potential growth opportunities, potential market opportunities, acquisitions or divestitures, compensation plans and objectives, governance structure and policies, and the price of our Class A common stock.

Forward-looking statements represent our management’s current beliefs and assumptions based on information currently available. While we do not make forward-looking statements unless we have a reasonable basis for doing so, we cannot guarantee their accuracy or completeness. Forward-looking statements involve numerous known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks and uncertainties in greater detail in the section entitled “Risk Factors” and elsewhere in this prospectus. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. You should read this prospectus, and the other documents that we have filed as exhibits to the registration statement of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from the results expressed or implied by these forward-looking statements.

Moreover, we operate in an evolving environment. New risks and uncertainties emerge from time to time and it is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual future results to be materially different from those expressed or implied by any forward-looking statements.

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

We qualify all of our forward-looking statements by these cautionary statements.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, certain information contained in this prospectus concerning our industry and the markets and verticals in which we operate, including our market opportunity, is based on data from various sources. In presenting this information, we have also made assumptions based on such data and other similar sources, and on our knowledge of, and our experience to date in, our industry and the markets and verticals in which we operate. This information involves a number of important estimates and limitations, and you are cautioned not to place undue reliance on such information. Although neither we nor the underwriters have independently verified the accuracy or completeness of any information provided by third parties, we believe the information included in this prospectus is reliable.

Our industry and the markets and verticals in which we operate are subject to a high degree of risk and uncertainty due to a variety of factors, including those described in the section entitled “Risk Factors.” These risks and uncertainties could cause assumptions made by us or third parties to be inaccurate, and could cause actual results to differ materially from those expressed in the estimates made by us or third parties.

Certain information in this prospectus is contained in independent industry publications. This information is identified with a superscript number. This information is contained in the following independent industry publications, which are publicly available:

- (1) Parallels, “SMB Cloud Insights for Global 2014,” February 2014;
- (2) Parallels, “SMB Cloud Insights for United States 2014,” February 2014; and
- (3) Deloitte, “Small Business, Big Technology: How the Cloud Enables Rapid Growth in SMBs,” September 2014.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of \$ million, or \$ million if the underwriters exercise in full their option to purchase additional shares of our Class A common stock, assuming an initial public offering price of \$ per share, which is the midpoint of the price range on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share, which is the midpoint of the price range on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by \$ million, assuming the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase (decrease) of 1.0 million shares in the number of shares of Class A common stock offered by us would increase (decrease) the net proceeds to us from this offering by \$ million, assuming the assumed initial public offering price of \$ per share remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to obtain additional capital, enhance our financial flexibility and create a public market for our Class A common stock. We intend to use the net proceeds to us from this offering for working capital and other general corporate purposes. In addition, we may in the future enter into arrangements to acquire or invest in complementary businesses, services, technologies or intellectual property rights. However, we have no agreements or commitments with respect to any such acquisitions or investments at this time.

As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the net proceeds from this offering. The amounts and timing of our actual uses of net proceeds will vary depending on numerous factors, including the factors described in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” As a result, our management will retain broad discretion over the allocation of the net proceeds from this offering, and investors will be relying on our management’s judgment regarding the application of the net proceeds.

Pending the use of the net proceeds from this offering, consistent with our investment policy, we intend to invest the net proceeds in investment grade, short-term interest-bearing obligations, such as money-market funds, certificates of deposit, or direct or guaranteed obligations of the United States government, or hold the net proceeds as cash. We cannot predict whether any net proceeds invested will yield a favorable return.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We have no plans to declare or pay any dividends on our capital stock in the foreseeable future and intend to retain all future earnings, if any, generated by our operations for the growth of our business. Any future decision to declare or pay dividends will be made by our board of directors in its sole discretion and will depend upon our financial condition, results of operations, capital requirements, general economic conditions and other factors that our board of directors deems relevant at the time of its decision. Investors should not purchase our Class A common stock with the expectation of receiving cash dividends.

In addition, the terms of our credit facility restrict our ability to pay dividends. See the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” for additional information.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2014:

- on an actual basis;
- on a pro forma basis to give effect to the filing and effectiveness of our amended and restated certificate of incorporation and the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into an aggregate of 104,196,556 shares of our Class B common stock, as if such filing, effectiveness, conversion and reclassification had occurred on December 31, 2014; and
- on a pro forma as adjusted basis to give effect to (i) the pro forma adjustments set forth above and (ii) the issuance and sale by us of _____ shares of our Class A common stock in this offering, and the receipt of the net proceeds from our sale of these shares at an assumed initial public offering price of \$ _____ per share, which is the midpoint of the price range on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The unaudited pro forma and pro forma as adjusted information below is illustrative only, and the actual cash and cash equivalents, total stockholders' (deficit) equity and total capitalization upon the completion of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing.

You should read this table in conjunction with the sections entitled "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of Capital Stock," as well as our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of December 31, 2014		
	Actual	Pro Forma	Pro Forma as Adjusted
	(in thousands, except par value)		
Cash and cash equivalents	\$ 5,412	\$ 5,412	\$
Convertible preferred stock, par value \$0.0001; 68,027 shares authorized, issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	63,166	—	
Stockholders' (deficit) equity:			
Preferred stock, par value \$0.0001; no shares authorized, issued and outstanding, actual; _____ shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—	—	
Existing common stock, par value \$0.0001; 123,000 shares authorized, 36,170 shares issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	3	—	
Class A common stock, par value \$0.0001; no shares authorized, issued and outstanding, actual; _____ shares authorized, no shares issued and outstanding, pro forma; _____ shares authorized, _____ shares issued and outstanding, pro forma as adjusted	—	—	
Class B common stock, par value \$0.0001; no shares authorized, issued and outstanding, actual; _____ shares authorized, 104,197 shares issued and outstanding, pro forma and pro forma as adjusted	—	10	
Additional paid-in capital	1,544	64,703	
Accumulated deficit	(53,014)	(53,014)	
Total stockholders' (deficit) equity	(51,467)	11,699	
Total capitalization	\$ 11,699	\$ 11,699	\$

[Table of Contents](#)

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ _____ per share, which is the midpoint of the price range on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by \$ _____ million, assuming the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase (decrease) of 1.0 million shares in the number of shares of Class A common stock offered by us would increase (decrease) our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by \$ _____ million, assuming the assumed initial public offering price of \$ _____ per share remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise in full their option to purchase additional shares of our Class A common stock, and assuming the assumed initial public offering price of \$ _____ per share, which is the midpoint of the price range on the cover page of this prospectus, remains the same, the pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization would increase by approximately \$ _____ million, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. In that event, we would have _____ shares of our Class A common stock issued and outstanding on a pro forma as adjusted basis.

The table and discussion above are based on no shares of our Class A common stock and 104,196,556 shares of our Class B common stock outstanding as of December 31, 2014, and exclude:

- 4,866,995 shares of our Class B common stock issuable upon the exercise of outstanding options to purchase shares of our Class B common stock under the 2007 Plan as of December 31, 2014, at a weighted average exercise price of \$0.78 per share;
- 682,700 shares of our Class B common stock issuable upon the exercise of outstanding options to purchase shares of our Class B common stock under the 2007 Plan granted after December 31, 2014, with an exercise price of \$1.41 per share;
- 100,000 shares of our Class B common stock issued pursuant to restricted stock awards under the 2007 Plan granted after December 31, 2014, at a purchase price of \$1.41 per share;
- _____ shares of our Class A common stock reserved for future issuance under the 2015 Plan, which will become effective on the day immediately prior to the date of completion of this offering; and
- _____ shares of our Class A common stock reserved for future issuance under the ESPP, which will become effective on the day immediately prior to the date of completion of this offering.

DILUTION

If you invest in our Class A common stock in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our Class A common stock and the pro forma as adjusted net tangible book value per share of our common stock upon completion of this offering.

Our historical net tangible book value (deficit) as of December 31, 2014 was \$3.1 million, or \$0.09 per share of our existing common stock. Historical net tangible book value per share represents the amount of our total tangible assets (total assets less intangible assets) reduced by the amount of our total liabilities and divided by the total number of shares of our existing common stock outstanding as of the date of the calculation.

On a pro forma basis, after giving effect to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into 104,196,556 shares of our Class B common stock immediately prior to the completion of this offering, our net tangible book value as of December 31, 2014 would have been \$3.1 million, or \$0.03 per share of our Class B common stock.

Investors purchasing shares of our Class A common stock in this offering will incur immediate and substantial dilution. After giving effect to the sale of our Class A common stock in this offering, assuming an initial public offering price of \$ per share, which is the midpoint of the price range on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of December 31, 2014 would have been \$ million, or \$ per share of our common stock. This represents an immediate increase in pro forma as adjusted net tangible book value of \$ per share to existing stockholders, and an immediate dilution of \$ per share to investors purchasing shares of our Class A common stock in this offering.

The following table illustrates this per share dilution:

Assumed initial public offering price per share		\$
Historical net tangible book value per share as of December 31, 2014	\$ 0.09	
Decrease in pro forma net tangible book value per share attributable to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into 104,196,556 shares of our Class B common stock immediately prior to the completion of this offering	(0.06)	
Pro forma net tangible book value per share as of December 31, 2014	0.03	
Increase in pro forma net tangible book value per share attributable to investors purchasing in this offering		
Pro forma as adjusted net tangible book value per share upon the completion of this offering		
Dilution in pro forma net tangible book value per share to investors purchasing in this offering		\$

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share, which is the midpoint of the price range on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share upon the completion of this offering by \$, assuming that the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase (decrease) of 1.0 million shares in the number of shares of our Class A common stock offered by us would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by \$ per share and increase (decrease) the dilution to new investors by \$ per share, assuming the assumed initial public offering price of \$ per share remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Table of Contents

If the underwriters exercise in full their option to purchase additional shares of our Class A common stock, and assuming the assumed initial public offering price of \$ per share, which is the midpoint of the price range on the cover page of this prospectus, remains the same, the pro forma as adjusted net tangible book value per share would be approximately \$ per share, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The following table summarizes, as of December 31, 2014, on the pro forma as adjusted basis described above, the differences between the number of shares of our common stock purchased from us, after giving effect to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into shares of our Class B common stock immediately prior to the completion of this offering, the total cash consideration paid in this offering and the average price per share paid by our existing stockholders and by investors purchasing shares of our Class A common stock in this offering at an assumed initial public offering price of \$ per share, which is the midpoint of the price range on the cover page of this prospectus, before deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders before this offering		%	\$	%	\$
Investors purchasing in this offering					
Total		100.0%	\$	100.0%	

If the underwriters exercise in full their option to purchase additional shares of our Class A common stock, the number of shares of our common stock held by existing stockholders will be reduced to % of the total number of shares of our common stock to be outstanding upon the completion of this offering, and the number of shares of our common stock held by investors purchasing in this offering will be increased to % of the total number of shares of our common stock to be outstanding upon the completion of this offering.

The table and discussion above are based on no shares of our Class A common stock and 104,196,556 shares of our Class B common stock outstanding as of December 31, 2014, and exclude:

- 4,866,995 shares of our Class B common stock issuable upon the exercise of outstanding options to purchase shares of our Class B common stock under the 2007 Plan as of December 31, 2014, at a weighted average exercise price of \$0.78 per share;
- 682,700 shares of our Class B common stock issuable upon the exercise of outstanding options to purchase shares of our Class B common stock under the 2007 Plan granted after December 31, 2014, with an exercise price of \$1.41 per share;
- 100,000 shares of our Class B common stock issued pursuant to restricted stock awards under the 2007 Plan granted after December 31, 2014, at a purchase price of \$1.41 per share;
- shares of our Class A common stock reserved for future issuance under the 2015 Plan, which will become effective on the day immediately prior to the date of completion of this offering; and
- shares of our Class A common stock reserved for future issuance under the ESPP, which will become effective on the day immediately prior to the date of completion of this offering.

To the extent that any outstanding options to purchase shares of our Class B common stock are exercised, any new equity awards are issued under the 2015 Plan, or any shares are purchased under the ESPP, there will be further dilution to investors purchasing shares of our Class A common stock in this offering. In addition, in the future, we may choose to raise additional capital through the sale of shares of our Class A common stock, or other securities convertible into, or exercisable or exchangeable for, shares of our Class A common stock, due to our financial requirements, strategic considerations, general economic conditions, or otherwise. Any such issuance would result in further dilution to investors purchasing shares of our Class A common stock in this offering.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables provide our historical selected consolidated financial data for the periods indicated. We have derived the selected consolidated statements of operations data for the fiscal years ended December 31, 2013 and 2014 and the selected consolidated balance sheet data as of December 31, 2013 and 2014 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the selected consolidated statements of operations data for the fiscal year ended December 31, 2012 and the selected consolidated balance sheet data as of December 31, 2012 from our audited consolidated financial statements, which are not included in this prospectus. Our historical results are not necessarily indicative of the results we expect in the future.

The following selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Year Ended December 31,		
	2012	2013	2014
	(in thousands, except per share data)		
Consolidated Statements of Operations Data:			
Revenue	\$ 12,706	\$26,542	\$ 47,671
Costs and operating expenses:			
Cost of revenue (exclusive of depreciation and amortization)(1)	8,211	13,616	22,555
Sales and marketing(1)	8,001	10,337	16,876
Research and product development(1)	4,067	5,057	6,505
General and administrative(1)	2,736	2,286	6,489
Depreciation and amortization	2,079	2,850	3,805
Total costs and operating expenses	25,094	34,146	56,230
Operating loss	(12,388)	(7,604)	(8,559)
Other income (expense), net	—	287	(121)
Interest income, net	72	12	59
Net loss	\$(12,316)	\$(7,305)	\$(8,621)
Net loss per share, basic and diluted(2)	\$ (0.38)	\$ (0.22)	\$ (0.25)
Weighted average common shares outstanding, basic and diluted	32,418	33,749	35,027
Pro forma net loss per share, basic and diluted (unaudited)(2)			\$ (0.08)
Pro forma weighted average common shares outstanding, basic and diluted (unaudited)			103,054

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

Cost of revenue (exclusive of depreciation and amortization)	\$ 49	\$ 63	\$ 68
Sales and marketing	41	39	48
Research and product development	48	49	19
General and administrative	110	96	757
Total stock-based compensation expense	\$ 248	\$ 247	\$ 892

(2) See Note 2 of the notes to our consolidated financial statements for an explanation of the basic and diluted net loss per share of our common stock, and the pro forma basic and diluted net loss per share.

[Table of Contents](#)

	As of December 31,		
	2012	2013	2014
	(in thousands)		
Consolidated Balance Sheet Data:			
Cash and cash equivalents	\$ 3,943	\$ 11,269	\$ 5,412
Total assets	22,109	27,707	25,434
Deferred revenue	2,289	2,943	3,780
Convertible preferred stock	51,288	63,166	63,166
Total stockholders' deficit	(36,984)	(43,959)	(51,467)

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

The following discussion and analysis of our financial condition and results of operations should be read together with the section entitled "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that are based on our current expectations and reflect our plans, estimates and anticipated future financial performance. These statements involve numerous risks and uncertainties. Our actual results may differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including those set forth below and under the section entitled "Risk Factors."

Overview

We provide industry-specific, cloud-based software solutions for SMBs in the property management and legal industries. Our platform is designed to be the system of record to automate essential business processes and the system of engagement to enhance business interactions between our customers and their clients and vendors. Our mobile-optimized software solutions have a user-friendly interface across multiple devices, enabling our customers to work at any time and from anywhere. Our property management software provides small and medium-sized property managers with an end-to-end solution to their business needs, enabling them to manage properties quickly and easily in a single, integrated environment. Our legal software provides solo practitioners and small law firms with a streamlined practice and case management solution, allowing them to manage their practices and case load seamlessly within a flexible system. We also offer optional, but often mission-critical, Value+ services, such as our professionally designed websites and electronic payment services, which are seamlessly built into our core solutions.

We were formed in 2006 with a vision to revolutionize the way that SMBs grow and compete. We initially chose to enter the market for property management because it met our criteria for selecting industries that cloud-based solutions are ideally suited to address, including the prevalence of unique workflows and relationships among multiple industry participants. We launched our first product, APM, a property management solution, in 2008. Recognizing that our customers would benefit from additional mission-critical services that they can purchase as needed, we launched our first Value+ service in 2009 by offering website design and hosting services to our property manager customers. Our websites give our customers a professional online presence and serve as the hub for our system of engagement. In 2010, we commenced the roll out of our electronic payments platform with the introduction of ACH payment processing and, in 2011, we launched resident screening as additional Value+ services. In 2012, we introduced our tenant liability insurance program as a further Value+ service. Also in 2012, after completing our market validation process, we decided to enter the legal market. We expedited our time-to-market by acquiring MyCase, a legal practice and case management solution, and we leveraged our AppFolio Business System, including our experience gained in the property management vertical, to advance our software solution in the legal vertical. In 2013, we extended our website design and hosting services to our law firm customers and expanded our electronic payments platform by allowing residents to pay rent by Electronic Cash Payment and credit or debit card. In 2014, we launched an additional Value+ service for our property manager customers with our contact center to resolve or route incoming maintenance requests. Through our disciplined market validation approach and ongoing investment in product development, we continuously update our software solutions through new and innovative core functionality and Value+ services, as well as assess opportunities in adjacent markets and new verticals.

We sell our core solutions and Value+ services through a direct sales force and online through free trials. We offer our core solutions to customers on a subscription basis, with subscription fees designed to scale to the size of their businesses. Customers who adopt our Value+ services pay either subscription fees or usage-based fees, depending on the Value+ service. We also charge one-time fees in connection with certain services, such as on-boarding and website design services. We do not separately charge customers for ongoing training and support, which we believe is critical to retaining customers and increasing adoption and utilization of our Value+ services.

[Table of Contents](#)

Our property manager customers include third-party managers and owner-operators that manage single- and multi-family residences, commercial property and student housing, as well as mixed real estate portfolios. Our property manager customers typically manage portfolios ranging from 20 to 3,000 units. Our customers in the legal vertical are generally solo practitioners and small law firms with less than 20 lawyers. The businesses of our property manager customers are typically significantly larger than those of our law firm customers.

We have focused on growing our revenue by increasing the size of our customer base, retaining customers and increasing the adoption and utilization of our Value+ services by new and existing customers. We have achieved significant customer growth in a relatively short period of time. We define our customer base as the number of customers subscribing to our core solutions, exclusive of free trials, as identified by a unique customer identification code. We grew our property manager customers from 3,993 as of December 31, 2013 to 5,885 as of December 31, 2014, representing a year-over-year increase of 47%. We grew our law firm customers from 1,744 as of December 31, 2013 to 3,658 as of December 31, 2014, representing a year-over-year increase of 110%.

An important element of our ability to generate revenue is our success in maintaining and growing our relationships with our existing customers. We generate additional revenue primarily as a result of our customers purchasing our Value+ services and increasing their usage of our Value+ services. Our ability to maintain and grow relationships with our existing customers can be measured by our annual dollar-based net expansion rate for a given fiscal year, which compares the subscription and usage-based revenue we generated in that year and the preceding year (or base year) from our base customers. We establish our base customers by determining the customers from which we generated revenues during the month of December in the year preceding the base year. We then calculate our annual dollar-based net expansion rate for a given fiscal year by dividing (i) subscription and usage-based revenue generated in the given fiscal year from our base customers by (ii) subscription and usage-based revenue generated in the base year from our base customers. As of December 31, 2014, our annual dollar-based net expansion rate was 133% for our property manager customers and 100% for our law firm customers.

We evaluated the success of our business during the periods presented based on factors such as the development and launch of new and innovative core functionality and Value+ services, enhancements to user experience, customer satisfaction, growth in our revenue and customer base, fluctuations in costs and operating expenses as a percentage of revenue, operating loss or income and cash flows from operating activities. We have managed, and plan to continue to manage, our business towards the achievement of long-term growth that we believe will positively impact long-term stockholder value, and not towards the realization of short-term financial or business metrics, or short-term stockholder value.

We have invested in growth in a disciplined manner across our organization. As a result, our costs and operating expenses have increased significantly in absolute dollars primarily due to our significant growth in employees and personnel-related costs. For example, we increased our employee headcount from 254 employees as of December 31, 2013 to 377 employees as of December 31, 2014, representing a year-over-year increase of 48%. We intend to continue to invest across our organization. These investments to grow our business will continue to increase our costs and operating expenses on an absolute basis. Many of these investments will occur in advance of our realization of revenue or any other benefit and will make it difficult to determine if we are allocating our resources efficiently. We expect cost of revenue, research and product development expense, sales and marketing expense, and general and administrative expense to decrease as a percentage of revenue over the long term as revenue increases and we gain additional operating leverage in our business. As a result of this increased operating leverage, we expect our operating margins will improve over the long term.

To date, we have experienced rapid revenue growth due to our investments in research and product development, sales and marketing, customer service and support, and infrastructure. During the periods presented, we have derived more than 90% of our revenue from our property management solution, as it has been available for a longer period of time, is more established within its vertical with a larger customer base, and currently offers a greater number of Value+ services. For the years ended December 31, 2013 and 2014, our total revenue was \$26.5 million and \$47.7 million, respectively, representing year-over-year growth of 80%, and our total net losses were \$7.3 million and \$8.6 million, respectively.

Key Components of Results of Operations

Revenue

We charge our customers on a subscription basis for our core solutions and many of our Value+ services. Our subscription fees are designed to scale to the size of our customers' businesses. We recognize subscription revenue ratably over the terms of the subscription agreements, which range from one month to one year. We generally invoice our customers for subscription services in monthly, quarterly or annual installments, typically in advance of the subscription period. As a result, we do not have significant deferred revenue because our invoicing is generally for periods less than one year. Revenue from subscription services is impacted by the change in the number and type of our customers, the size and needs of our customers' businesses, our customer renewal rates, and the level of adoption of our Value+ subscription services by new and existing customers.

We also charge our customers usage-based fees for using certain Value+ services, although fees for electronic payment processing are generally paid by the clients of our customers. Usage-based fees are charged on a flat fee per transaction basis with no minimum usage commitments. We recognize revenue for usage-based services in the period the service is rendered. We generally invoice our customers for usage-based services on a monthly basis for services rendered in the preceding month. Revenue from usage-based services is impacted by the change in the number and type of our customers, the size and needs of our customers' businesses, and the level of adoption and utilization of our Value+ usage-based services by new and existing customers.

We also offer our customers assistance with on-boarding and optimizing their use of our core solutions, as well as website design services. These services are generally purchased as part of a subscription agreement, and are typically performed within the first several months of the arrangement. We recognize revenue for these one-time services upon completion of the related service. We generally invoice our customers for one-time services in advance of the services being completed.

Costs and Operating Expenses

Cost of Revenue. Cost of revenue consists of personnel-related costs (including salaries, incentive-based compensation, benefits, and stock-based compensation) for our employees focused on customer service and the support of our operations, platform infrastructure costs (such as data center operations and hosting-related costs), fees paid to third-party service providers, payment processing fees, and allocated shared costs. We typically allocate shared costs across our organization based on headcount within the applicable part of our organization. Cost of revenue excludes amortization of capitalized software development costs and acquired technology. We intend to continue to invest in customer service and support, and the expansion of our technology infrastructure, as we grow the number of our customers and roll out additional Value+ services.

Sales and Marketing. Sales and marketing expense consists of personnel-related costs (including salaries, sales commissions, incentive-based compensation, benefits, and stock-based compensation) for our employees focused on sales and marketing, costs associated with sales and marketing activities, and allocated shared costs. Marketing activities include advertising, online lead generation, lead nurturing, customer and industry events, industry-related content creation and collateral creation. Sales commissions and other incremental costs to acquire customers and grow adoption and utilization of our Value+ services by new and existing customers are expensed as incurred. We focus our sales and marketing efforts on generating awareness of our software solutions, creating sales leads, establishing and promoting our brands, and cultivating an educated community of successful and vocal customers. We intend to continue to invest in sales and marketing to increase the size of our customer base and increase the adoption and utilization of Value+ services by our new and existing customers.

Research and Product Development. Research and product development expense consists of personnel-related costs (including salaries, incentive-based compensation, benefits, and stock-based compensation) for our employees focused on research and product development, fees for third-party development resources, and allocated shared costs. Our research and product development efforts are focused on enhancing the ease of use

Table of Contents

and functionality of our existing software solutions by adding new core functionality, Value+ services and other improvements, as well as developing new products. We capitalize the portion of our software development costs that meets the criteria for capitalization. Amortization of software development costs is included in depreciation and amortization expense. We intend to continue to invest in research and product development as we continue to introduce new core functionality, roll out new Value+ services, develop new products, and expand into adjacent markets and new verticals.

General and Administrative. General and administrative expense consists of personnel-related costs (including salaries, incentive-based compensation, benefits, and stock-based compensation) for employees in our executive, finance, information technology, or IT, human resources and administrative organizations. In addition, general and administrative expense includes fees for third-party professional services (including consulting, legal and audit services), other corporate expenses, and allocated shared costs. We intend to incur incremental costs associated with supporting the growth of our business, both in terms of increased headcount and to meet the increased reporting requirements and compliance obligations associated with our transition to, and operation as, a public company. Such costs will include increases in our finance, IT, human resources and administrative personnel, additional consulting, legal and audit fees, insurance costs, board of directors' compensation, the cost of achieving and maintaining compliance with Section 404 of the Sarbanes-Oxley Act, and other costs associated with being a public company.

Depreciation and Amortization. Depreciation and amortization expense includes depreciation of property and equipment, amortization of capitalized software development costs and amortization of intangible assets. We depreciate or amortize property and equipment, software development costs and intangible assets over their expected useful lives on a straight-line basis, which approximates the pattern in which the economic benefits of the assets are consumed. Accounting guidance for internal-use software costs require that we capitalize and then amortize qualifying internal-use software costs, rather than expense costs as incurred, which has the impact of shifting these expenses to a future period and reducing the impact of these costs on our financial results in the current period. As we continue to invest in our research and product development organization and the development or acquisition of new technology, we expect to have increased capitalized software development costs and incremental amortization.

Results of Operations

The following table sets forth our results of operations for the years presented in dollars (in thousands) and as a percentage of revenue:

	Year Ended December 31,			
	2013		2014	
	Amount	%	Amount	%
Consolidated Statements of Operations Data:				
Revenue	\$26,542	100%	\$47,671	100%
Costs and operating expenses:				
Cost of revenue (exclusive of depreciation and amortization)	13,616	51	22,555	47
Sales and marketing	10,337	39	16,876	35
Research and product development	5,057	19	6,505	14
General and administrative	2,286	9	6,489	14
Depreciation and amortization	2,850	11	3,805	8
Total costs and operating expenses	34,146	129	56,230	118
Operating loss	(7,604)	(29)	(8,559)	(18)
Other income (expense), net	287	1	(121)	—
Interest income, net	12	—	59	—
Net loss	<u>\$ (7,305)</u>	<u>(28)%</u>	<u>\$ (8,621)</u>	<u>(18)%</u>

Comparison of Years Ended December 31, 2013 and 2014

Revenue

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Revenue	\$26,542	\$47,671	\$21,129	80%

Revenue increased \$21.1 million, or 80%, in 2014 compared to 2013, reflecting mainly increased revenue from our property manager customers. The overall increase was primarily a result of an increase in revenue from our core solutions from \$14.4 million to \$22.4 million, or 56%, driven by growth in the number of our customers and strong customer renewal rates, and an increase in revenue from our Value+ services from \$10.1 million to \$22.5 million, or 123%, primarily attributable to the expansion of our electronic payments platform at the end of 2013 to allow residents to pay rent by credit or debit card. In 2013 and 2014, we derived more than 90% of our revenue from our property manager customers.

Cost of Revenue (Exclusive of Depreciation and Amortization)

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Cost of revenue (exclusive of depreciation and amortization)	\$13,616	\$22,555	\$8,939	66%

Cost of revenue (exclusive of depreciation and amortization) increased \$8.9 million, or 66%, in 2014 compared to 2013. The increase was primarily a result of an increase in third-party costs of \$4.6 million incurred to support the delivery of our software solutions, an increase in personnel-related costs of \$2.9 million, and an increase in allocated costs of \$0.8 million. The increase in third-party costs primarily relates to increased expenditures associated with increased adoption and utilization of certain Value+ services by our new and existing customers. The increase in personnel-related costs was primarily due to a substantial increase in headcount within our customer service and support organization. The increase in allocated costs primarily relates to an increase in overhead costs, such as facility and IT costs, as we continued to expand our operations to support our growth.

Sales and Marketing

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Sales and marketing	\$10,337	\$16,876	\$6,539	63%

Sales and marketing expense increased \$6.5 million, or 63%, in 2014 compared to 2013. The increase was primarily a result of an increase in personnel-related costs of \$3.4 million, an increase in marketing program costs of \$2.0 million, and an increase in allocated costs of \$0.7 million. The increase in personnel-related costs was primarily due to a substantial increase in headcount within our sales and marketing organization, an increase in sales commissions due to our revenue growth, and other incentive-based compensation. The increase in marketing program costs was primarily due to an expansion of online lead generation marketing programs to acquire new customers and marketing programs designed to expand adoption and utilization of our Value+ services by new and existing customers. The increase in allocated costs primarily relates to an increase in overhead costs, such as facility and IT costs, as we continued to expand our operations to support our growth.

Research and Product Development

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Research and product development	\$5,057	\$6,505	\$1,448	29%

Research and product development expense increased \$1.4 million, or 29%, in 2014 compared to 2013. The increase was primarily a result of an increase in personnel-related costs, net of capitalized software development costs, of \$0.9 million, and an increase in allocated costs of \$0.3 million. The increase in personnel-related costs was primarily due to a substantial increase in headcount within our research and product development organization. The increase in allocated costs primarily relates to an increase in overhead costs, such as facility and IT costs, as we continued to expand our operations to support our growth.

General and Administrative

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
General and administrative	\$2,286	\$6,489	\$4,203	184%

General and administrative expense increased \$4.2 million, or 184%, in 2014 compared to 2013. The increase was primarily a result of an increase in personnel-related costs of \$2.6 million, and an increase in other costs of \$1.6 million. The increase in personnel-related costs was primarily due to one-time cash bonuses plus applicable tax withholdings, an increase in stock-based compensation, and a substantial increase in headcount within our finance, IT and administrative organizations. The increase in other costs primarily relates to an increase in overhead costs, such as facility and IT costs, as we continued to expand our operations to support our growth.

Depreciation and Amortization

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Depreciation and amortization	\$2,850	\$3,805	\$ 955	34%

Depreciation and amortization expense increased \$1.0 million, or 34%, in 2014 compared to 2013. The increase was primarily due to increased amortization expense of \$0.5 million associated with higher capitalized software development costs and increased depreciation expense of \$0.4 million related to capital purchases.

Liquidity and Capital Resources

As of December 31, 2014, our principal sources of liquidity were cash and cash equivalents totaling \$5.4 million, which were held for working capital purposes. From inception to date, we have financed our operations primarily through private placements of equity securities in the form of convertible preferred stock, resulting in total cash proceeds of approximately \$61.6 million, net of issuance costs. As of December 31, 2014, we had a working capital deficit of \$5.7 million, compared to working capital of \$6.9 million as of December 31, 2013. The decrease in our working capital was primarily due to our continued operating loss performance, increases in accrued expenses and the change in classification of contingent consideration described under “—Contractual Obligations and Other Commitments,” which is scheduled to be paid in the second quarter of 2015, from long-term to current liabilities.

[Table of Contents](#)

In March 2015, we entered into a \$12.5 million five-year term loan and revolving credit facility with Wells Fargo Bank, N.A., which matures in 2020. Borrowings bear interest at a fluctuating rate per annum equal to, at our option, (i) a base rate equal to the highest of (a) the federal funds rate plus ½ of 1%, (b) the London Interbank Offer Rate, or LIBOR, for a one-month interest period plus 1.0% and (c) the rate of interest in effect for such day as publicly announced from time to time by Wells Fargo Bank, N.A. as its “prime rate,” in each case plus an applicable margin of 5%, or (ii) LIBOR for the applicable interest period plus an applicable margin of 6%. The applicable margin is subject to step-downs upon achievement of certain senior leverage ratios. As of March 31, 2015, the outstanding borrowings under our credit facility were \$10.0 million. Borrowings are secured by substantially all of our assets. Our credit facility also contains various covenants, including covenants requiring the delivery of financial and other information and the maintenance of financial ratios, as well as covenants limiting dividends, dispositions, mergers or consolidations, incurrence of indebtedness and liens, and other corporate activities. As of March 31, 2015, we were in compliance with all of the financial covenants under our credit facility.

We believe that our existing cash and cash equivalents balance, together with borrowings available under our credit facility will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months.

Our future capital requirements will depend on many factors, including the change in the number of our customers, the adoption and utilization of our Value+ services by new and existing customers, the timing and extent of the introduction of new core functionality and Value+ services in our existing markets and verticals, the timing and extent of our expansion into adjacent markets or new verticals, the timing and extent of our investments across our organization, and the continued market acceptance of our software solutions. In addition, we may in the future enter into arrangements to acquire or invest in complementary businesses, services, technologies or intellectual property rights. For example, in April 2015, we acquired RentLinx, LLC, an advertising aggregator, which we believe will allow us to offer additional Value+ services to our property manager customers.

We may be required to seek additional equity or debt financing in order to meet these future capital requirements. If we are unable to raise additional capital when desired, or on terms that are acceptable to us, our business, operating results and financial condition could be adversely affected.

Cash Flows

The following table summarizes our cash flows for the years indicated:

	Year Ended December 31,	
	2013	2014
	(in thousands)	
Cash (used in) provided by operating activities	\$ (4,370)	\$ 475
Cash used in investing activities	(265)	(6,476)
Cash provided by financing activities	11,961	144
Net increase (decrease) in cash and cash equivalents	<u>\$ 7,326</u>	<u>\$ (5,857)</u>

Cash (Used in) Provided by Operating Activities

The primary source of operating cash inflows is cash collected from our customers for subscription and usage-based services. Our primary uses of cash from operating activities are for personnel-related expenditures and third-party costs incurred to support the delivery of our software solutions.

During the year ended December 31, 2014, cash provided by operating activities was \$0.5 million resulting from our net loss of \$8.6 million, adjusted by non-cash charges of \$4.9 million and a net increase of \$4.2 million

[Table of Contents](#)

in our operating assets and liabilities. The net increase in our operating assets and liabilities was primarily the result of a \$1.8 million increase in accounts payable, a \$1.1 million increase in accrued employee expenses related to an overall increase in personnel-related costs, a \$1.0 million increase in accrued expenses due to an overall increase in expenditures associated with the growth of our business, and a \$0.8 million increase in deferred revenue as a result of increased subscription sales, offset by a \$0.4 million decrease in accounts receivable as a result of improved collections.

During the year ended December 31, 2013, cash used in operating activities was \$4.4 million resulting from our net loss of \$7.3 million, adjusted by non-cash charges of \$1.5 million and a net increase of \$1.4 million in our operating assets and liabilities. The net increase in our operating assets and liabilities was primarily the result of a \$1.2 million increase in accrued employee expenses related to an overall increase in personnel-related costs, a \$0.8 million increase in deferred revenue as a result of increased subscription sales, and a \$0.3 million increase in accrued expenses due to an overall increase in expenditures associated with the growth of our business, offset by a \$0.5 million decrease in accounts receivable as a result of improved collections.

Cash Used in Investing Activities

During the year ended December 31, 2014, investing activities used \$6.5 million in cash primarily as a result of an increase in capitalized software development costs of \$4.6 million, and an increase in capital expenditures of \$1.9 million to purchase property and equipment.

During the year ended December 31, 2013, investing activities used \$0.3 million in cash primarily as a result of an increase in capitalized software development costs of \$2.4 million, and an increase in capital expenditures of \$1.3 million to purchase property and equipment, offset by maturities of investments in marketable securities of \$3.4 million.

Cash Provided by Financing Activities

During the year ended December 31, 2014, financing activities provided \$0.1 million in cash primarily as a result of proceeds from the exercise of stock options.

During the year ended December 31, 2013, financing activities provided \$12.0 million in cash primarily as a result of proceeds from the sale of convertible preferred stock, net of issuance costs, and the exercise of stock options.

Contractual Obligations and Other Commitments

Our principal commitments consist of contractual obligations under our capital and operating leases for office space, and contingent consideration liability related to our acquisition of MyCase, Inc. The following table summarizes our contractual obligations and other commitments as of December 31, 2014:

	Payments Due by Period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
			(in thousands)		
Capital lease obligations	\$ 71	\$ 37	\$ 34	\$ —	\$ —
Operating lease obligations	3,002	1,043	1,959	—	—
Contingent consideration liability	2,429	2,429	—	—	—
Total	\$5,502	\$ 3,509	\$1,993	\$ —	\$ —

Off-Balance Sheet Arrangements

Through December 31, 2014, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Qualitative and Quantitative Disclosure about Market Risk

Interest Rate Risk

We had cash and cash equivalents of \$5.4 million as of December 31, 2014, consisting of bank deposits and money market funds. We had \$0 of outstanding debt for each of the years presented. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates. A hypothetical 10% change in interest rates during either of the years presented would not have had a material impact on our consolidated financial statements.

Inflation Risk

We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in inflation rates.

Critical Accounting Policies and Estimates

Our consolidated financial statements and the related notes included elsewhere in this prospectus are prepared in accordance with GAAP. The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and operating expenses, provision for income taxes and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. However, actual results could differ significantly from the estimates made by our management. We evaluate our estimates and assumptions on an ongoing basis. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

We believe that the following critical accounting policies involve a greater degree of judgment or complexity than our other accounting policies. Accordingly, these are the policies we believe are the most critical to a full understanding and evaluation of our consolidated financial condition and results of operations. See Note 2 of the notes to our consolidated financial statements for additional information.

Revenue Recognition

We charge our customers on a subscription basis for our core solutions and many of our Value+ services. Our subscription fees are designed to scale to the size of our customers' businesses. Our core solutions refer to the base subscriptions for our cloud-based property management and legal software solutions. Value+ services recognized on a subscription basis include website hosting, insurance and contact center services. Subscription fees for our core solutions are charged on a per-unit per-month basis for our property management software solution and on a per-user per-month basis for our legal software solution. Website hosting fees are charged based on the number of websites hosted per month. Insurance and contact center fees are charged on a per-unit per-month basis. We recognize subscription revenue ratably over the terms of the subscription agreements, which range from one month to one year. We offer customers a free-trial period to try our software. Revenue is not recognized until the free-trial period is complete and the customer has entered into a subscription agreement with us. We generally invoice our customers for subscription services in monthly, quarterly or annual installments, typically in advance of the subscription period. As a result, we do not have significant deferred revenue because our invoicing is generally for periods less than one year.

[Table of Contents](#)

We also charge our customers usage-based fees for using certain Value+ services, although fees for electronic payment processing are generally paid by the clients of our customers. Usage-based services include background and credit checks and electronic payment services. Usage-based fees are charged on a flat fee per transaction basis with no minimum usage commitments. We recognize revenue for usage-based services in the period the service is rendered. We generally invoice our customers for usage-based services on a monthly basis for services rendered in the preceding month.

We also offer our customers assistance with on-boarding and optimizing their use of our core solutions, as well as website design services. These services are generally purchased as part of a subscription agreement, and are typically performed within the first several months of the arrangement. We recognize revenue for these one-time services upon completion of the related service. We generally invoice our customers for one-time services in advance of the services being completed.

We recognize revenue when (i) there is persuasive evidence of an arrangement, (ii) our software solutions have been made available or delivered, or services have been performed, (iii) the amount of fees is fixed or determinable, and (iv) collectability is reasonably assured. Evidence of an arrangement generally consists of either a signed customer contract or an online click-through agreement. We consider that delivery of a solution or website has commenced once we provide the customer with access to use the solution or website. Fees are fixed based on rates specified in the subscription agreements, which do not provide for any refunds or adjustments. If collectability is not considered reasonably assured, revenue is deferred until the fees are collected. Some of our subscription agreements contain minimum cancellation fees in the event that the customer cancels the subscription early.

As customers do not have the right to the underlying software code for our software solutions, our revenue arrangements are outside the scope of software revenue recognition guidance.

Multiple-Deliverable Arrangements

The majority of customer arrangements include multiple deliverables. We therefore recognize revenue in accordance with ASU 2009-13, *Revenue Recognition (Topic 605)—Multiple—Deliverable Revenue Arrangements—a Consensus of the Emerging Issues Task Force*, or ASU 2009-13.

For multiple-deliverable arrangements, we first assess whether each deliverable has value to the customer on a standalone basis. We have determined that the subscription services related to our core solutions have value on a standalone basis because, once access is provided, they are fully functional and do not require additional development, modification or customization. Subscription services related to website hosting, insurance services and contact center services have value on a standalone basis as the services are sold separately by other vendors and not essential to the functionality of the other deliverables. Usage-based services have value to the customer on a standalone basis as they are sold separately by other vendors and are not essential to the functionality of the other deliverables. The usage-based services are typically entered into subsequent to the initial customer arrangement. In multiple-deliverable arrangements that contain usage-based services, the customer has the option to purchase the services on an ad hoc basis, and payments are made when the services are rendered. The one-time services to assist our customers with on-boarding and optimizing our core solutions, as well as website design services, have value on a standalone basis as these services do not require highly specialized or skilled individuals to perform them, are not essential to the functionality of our software solutions and may be performed by the customer or another vendor.

Based on the standalone value of the deliverables, and since our customers do not have a general right of return, we allocate revenue among the separate non-contingent deliverables in a multiple-deliverable arrangement under the relative selling price method using the selling price hierarchy established in ASU 2009-13. Usage-based services are not included in the relative revenue allocation at the inception of the arrangement as they are contingent on the customer's use of the applicable Value+ service. Usage-based services do not contain

[Table of Contents](#)

any significant incremental discounts. The ASU 2009-13 selling price hierarchy requires the selling price of each deliverable in a multiple-deliverable arrangement to be based on, in descending order, (i) vendor-specific objective evidence of fair value, or VSOE, (ii) third-party evidence of fair value, or TPE, or (iii) management's best estimate of the selling price, or BESP.

For our core solutions, we have established VSOE based on our consistent historical pricing and discounting practices for customer renewals where the customer only subscribes to our core solutions. In establishing VSOE, the substantial majority of the selling prices for our core solutions fall within a reasonably narrow pricing range.

For our Value+ services and services relating to on-boarding and optimizing our core solutions, as well as website design services, we were not able to determine VSOE because they are not sold by us separately from other deliverables. In addition, we considered whether TPE existed for these services and determined TPE existed for our website hosting based on prices charged by other companies selling similar services separately. For our remaining services, the selling prices of other deliverables are based on BESP. The determination of BESP requires us to make significant judgments and estimates. We consider numerous factors, including the nature of the deliverables themselves, the market conditions and competitive landscape for the sale, internal costs, and our published pricing and discounting practices. We maintain pricing transparency and adhere to our published price lists in selling these services to our customers. We update our estimates of BESP on an ongoing basis as events and circumstances may require.

After the contract value is allocated to each non-contingent deliverable in a multiple-deliverable arrangement based on the relative selling price, revenue is recognized for each deliverable based on the pattern in which the revenue is earned. For subscriptions services, revenue is recognized on a straight-line basis over the subscription period. For usage-based services, revenue is recognized as the services are rendered. For one-time services, revenue is recognized upon completion of the related services.

We record amounts collected from our customers in advance of recognizing revenue as deferred revenue. Deferred revenue that will be recognized as revenue within one year from the respective balance sheet date is recorded as current deferred revenue and the remaining portion, if any, is recorded as noncurrent.

Internal-Use Software

We account for the costs of computer software obtained or developed for internal use in accordance with Accounting Standards Codification, or ASC, 350, *Intangibles—Goodwill and Other*, or ASC 350. These include costs incurred in connection with the development of our internal-use software solutions when (i) the preliminary project stage is completed, (ii) management has authorized further funding for the completion of the project and (iii) it is probable that the project will be completed and perform as intended. These capitalized costs include personnel and related expenses for employees who are directly associated with and who devote time to internal-use software projects and, when material, interest costs incurred during the development. Capitalization of these costs ceases once the project is substantially complete and the software is ready for its intended purpose. Costs incurred for significant upgrades and enhancements to our software solutions are also capitalized. Costs incurred for post-configuration training, maintenance and minor modifications or enhancements are expensed as incurred. Capitalized software development costs are amortized using the straight-line method over an estimated useful life of three years. We do not transfer ownership of our software, or lease our software, to third parties.

Impairment of Long-Lived Assets

We assess the recoverability of our long-lived assets when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Such events or changes in circumstances may include a significant adverse change in the extent or manner in which a long-lived asset is being used, a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of a

[Table of Contents](#)

long-lived asset, current or future operating or cash flow losses that demonstrate continuing losses associated with the use of a long-lived asset, or a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Impairment testing is performed at an asset level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. We assess recoverability of long-lived assets by determining whether the carrying value of an asset can be recovered through projected undiscounted cash flows over its remaining life. If the carrying value of an asset exceeds the forecasted undiscounted cash flows, an impairment loss is recognized, measured as the amount by which the carrying value exceeds estimated fair value. An impairment loss is charged to operations in the period in which management determines such impairment.

Business Combinations

The results of a business acquired in a business combination are included in our consolidated financial statements from the date of acquisition. We allocate the purchase price, including the fair value of contingent consideration, to the identifiable assets and liabilities of the acquired business at their acquisition date fair values. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities, if any, is recorded as goodwill.

Determining the fair value of assets acquired and liabilities assumed requires management to make significant judgments and estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies.

When we issue awards to an acquired company's stockholders, we evaluate whether the awards are contingent consideration or compensation for post-acquisition services. The evaluation includes, among other things, whether the vesting of the awards is contingent on the continued employment of the selling stockholder beyond the acquisition date. If continued employment is required for vesting, the awards are treated as compensation for post-acquisition services and recognized as an expense over the requisite service period.

Acquisition-related transaction costs are not included as a component of consideration transferred, but are accounted for as an expense in the period in which the costs are incurred.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. We test goodwill for impairment in accordance with the provisions of ASC 350. Goodwill is tested for impairment at least annually at the reporting unit level or whenever events or changes in circumstances indicate that goodwill might be impaired. Events or changes in circumstances which could trigger an impairment review include a significant adverse change in legal factors or in the business climate, unanticipated competition, loss of key personnel, significant changes in the use of the acquired assets or our strategy, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations.

ASC 350 provides that an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then additional impairment testing is not required. However, if an entity concludes otherwise, then it is required to perform the first of a two-step impairment test.

The first step involves comparing the estimated fair value of a reporting unit with its book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. If, however, the fair value of the reporting unit is less than book value, then the

carrying amount of the goodwill is compared with its implied fair value. The estimate of implied fair value of goodwill may require valuations of certain internally generated and unrecognized intangible assets. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess.

We have one reporting unit and we test for goodwill impairment annually during the fourth quarter of the calendar year. Our qualitative goodwill assessment during the fourth quarter of 2014 concluded there were no indications of impairment based on a number of factors considered, including the improvement in key operating metrics over the prior year, the increase in the fair value of our common stock, and continued execution against our strategic objectives.

Stock-Based Compensation

We account for stock-based compensation awards granted to employees and directors by recording compensation expense based on the awards' grant-date estimated fair value, in accordance with ASC 718, *Compensation—Stock Compensation*, or ASC 718. We estimate the fair value of restricted stock awards based on the fair value of our common stock. We estimate the fair value of stock options using the Black-Scholes option-pricing model. Determining the fair value of stock-based compensation awards under this model requires highly subjective assumptions, including the fair value of the underlying common stock, the risk-free interest rate, the expected term of the award, the expected volatility of the price of our common stock, and the expected dividend yield of our common stock. These estimates involve inherent uncertainties and the application of management's judgment. If we had made different assumptions, our stock-based compensation expense and our net loss could have been materially different.

These assumptions and estimates are as follows:

- *Fair Value of Common Stock.* Because there is no public market for our common stock, our board of directors has determined the fair value of our common stock at the time of the grant of stock options and restricted stock awards by considering a number of objective and subjective factors. The fair value of the underlying common stock will be determined by our board of directors until such time as our common stock is listed on an established stock exchange or national market system. The fair value has been determined in accordance with applicable elements of the practice aid issued by the American Institute of Certified Public Accountants titled *Valuation of Privately Held Company Equity Securities Issued as Compensation*. Our board of directors grants stock options with exercise prices equal to the fair value of our common stock on the date of grant.
- *Risk-Free Interest Rate.* The risk free interest rate assumption is based upon observed interest rates on United States government securities appropriate for the expected term of the stock option.
- *Expected Term.* Given we do not have sufficient exercise history to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior, we determine the expected term using the simplified method, which is calculated as the midpoint of the stock option vesting term and the expiration date of the stock option.
- *Expected Volatility.* We determine the expected volatility based on the historical average volatilities of publicly traded industry peers. We intend to continue to consistently apply this methodology using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock price becomes available, unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose stock prices are publicly available would be utilized in the calculation.
- *Expected Dividend Yield.* We have not paid and do not anticipate paying any cash dividends in the foreseeable future and, therefore, we use an expected dividend yield of zero.

[Table of Contents](#)

The following table summarizes information relating to our stock options granted in the years ended December 31, 2013 and 2014:

	Year Ended December 31,	
	2013	2014
Stock options granted (in thousands)	502	2,803
Weighted average exercise price per share	\$ 0.45	\$ 1.15
Weighted average Black-Scholes model assumptions:		
Risk-free interest rate	1.24%	1.86%
Expected term (in years)	6.0	6.2
Expected volatility	51%	48%
Expected dividend yield	—	—

In addition to the assumptions used in the Black-Scholes option-pricing model, we also estimate a forfeiture rate to calculate our stock-based compensation expense for our awards. The forfeiture rate is based on an analysis of 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 estimated forfeiture rate 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 our stock-based compensation expense recognized in our consolidated 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 our stock-based compensation expense recognized in our consolidated financial statements.

Common Stock Valuations

We are required to estimate the fair value of the common stock underlying our stock-based awards. The fair value of the common stock underlying our stock-based awards has been determined in each case by our board of directors, with input from management and contemporaneous 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. Our board of directors intends all stock options granted to be exercisable at a price per share not less than the fair value per share of the common stock underlying those stock options on the date of grant. As described below, the exercise price of our stock options was determined by our board of directors with reference to the most recent contemporaneous third-party valuation as of the date of each grant.

In the absence of a public market for our common stock, the valuation of our common stock has been determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Guide, *Valuation of Privately Held Company Equity Securities Issued as Compensation*. Our board of directors exercised reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of the fair value of our common stock at the date of each grant. These factors included:

- contemporaneous valuations performed by unrelated third-party specialists;
- the nature and history of our business;
- actual operating and financial performance;
- hiring of key personnel and experience of our management;
- market performance of comparable publicly traded companies;
- the introduction of new core functionality and Value+ services and the entry into adjacent markets and new verticals;
- industry information, such as market size and growth;

[Table of Contents](#)

- likelihood of achieving a liquidity event, such as an initial public offering or a strategic sale given prevailing market conditions and the nature and history of our business;
- lack of marketability for our common stock;
- prices, privileges, powers, preferences and rights of our convertible preferred stock relative to those of our common stock;
- relevant precedent transactions involving our convertible preferred stock;
- illiquidity of stock-based awards involving securities in a private company; and
- macroeconomic conditions.

In valuing our common stock, our board of directors determined the equity value of our business generally using the income approach and the market comparable approach valuation methods. The market approach also considers recent sales of our convertible preferred stock.

The income approach estimates our fair value based on the present value of our forecasted cash flows that we will generate over the forecast period and our residual value beyond the forecast period. These future values are discounted to their present values to reflect the risks inherent in our achieving these estimated cash flows. Other significant inputs of the income approach (in addition to our estimated future cash flows themselves) include, but are not limited to, working capital requirements, the long-term growth rate assumed in the residual value and normalized long-term operating margin.

The market comparable approach estimates our fair value by applying multiples of comparable publicly traded companies in the same industry or similar lines of business. From the comparable companies, a representative multiple is determined and then applied to our financial results to estimate our equity value. The multiple of the comparable companies was determined using a ratio of the market value of invested capital less cash to each of the last 12 months' revenues and the forecasted future 12 months' revenues. The estimated equity 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 enjoyed by stockholders of public companies, which impacts liquidity. To determine our peer group of companies, we considered publicly traded software companies that primarily deliver software using the cloud-based business model. When selecting peer companies to be included as our comparable companies, we considered industry information available for cloud-based solution providers. The selection of peer companies requires us to make judgments as to the comparability of these cloud-based solution providers to us. We also considered a number of factors, including the type of cloud-based offering, the stage of development and the size of the company. Additionally, some of the comparable companies completed initial public offerings in recent years. The selection of peer companies changes over time based on whether we believe the selected companies remain comparable to us. Based on these considerations, we believe that the companies we selected are a representative group for purposes of performing valuations.

Where we had completed a recent convertible preferred stock offering, the equity value implied by the financing was also used as a market approach. Where we used this method, we corroborated the equity value by using a market comparable approach, which applied a comparable company revenue multiple to our forecasted revenues. We considered multiples of enterprise value to revenue to be the most relevant in our industry as we are still in a relatively high growth phase, and thus have not reached normalized profitability or generated positive historical profit, thus making the application of profit-based multiples impossible or less reliable.

Once we determined an equity value, we utilized the option pricing method, or OPM, to allocate the equity value to each of our classes of stock. The OPM values each equity class by creating a series of call options on our equity value, with exercise prices based on the liquidation preferences, participation rights, and strike prices of the equity instruments. The OPM is particularly useful for the valuation of equity securities for emerging growth companies due to their lack of historical financial information and the complexity of their securities and capital

[Table of Contents](#)

structure. Commencing in December 2014, due to improved clarity on potential equity scenarios, we began using the Probability Weighted Expected Return Method, or PWERM, to allocate our equity value among the various outcomes. Using a PWERM, the value of our common stock is estimated based on a probability-weighted analysis of varying values for our common stock assuming a possible future event for us, such as an early or late initial public offering, a strategic sale or a downside scenario in which we sell at a lower than expected liquidation value.

Application of these approaches involves the use of estimates, judgments and assumptions, such as future revenue, expenses and cash flows and selections of comparable companies. Changes in our assumptions or the interrelationship of those assumptions impacted the valuations as of each valuation date.

The table below sets forth information regarding stock options for each grant date for the year ended December 31, 2014:

<u>Option Grant Dates</u>	<u>Number of Shares of our Common Stock Subject to Options Granted</u> (in thousands)	<u>Exercise Price per Share</u>	<u>Fair Value per Share at Grant Date</u>
January 30, 2014	308	\$ 0.82	\$ 0.82
April 30, 2014	167	\$ 0.82	\$ 0.82
July 23, 2014	190	\$ 1.04	\$ 1.04
December 3, 2014	2,138	\$ 1.23	\$ 1.23

The aggregate intrinsic value of vested and unvested stock options as of December 31, 2014 based on a price of \$ per share, which is the midpoint of the price range on the cover page of this prospectus, was \$ million, of which \$ million related to vested options and \$ million related to unvested options.

The following discussion relates primarily to items considered and determinations made in assessing the fair value per share of our common stock for purposes of calculating stock-based compensation expense for the year ended December 31, 2014. We believe we applied a reasonable valuation method to determine the fair value of the common stock underlying stock-based awards granted prior to our initial public offering.

January and April 2014 Grants

In estimating the fair value of our common stock to set the exercise price of stock options granted in January and April 2014, we obtained an independent third-party valuation of our common stock dated as of November 30, 2013. This valuation was performed concurrently with our Series B-3 convertible preferred stock financing. In addition, management used a Black-Scholes OPM to determine the total equity value implied by our Series B-3 convertible preferred stock financing, which was then allocated among our convertible preferred stock and common stock. We determined the use of this approach was appropriate given the price per share set for the issuance of our Series B-3 convertible preferred stock was negotiated between us and the lead investor. The lead investor was not an existing shareholder of ours; therefore, our Series B-3 convertible preferred stock financing was treated as an arms-length transaction. The inputs to the OPM include:

- our equity value implied by the Series B-3 convertible preferred stock financing;
- an estimate of the time until a potential liquidity event;
- an estimated volatility assumption;
- a risk-free interest rate over the estimated time to a liquidity event; and
- key price points in our capital structure in terms of exit levels on the assumed liquidation date.

Management utilized an expected term of 2.4 years from the valuation date until a liquidity event would occur and an expected volatility of 45% based on comparable public companies identified as direct competitors

[Table of Contents](#)

and other cloud-based solution providers. In addition, we used a discount for lack of marketability of 20%. The discount for marketability was determined using a protective put model, in which a put model is used as a proxy for measuring discounts for lack of marketability of securities.

In addition, management corroborated our total equity value by using a market comparable approach, which applied a comparable company revenue multiple to our forecasted revenues. The equity value implied by the market comparable approach was consistent with the value determined using the OPM.

After considering these valuations, and a qualitative assessment of whether any significant changes in value occurred subsequent to November 2013, our board of directors determined the fair value of our common stock to be \$0.82 per share as of the January 30, 2014 and April 30, 2014, and granted stock options with an exercise price of \$0.82 per share.

July 2014 Grants

In estimating the fair value of our common stock to set the exercise price of stock options granted in July 2014, we obtained an independent third-party valuation of our common stock dated as of May 31, 2014. In addition, management utilized the OPM method described above, which was corroborated using the market comparable approach, which applied a comparable company revenue multiple to our forecasted revenues. We utilized the same Series B-3 convertible preferred stock financing as a benchmark for assessing the fair value of our common stock, which we adjusted for changes related to the market and to our internal progress from the prior valuation date.

Management utilized an expected term of 2.4 years from valuation date until a liquidity event would occur and an expected volatility of 45% based on public companies identified as direct competitors and other cloud-based solution providers. This term was based on a weighting of different exit scenarios, including initial public offering and strategic sale scenarios. The expected term remained 2.4 years based on our expectation of when a liquidity event could occur, which remained unchanged. In addition, we maintained the same discount for lack of marketability of 20% given there was no change in the expected exit timeline.

After considering these valuations, our board of directors determined the fair value of our common stock to be \$1.04 per share as the July 23, 2014, and granted stock options with an exercise price of \$1.04 per share. The increase in the fair value of our common stock resulted in part from the continued growth and financial performance of our business from November 2013 through May 2014. The main driver of the increase in value was due to the overall growth of our business as demonstrated by the growth in our revenue and the number of our customers.

December 2014 Grants

In estimating the fair value of our common stock to set the exercise price of stock options granted in December 2014, we obtained an independent third-party valuation of our common stock dated as of December 1, 2014. In addition, management used a combination of both the income and market comparable approaches, weighted 75% and 25%, respectively, to estimate our total equity value. We included the income approach for the first time as we had greater visibility into our expected future cash flows given our longer operating history. In the income approach, we discounted our estimated future cash flows based on our forecasts through 2019 and utilized a weighted average cost of capital of 25%. The market comparable approach applied a comparable company revenue multiple to our forecasted revenues. The selected multiple used was based on available comparable companies that we estimated were similar to us considering their size, growth, and profitability.

Once we determined an equity value, we used both an OPM and a PWERM model, weighted equally, to allocate the equity value to each of our classes of stock. We began using the PWERM, to allocate our equity value among the various potential liquidity outcomes, given our improved estimate of exit scenarios.

[Table of Contents](#)

In the OPM model, we utilized the following principal assumptions: an expected term of 1.7 years, which was reduced from our prior valuation date due to our revised expectation of when a liquidity event could occur; an expected volatility of 35%, reflecting a decrease from the prior valuation date as a result of the shorter expected term to liquidity; and a discount for lack of marketability of approximately 14%, reflecting a decrease from the prior valuation date as a result of the shorter expected term to liquidity. Using the PWERM, we estimated our equity value at various scenarios: an initial public offering occurring one year from valuation date, 1.5 years from valuation date, and 2.5 years from valuation date; a strategic sale occurring 1.5 years from valuation date and 2.5 years from valuation date; and a downside scenario. We also applied the discount for lack of marketability factoring in the estimated time to a potential liquidity event.

In addition to these valuations, our board of directors considered the proximity of the grant relative to the December 2014 valuation, and our financial performance since the prior valuation date, in establishing the fair value of our common stock of \$1.23 per share and the exercise price of the stock options granted in December 2014 of \$1.23 per share, an increase of nearly 20% from May 2014. The increase in the fair value of our common stock resulted in part from the continued growth and financial performance of our business from May 2014 to December 2014 and the increase in the probability of an initial public offering relative to other shareholder liquidation alternatives.

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*, or ASC 740. ASC 740 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the consolidated statements of operations in the period that includes the enactment date. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in our consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized. We recognize interest and penalties accrued with respect to uncertain tax positions, if any, in our provision for income taxes in the consolidated statements of operations.

Recent Accounting Pronouncements

Under the JOBS Act, we meet the definition of an emerging growth company. We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

In May, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, or ASU 2014-09, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. ASU 2014-09 is currently effective on January 1, 2017, although the FASB has proposed rules to defer its effectiveness until 2018. Early application is not permitted. The standard permits the use of either a retrospective or cumulative effect transition method. We have not determined which transition method we will adopt, nor have we determined the effect of this guidance on our financial condition, results of operations, cash flows or disclosures.

LETTER FROM OUR CHIEF EXECUTIVE OFFICER

Vertical Cloud-Based Solutions Are the Future

Our mission is to revolutionize the way small and medium-sized businesses grow and compete by enabling their digital transformation. We launched AppFolio with the belief that cloud-based solutions would evolve from horizontal software (that works for all types of business) to targeted solutions that are built to solve the needs of specific industries.

Today, our easy-to-use, cloud-based software solutions are helping small and medium-sized businesses in the property management and legal industries more effectively grow and compete. The power of cloud-based solutions allows us to put exceptional technology—usually reserved for the largest companies with ample resources—into the hands of small and medium-sized businesses. For small business owners, this is truly revolutionary; they now spend time growing their businesses instead of simply running them. Our customers modernize and automate their workflows and enhance their business interactions, which allows them to improve efficiency and productivity, realize a better work/life balance and stay competitive.

AppFolio is more than just great software. At the heart of our cloud-based solutions is a talented and agile product development team that understands the importance of listening to our customers so we can build for today and the future.

We believe that the vertical cloud-based opportunity is in its early days—this is an exciting time.

Our Roadmap for Business Success

We know that successful businesses do a few things really well:

- **Deliver great products that are easy to use.** Designing and developing great products, that customers love, is the core of our business. Making things simple actually requires a lot of thought and discipline and we are willing to go the extra mile to do this.
- **Focus on customer success.** We recently had a customer cry “happy tears” because she was so excited about her new software. We’ve received homemade cookies, scarves and handwritten notes from customers who are more successful because of our software. Our team is always looking for new opportunities to delight our customers with functionality, education and an outstanding support experience. We will never lose sight of our customers.
- **Attract and grow great talent.** We work hard to find the best team members and then work equally hard to provide a challenging and rewarding environment to keep them with us. We want our employees to feel like AppFolio is the “smallest big company they’ve ever worked for.” Happy employees are the roots of a healthy company culture, and I want all AppFolio employees to feel as proud as I do to work here.

No Shortcuts to Greatness

There are no shortcuts to greatness and unfortunately no such thing as an “overnight business success”! From the very beginning, we have focused on building an enduring, thriving company that will provide consistent value to our customers, employees, partners and investors. We feel that this long-term thinking will create even greater shareholder value over time, and we are looking to attract investors that share this view.

Looking Forward

I am often asked whether AppFolio will enter other industries in addition to property management and legal. Our software is transforming these two industries for small and medium-sized businesses, and we’re focused on

[Table of Contents](#)

continuing to increase the value of our current software solutions. Property management and legal are huge opportunities for us, and in many ways we are just getting started. We have built a solid platform with a great depth of expertise on what each vertical requires for long-term success. This means we are poised to move faster than other cloud-based solution providers to capture new markets—if the right opportunity presents itself in the future, we will seize it.

As we enter this next phase of growth, we're very thankful for our AppFolio community of customers, employees, partners and investors. We're excited about what we've started and invite you to join us on the journey ahead.

Sincerely,

/s/ Brian Donahoo

Brian Donahoo
Chief Executive Officer

AppFolio, Inc.

BUSINESS

Our Mission

Our mission is to revolutionize the way small and medium-sized businesses grow and compete by enabling their digital transformation.

Overview

We provide industry-specific, cloud-based software solutions for SMBs in the property management and legal industries. Our platform is designed to be the system of record to automate essential business processes and the system of engagement to enhance business interactions between our customers and their clients and vendors. Our mobile-optimized software solutions have a user-friendly interface across multiple devices, enabling our customers to work at any time and from anywhere. Our property management software provides small and medium-sized property managers with an end-to-end solution to their business needs, enabling them to manage properties quickly and easily in a single, integrated environment. Our legal software provides solo practitioners and small law firms with a streamlined practice and case management solution, allowing them to manage their practices and case load within a flexible system. We also offer optional, but often mission-critical, Value+ services, such as our professionally designed websites and electronic payment services, which are seamlessly built into our core solutions.

SMBs face numerous issues that divert limited time and resources away from serving their clients and growing their businesses. The business activities of SMBs are complex and their day-to-day operations are often managed through inefficient manual processes and disparate software systems. The lack of automation and integrated technology places a significant administrative burden on these businesses, particularly in industries that involve unique workflows, relationships among multiple industry participants, significant data inputs, and compliance or regulatory requirements. While larger enterprises and consumers have been experiencing a transformational shift into the digital age, the legacy systems currently used by many SMBs are lagging behind in terms of technological sophistication and ease of use. In particular, many small and medium-sized property managers are still running their businesses using spreadsheets and a variety of point solutions that are not web-optimized while much of the real estate market has moved online. Similarly, solo practitioners and small law firms continue to be plagued by manual processes and outdated software despite the broader legal industry's increased comfort with cloud-based solutions.

Business management software, which initially served to differentiate competitors, is now critical to any business's survival and success in an increasingly connected and online world. The ability of SMBs to capitalize on the power of software to interact with their clients, vendors and other industry participants, and to mine the data and insights gleaned from these relationships, is integral to their ability to compete more effectively in commerce today, not only with other SMBs but also with larger enterprises. SMBs need an intuitive, reliable and fully integrated software solution that brings superior technology and services to their specific industry workflows and meets their key operational requirements.

We have custom-tailored our business to enable us to revolutionize the way that SMBs grow and compete. We refer to our approach to addressing similar, fundamental business needs of SMBs across our targeted verticals as our AppFolio Business System. At the center of our AppFolio Business System is a common technology platform, which provides functionality across our software solutions in our targeted verticals. We apply a disciplined approach of using market validation to select and develop new core functionality and Value+ services for our existing markets and to identify the most suitable adjacent markets and new verticals to pursue. Based on the results of our market validation process, we deploy exceptional cloud-based technology designed to improve the efficiency and productivity of businesses. We use in-bound marketing, participation at customer and industry events, and in-app messaging to educate new and existing customers on how our software solutions can transform their businesses. Based on the foundation created by our marketing activities, our sales team quickly

[Table of Contents](#)

builds relationships with potential customers, assesses their business challenges and demonstrates the benefits of our core functionality and Value+ services. We partner with our customers to navigate their digital transformation by streamlining the on-boarding process and providing ongoing advice on best practices. We continuously expand our core functionality and add new Value+ services based on feedback from our customers, which is collected across our organization and used by our research and product development team to release frequent updates to our software solutions. Our customer-centric culture fosters long-term relationships with our customers and helps to facilitate their business success.

Our core solutions address common business functions and interactions of SMBs in our targeted verticals by providing key functionality, including accounting, document management, real-time interactive search, data analytics and communication options. We currently offer APM for property managers and MyCase for law firms. APM is a comprehensive solution for the operational requirements of small and medium-sized property managers, including activities such as posting and tracking tenant vacancies, handling the entire leasing process electronically, administering maintenance and repairs with their vendor networks, managing accounting and reporting to property owners. MyCase is a flexible practice and case management solution for solo practitioners and small law firms, providing time tracking, billing and payments, client communication, coordination with other lawyers and support staff, legal document management and assembly, and general office administration. As MyCase is in an earlier stage of development than APM, we are continuing to expand its core functionality.

In addition to our core solutions, we offer a range of optional, but often mission-critical, Value+ services. Our Value+ services are available on an as-needed basis and enable our customers to adapt our platform to their specific operational requirements. Today, we offer certain Value+ services to both our property manager and law firm customers, namely, professionally designed websites and electronic payment services. In addition, we offer the following Value+ services to our property manager customers: resident screening; tenant liability insurance; and our contact center to resolve or route incoming maintenance requests. Over time, we anticipate offering similar and additional Value+ services across our targeted verticals.

Due to our strong leadership, talented team and investments across our organization, we have experienced significant growth. Our senior management has a proven track record, averaging over 15 years of experience as pioneers in the cloud-based software industry, many of whom have worked together since 1999. For the years ended December 31, 2013 and 2014, our revenue was \$26.5 million and \$47.7 million, respectively, representing year-over-year growth of 80%. We increased our employee headcount from 254 employees as of December 31, 2013 to 377 employees as of December 31, 2014. As a result of these investments, we incurred net losses of \$7.3 million and \$8.6 million for the years ended December 31, 2013 and 2014, respectively. We have invested, and intend to continue to invest, heavily in our business to capitalize on our market opportunity.

Industry Background

Small and Medium-Sized Businesses Are a Large and Important Segment of the Economy

SMBs represent a significant proportion, and are an essential driver, of the U.S. economy. In particular, SMBs spark innovation, create jobs, and provide opportunities for success. According to the U.S. Small Business Administration's Office of Advocacy, in 2012, there were more than 28 million SMBs and, of those, the non-sole proprietor businesses employed approximately 56 million employees. Since the end of the U.S. recession, SMBs generated approximately 60% of net new jobs from mid-2009 through mid-2013.

Small and Medium-Sized Businesses Are Complex and Resource-Constrained

The business processes of SMBs are complex and involve a variety of participants, from employees to a myriad of external clients and vendors. Keeping track of communications and transactions with multiple industry participants has historically been time consuming, and establishing and managing these external relationships

often requires a hands-on approach. SMBs must accomplish these tasks with fewer employees and limited financial resources available to invest in additional business infrastructure. SMBs need intuitive software solutions to improve business efficiency and productivity.

Small and Medium-Sized Businesses Still Rely on Manual Processes or a Patchwork of Legacy Software

While business today is increasingly conducted using cloud-based software, many SMBs have not adopted integrated, web-optimized technology solutions to unify and manage their business operations. Many of these companies still use manual processes or work with a variety of disparate systems. For example, the typical process for a property manager to post vacancies to rental listing sites and his or her website involves several hours each day manually entering the information for each property into listing services, one by one, over and over. SMBs require a fully integrated software solution that meets their specific workflow needs in order to replace time-consuming manual processes and consolidate limited-use point solutions.

Cloud-Based Software Is Particularly Well-Suited to Meet the Needs of Small and Medium-Sized Businesses

Historically, only larger enterprises have had the funding and expertise to purchase and configure software to support their business processes. However, the shift to cloud-based software has made it possible to provide SMBs with access to enterprise-grade solutions with quick deployment and access across multiple devices, typically on a subscription or pay-as-you-go basis. The rise of cloud computing has enabled companies to use cloud-based solutions as their primary system of record and system of engagement for their entire business at a lower cost of ownership than legacy on-premise solutions. Cloud computing also facilitates continuous software updates to enable technology to be easily adapted to the evolving needs of SMBs.

Mobility and Consumerization of IT Drive Expectations of Small and Medium-Sized Businesses and Their Clients

Technological advances have driven increased adoption of smartphones, tablets and other mobile devices, not only by consumers but also by businesses. In many cases, and particularly for interactions with SMBs, mobile devices have become the primary platform for conducting business and consuming information. Compared to enterprises, which employ mostly desk-based workers, SMB owners and employees are highly mobile. In addition, increased use by consumers of websites such as Google, and widespread mobile adoption of social media applications such as Facebook and Twitter, have created expectations on the part of the clients of SMBs that consumer-like mobile applications will be available for use in their commercial interactions to facilitate delivery of service anytime, anywhere.

Vertical Cloud-Based Software Delivers Tailored Solutions to Small and Medium-Sized Businesses

While providers of horizontal cloud-based solutions have focused on developing software that can be applied across multiple verticals, vertical cloud-based solution providers have embraced mass customization by tailoring their applications to address the business needs of specific industries. As a result, vertical cloud-based solution providers have built significant domain expertise and close relationships with their customers, capitalizing on a customer feedback loop to better inform their product roadmaps and go-to-market strategy than their horizontal peers. Vertical cloud-based software vendors can provide SMBs with industry-specific solutions, which are not provided by one-size-fits-all horizontal software vendors. Vertical cloud-based solution providers are also well-positioned to take advantage of big data analytics by leveraging the data inherent in their customer base to deliver value-added functionality.

Small and Medium-Sized Businesses Are Constantly Evolving and Demand “Living Software”

The needs of SMBs are constantly evolving, and business management software is expected to keep pace by responding rapidly with new functionality. Developers have been able to capitalize on recent technological

advances, lower development costs, greater social acceptance of technology and deeper industry knowledge to provide continuous software updates. Developers increasingly use a collaborative approach to software development, coordinating closely with product management, customer service and their sales and marketing departments, to optimize applications. In turn, technical expertise in software development, including the ability to reduce the time-to-market of a potentially disruptive solution, can assist SMBs to become leaders in their respective industries.

Small and Medium-Sized Businesses Need a Trusted Adviser to Help Navigate Their Digital Transformation

Owners and managers of SMBs have to balance a variety of different functions as part of their jobs. When they are using disparate systems to accomplish their daily tasks, frequently with little to no IT support, their everyday activities can quickly become onerous. SMBs need a strategic partner to outline digital initiatives and the framework within which to bring them into the digital future. Customer service can serve as a key differentiator for cloud-based solution providers by easing the on-boarding process, providing ongoing advice on best practices, and channeling customer feedback into the continuous development of the platform.

Our Market Opportunity

We believe that the lack of comprehensive, industry-specific, cloud-based software solutions for SMBs in many industries is a significant opportunity for us. According to Parallels, the cloud market for SMBs was \$62 billion in 2013 and will double by 2016, growing to \$125 billion.¹ Additionally, according to Parallels, the U.S. SMB cloud market alone represented \$24 billion in 2014 and is estimated to grow to \$38 billion in 2017.² We currently offer our cloud-based solutions to SMBs in the property management and legal verticals and believe our AppFolio Business System can be leveraged to develop, market, and sell business management software to SMBs in other industries.

For the property management vertical, based on our internal analysis and industry experience, we estimate the total addressable market in the United States to be at least \$5.0 billion for SMBs (which we define as companies with 20 to 3,000 rental units under management, consisting of residential, commercial and HOA units). For the legal vertical, based on our internal analysis and industry experience, we estimate the total addressable market in the United States to be at least \$2.0 billion for SMBs (which we define as law firms with less than 20 employees).

Additionally, based on our experience, we believe that the available reports and surveys do not fully capture the future SMB revenue opportunity. A September 2014 study by Deloitte, commissioned by a third party, explores how technology has facilitated an increasing number of start-ups, driven rapid growth and increased the efficiency of more mature SMBs. According to Deloitte, almost 70% of SMBs surveyed expected to increase their use of cloud-based technology in the next three years.³ It remains difficult, however, to predict the rate of adoption by new start-ups and SMBs that currently do not use any business management software. In the case of property management, industry-wide adoption of technology still trails behind that of many other industries. For many solo practitioners and small law firms, there has previously been no affordable alternative to the filing cabinets and staffing challenges of their traditional business model. While it is difficult to estimate aggregate SMB technology spend in any specific vertical, we believe it represents a significant opportunity for growth.

Our AppFolio Business System

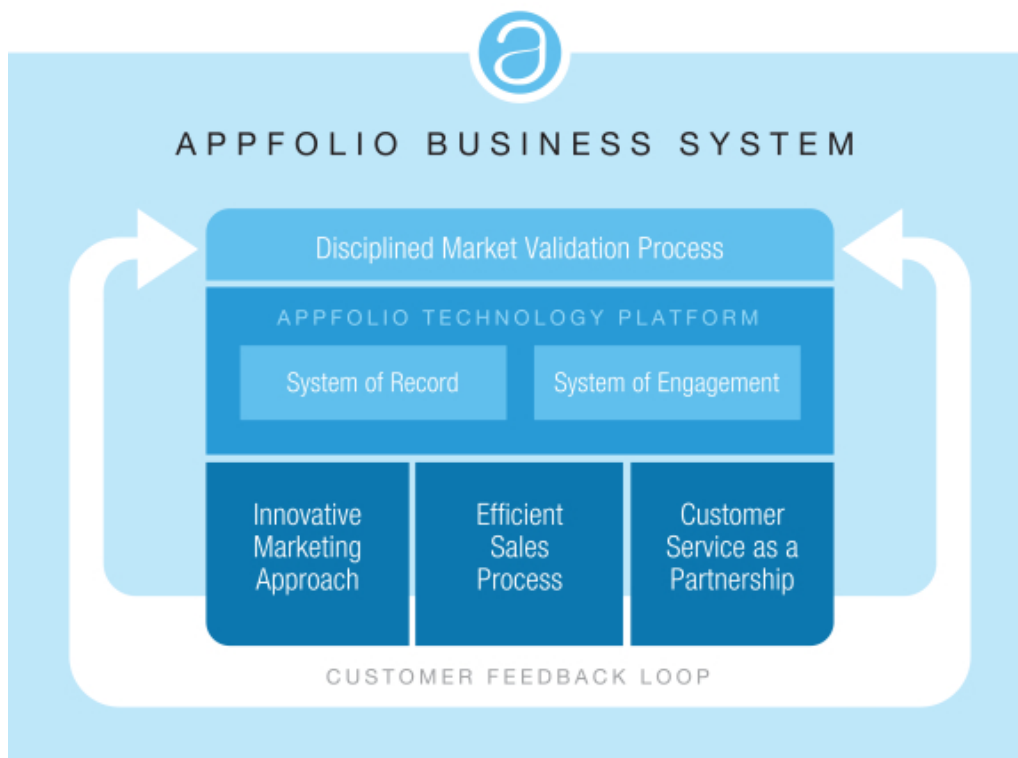
Since our founding, we have established our culture and designed our business to meet the specific needs of SMBs in their particular industries. We refer to our approach to addressing the specific needs of SMBs across our

¹ See (1) in the section entitled "Industry and Market Data."

² See (2) in the section entitled "Industry and Market Data."

³ See (3) in the section entitled "Industry and Market Data."

targeted verticals as our AppFolio Business System. Our AppFolio Business System has been explicitly developed to find, evaluate and serve verticals in which we can deliver a transformative, easy-to-use software solution that can handle the key operational requirements of SMBs at a low overall cost of ownership.



Key elements of our AppFolio Business System include:

- **Disciplined Market Validation Process.** Since our founding, we have worked closely with our customers, partners and other industry participants to inform our product roadmap. We have consistently applied a disciplined market validation process to select and develop new core functionality and Value+ services, and to identify the most suitable adjacent markets and new verticals to target. This approach facilitates faster and more focused product development, with higher confidence that our software solutions will rapidly find market acceptance within our targeted verticals.
- **AppFolio Technology Platform.** At the center of our AppFolio Business System is our modern, cloud-based technology platform, which encompasses a wide variety of reusable core functionality and Value+ services that can be leveraged to provide continuous updates across our software solutions in our targeted verticals. The functionality of our platform has been developed with a view to improving business efficiency and productivity for SMBs. Because our software solution serves as both the system of record and the system of engagement for our customers, our software solutions quickly become essential to the operation of our customers' businesses.
- **Innovative Marketing Approach.** We believe a key element of our AppFolio Business System is efficiently creating and delivering industry-specific content and educating SMBs in our targeted verticals to build our market presence. Our go-to-market strategy across our targeted verticals leverages in-bound marketing techniques, including content marketing, SEO and SEM, and industry thought leadership, including our participation at customer and industry events, which are used by our sales

development team to further nurture potential sales leads. We also use in-app messaging to remind existing customers of our Value+ services at natural points in their workflow, making it easy for our customers to increase usage and find out about new Value+ services.

- **Efficient Sales Process.** Based on the foundation created by our marketing programs and sales development team, we are able to quickly build relationships with potential customers, assess their business challenges and demonstrate the benefits of our core functionality. Following on-boarding of our core solution, our sales team identifies specific Value+ services that enable our customers to further streamline and grow their businesses. Our transparent pricing model is designed to simplify the sales process by pricing subscriptions in a uniform manner based on the size of our customers' businesses. Value+ services are priced separately on a subscription or usage basis to allow our customers to adopt our Value+ services on an as-needed basis.
- **Customer Service as a Partnership.** Our customer service team partners with our customers to assist them with on-boarding and help ensure they are optimally using our software solution early in their relationship with us. We believe this process is critical to our customers' success and plays an important role in customer retention. We also provide ongoing training and support, and regularly provide advice on best practices. Our customer service is an essential component of our AppFolio Business System, serving to deepen our relationships with our customers, maximize the value of our software solutions for their businesses, and encourage word-of-mouth referrals from satisfied customers.
- **Customer Feedback Loop.** We are committed to listening to and understanding our customers based on proactive customer dialogue and feedback about our software solutions. This provides valuable insight into the operations of SMBs in our targeted verticals. Our product management team routinely engages with our customer service and sales and marketing organizations, as well as our customers, partners and other industry participants, to provide guidance to our engineering team. Our agile, team-based engineering approach and continual integration of customer feedback allows us to release frequent updates to our software solutions quickly and seamlessly. We continuously seek out the most talented developers to facilitate the delivery of exceptional technology to SMBs and to stimulate ongoing innovation.

These components of our AppFolio Business System strengthen our brands and customer loyalty, resulting in customer promotion and feedback that we leverage in developing, marketing and selling our software solutions across our targeted verticals.

Our Solutions

We provide SMBs with cloud-based business management software solutions that are designed and developed with our customers' industry-specific business needs in mind.

- **All-in-One System.** Our core solutions have been designed and developed to suit the specific workflows of SMBs in our targeted verticals. We believe that, by focusing on specific industries, we are better able to provide our customers with broad functionality that meets their key business needs and eliminates their need for a myriad of disparate point solutions. Our vision for each vertical software solution includes fully integrated functionality that provides a single system of record to automate routine processes and a system of engagement to optimize business interactions among our customers and their clients and vendors.
- **Essential Value+ Services.** Our software solutions include optional, but often mission-critical, Value+ services that our customers can adopt to enhance our core solutions. These services range from upfront professional website design to ongoing high-volume transactional services, such as electronic payment services, in addition to industry-specific services, such as resident screening, for our property manager customers. By providing a base subscription that can be augmented with additional on-demand functionality, we enable our customers to select Value+ services that meet their specific business needs and scale with the growth of their business.

[Table of Contents](#)

- **Modern Cloud-Based Solutions.** We have designed and developed our software solutions on a modern cloud-based platform, allowing for rapid and cost-effective deployment of our enterprise-class software solutions and frequent updates to help ensure our software solutions incorporate the latest technological advances and adapt to industry trends.
- **Built for Any Device, Anytime, Anywhere.** We recognize that SMBs handle multiple responsibilities that require them to be available 24/7, and they demand flexible software solutions that are compatible with the laptops, tablets and smartphones they already own to allow them to work at anytime and from anywhere. Our software solutions are designed to enable users to move seamlessly from one device to another, to run on multiple operating systems, including Mac OS, iOS, Windows and Android, and to launch in a variety of browsers.
- **User-Friendly Interface.** We believe a key driver of the adoption and utilization of our software solutions is the easy-to-use and consumer-like nature of our interface. We invest significant time and resources in streamlining and rationalizing our functionality to enable an intuitive and user-friendly customer experience. Our users are often able to benefit immediately from our software solutions with little to no training. We designed our interface to resemble the social media applications our customers already use, making it easy to transition their businesses to our platform because of a preexisting familiarity.
- **Ever-Evolving Functionality.** We direct our investment in research and product development based on our market validation findings and customer feedback loop, which inform the development of new core functionality and Value+ services that are directly relevant to our customers' businesses and foster best practices based on deep industry knowledge. Market validation and customer feedback will continue to be our guiding philosophy as we seek to prioritize and integrate new functionality in response to the needs of our customers.
- **Vertical Data Analytics.** As a vertical cloud-based solution provider, we are uniquely positioned to capture data across our customer base, forming a new source of industry-specific business data. Our customers benefit from data analytics in the form of business performance management through a wide variety of customizable reports and business optimization through aggregated benchmarking data, which provides visibility across their industries.

Benefits of Our Solutions

- **Benefits to Our SMB Customers.** Our cloud-based business management software solutions enable our customers to eliminate manual processes and collapse a myriad of point solutions into a single system of record and system of engagement, all at a lower cost than an inflexible on-premise software product. Our software solutions facilitate the automation of recurring transactions to improve efficiency, vertical data analytics to provide visibility, and seamless communication, which combine to produce tangible time savings, reduced expenses and increased revenue. For example, APM enables property managers to identify and capture quality prospects, achieve higher occupancy rates, optimize pricing and offer ancillary services. In the legal vertical, MyCase enables lawyers to better organize their cases and matters and expedite client communication, time tracking, billing and collections.
- **Benefits to Clients of SMBs.** Our software solutions help ensure clients of SMBs experience high quality, professional service, improved responsiveness and easy access to useful information. Clients of SMBs are able to interact with the owners and managers of SMBs through our intuitive, consumer-like interfaces and to complete a variety of tasks online. For example, property owners can more easily evaluate the performance of their real estate portfolios based on easy-to-read monthly reports and reliable payments, while residents experience a more streamlined renting process by taking advantage of online conveniences such as electronic rental applications and rent payments. In the legal vertical, clients can receive real-time and up-to-date accounts of the latest developments in their cases posted to private and secure portals to which they have on-demand access.

- **Benefits to Vendors of SMBs.** Our software solutions enable vendors of SMBs to streamline transactions with the owners and managers of SMBs by automating processes and facilitating communications. For example, vendors are able to receive payments from property managers faster and more securely through direct deposit instead of cash or check. APM also has built-in property maintenance software that facilitates electronic work orders to vendors, for both one-time and recurring tasks, allowing vendors to schedule their jobs and allocate resources more efficiently. Maintenance technicians can then easily communicate with property managers and residents and complete work orders seamlessly through our platform.

Our Competitive Strengths

We believe that our significant growth within our targeted verticals is based on the following key competitive strengths:

- **AppFolio Business System.** We believe that our AppFolio Business System, including our experience in market validation, as well as our consistent, multi-functional approach to using our customers' feedback, serves to differentiate us from our competitors. We strive to develop exceptional cloud-based technology capable of transforming our customers' businesses, and our product management team coordinates closely with our sales and marketing, customer service and engineering teams to continuously update and improve our user experience with new core functionality and Value+ services. We believe this approach enables us to create easy-to-use software solutions that more precisely meet our customers' needs. By re-using key elements of our platform across our software solutions and leveraging a common business strategy, we can more easily enter adjacent markets and new verticals.
- **Deep Domain Expertise.** We have developed considerable industry-specific domain expertise within our targeted verticals. Our domain expertise within our targeted verticals allows us to address the unique workflows of our customers and differentiate ourselves from horizontal software competitors. This industry-specific knowledge enables us to offer a broad range of tightly integrated core functionality and Value+ services that would otherwise require the purchase and use of multiple disparate point solutions, such as accounting, payment, customer relationship management and business intelligence software. Our AppFolio Business System, including our disciplined market validation approach and customer feedback loop, positions us to build our industry expertise efficiently as we enter adjacent markets and new verticals.
- **Focus on Vertical Cloud-Based Solutions for SMBs.** We recognized at the outset that SMBs have software needs and face challenges that are different from those of larger enterprises. We have focused exclusively on creating cost-effective, cloud-based solutions for SMBs, enabling us to create a full customer experience tailored to their unique needs. We believe we can more easily identify prospective customers and adapt our marketing strategies accordingly, resulting in lower customer acquisition costs and faster market penetration. We help SMBs that have limited time, money and expertise with on-boarding, dedicated training and support during the early stages of using our software solutions, and ongoing advice over the life of the customer relationship. We also utilize data captured across our customer base to deliver innovative new functionality and inform our product roadmap. We believe we can leverage our experience serving SMBs to address similar, fundamental business needs across our targeted verticals.
- **Customer Obsessed.** We are intensely focused on customer happiness and success. By thoroughly understanding our customers' needs, we are able to deliver an exceptional customer experience. We continuously monitor customer satisfaction, seek feedback from our customers on our core solutions and Value+ services, and design and develop our offerings to deliver meaningful impact to our customers. Our strong value proposition is validated through our customer reviews and real-time feedback that is published unfiltered on our website. Our customer-centric culture fosters long-term relationships with our customers, which translates into a high degree of revenue visibility and significant upside from Value+ service opportunities.

[Table of Contents](#)

- **Predictable Revenue Model.** We employ a business model that produces predictable revenues. We achieve this by charging recurring subscription fees for our core solutions and providing a number of Value+ services that are generally recurring in nature. Our business management software solution is a critical element of the day-to-day operations of our customers, leading to lasting customer relationships. We employ success-based pricing for our software solutions with a view to increasing our revenues over time as our customers' businesses grow and they increasingly adopt Value+ services.
- **Experienced Management Team.** The members of our senior management team have a proven track record, averaging over 15 years of experience as pioneers in the cloud-based software industry, many of whom have worked together since 1999. This level of expertise enables our management team to effectively manage the challenges associated with building a lasting company.

Our Growth Strategy

Our growth strategy is to provide increasingly valuable cloud-based business management software solutions to SMBs across the specific verticals we choose to target. We have managed, and plan to continue to manage, our business towards the achievement of long-term growth that we believe will positively impact long-term stockholder value, and not towards the realization of short-term financial or business metrics, or short-term stockholder value. Key components of our growth strategy include:

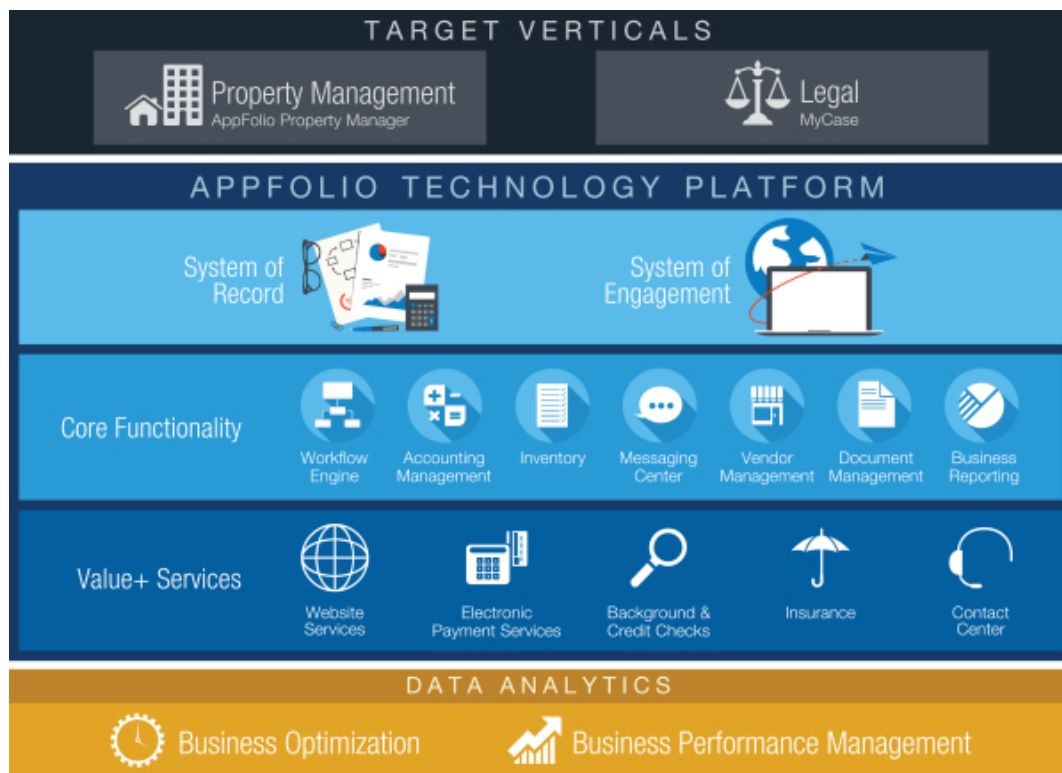
- **Maintain Product and Technology Leadership.** We have made, and will continue to make, significant investments in research and product development to expand our core functionality and add new Value+ services through our continuous product innovation efforts. We intend to continue using market validation techniques and our close relationships with our customers as a key source of feedback to inform and direct our product roadmap. We may also choose to acquire technologies to accelerate our time-to-market for certain functionality or entry into adjacent markets or new verticals.
- **Keep Our Existing Customers Happy.** Customer success is essential to our long-term success. We place significant emphasis on customer service to differentiate our software solutions from competing products and this will continue to be a critical component of our business strategy in the future. We do not separately charge our customers for ongoing training and support, which we believe is a key factor in retaining our existing customers and deepening their understanding of our core functionality and Value+ services. We believe that maintaining our focus on customer satisfaction will drive greater adoption and utilization of our software solutions, including through referrals from existing customers to potential new customers within our targeted verticals.
- **Expand Adoption and Use by Existing Customers.** We intend to expand our core functionality and add new Value+ services to meet the evolving needs and requirements of our customers. We believe that, as our customers save time and money using our software solutions, they will have the opportunity to invest newly available resources to grow their businesses. As our customers grow, we expect they will use our technology to manage their larger businesses on our platform and increasingly adopt and use additional Value+ services.
- **Target New Customers.** We plan to grow our customer base through our sophisticated sales and marketing programs, including industry thought leadership and education, and the referral power of satisfied customers promoting our software solutions within our targeted verticals. We believe that the market for cloud-based business management software is large and underserved both within the industries in which we currently operate and the broader SMB market. We believe that our prominent online presence and efficient sales and marketing infrastructure will continue to attract new customers in our targeted verticals.
- **Enter New Adjacent Markets.** We currently participate in a number of markets within our existing verticals and are constantly evaluating adjacent markets based on our deliberate market validation strategy and customer feedback. We believe that, while we are continuously developing our software solution within one market, we can apply the product enhancements and learnings from that market as

we extend our platform into each successive adjacent market. For example, APM's core functionality is tailored to single- and multi-family residences, student housing and commercial property; however, our customers currently use APM to manage mixed real estate portfolios that include various other property types. As a result, there are significant opportunities to expand our core functionality and add new Value+ services to serve adjacent markets, such as HOA, vacation rentals, senior living, and military and affordable housing.

- **Expand into New Verticals.** We consistently review potential opportunities to expand into additional verticals. We plan to enforce a disciplined approach to growth by using market validation techniques to assess the scope and nature of business challenges faced by SMBs in any potential new vertical, their likelihood of purchasing a cloud-based solution to solve their problems and their potential spend on such solutions. Any new vertical will also need to fit within our proven business strategy, including our management team's assessment of available alternatives, such as the number and size of potential adjacent market opportunities, and the relative risk and return of these opportunities. After considering these factors, we determined to enter the legal vertical in 2012, and we expedited our time to market by acquiring MyCase. We are continuing to leverage our market validation process and customer feedback loop to build out our core solution and introduce additional Value+ services for our law firm customers as we expand into this new vertical.

AppFolio Technology Platform

We have developed a common technology platform that enables us to create business management software solutions for SMBs within our targeted verticals. Our integrated suite of applications spans many of our customers' most critical business needs by providing the system of record and the system of engagement. In conjunction with our core solution, we offer a number of Value+ services. Our Value+ services currently consist of website services, electronic payment services, background and credit checks, insurance services and contact center services. We have built our platform using a modern cloud-based architecture. Our software solutions are designed to run on any device and are compatible with any operating system, from the desktop in a customer's office, to his or her smartphone, to a tablet at home. As a result, our customers' data is available at any time and from any location. As a vertical cloud-based solution provider, we are uniquely positioned to capture data across our customer base, forming a new source of industry-specific business data. Our customers benefit from data analytics in the form of business performance management through a wide variety of customizable reports and business optimization through aggregated benchmarking, which provides visibility across participants in their industries.



AppFolio Property Manager

Core Functionality

Our property management software solution provides small and medium-sized property managers (including both third-party managers and owner-operators) with a multi-faceted solution for their operational requirements. We built APM from the ground up based on our analysis of the industry and input directly from property managers. APM includes the following core functionality:

- **Powerful Accounting Software.** APM provides integrated accounting software specifically designed for property managers, including accounts payable, accounts receivable, trust accounting, Form 1099 creation, check printing, automatic bank reconciliation and Ratio Utility Billing to calculate a resident's share of monthly utility costs based on predetermined allocations.
- **Data-Driven Management.** Unlimited storage allows all data to be centralized in APM, making it available to property managers on-demand through our dynamic search capabilities. APM also allows property managers to better understand and track their business performance through property-level budgets and many customizable reports covering accounting details, property details, and resident and vendor information.
- **Effective Online Marketing.** Our tenant vacancy tracking software capitalizes on property data centralized in APM to streamline the listing process. In just a few clicks, property managers can manage listings on their own websites and make automatic feeds available to a wide variety of third-party listing sites, dramatically increasing the visibility of listings. Our core functionality also improves the quality of listings by allowing property managers to embed YouTube videos and use our professionally formatted HTML code for listings on third-party websites. All vacancy listings and tasks are then consolidated in real time to reflect the status of a property manager's current vacancies, with detailed metrics showing how vacancy rates are affected by changes in rent or marketing.
- **Seamless End-to-End Lease Processing.** APM provides a mobile-friendly online leasing solution that allows prospective residents to complete online rental applications from the vacancy listings and upload photographs of their drivers licenses and other important documents. If approved, the property manager can generate a lease agreement pre-populated with the applicant's data that can be electronically signed by the new resident in real time. Our online lease template can be customized to create multiple lease agreements for different property types and requirements, including forms required by applicable law. We also recently introduced a lease renewal workflow, which automatically incorporates designated increases in rent into the relevant documentation.
- **Streamlined Resident Communications.** Mass emailing capability and text messaging functionality in APM streamline communications and social interactions with residents. Our messaging center facilitates a range of communications from move-in and move-out instructions to invitations to resident events, as well as short, time-sensitive communications, such as maintenance alerts and late rent reminders. Our messaging center allows property managers to personalize communications and interact with property owners and vendors.
- **Accessible Property Owner Reporting.** APM enables property managers to post to private and secure online owner portals. These postings typically include owner statements, completed work orders and other reports to which owners have on-demand access. Our owner statements are designed to be easy to read and user friendly, providing a helpful overview of transactions affecting the property in the past month, and facilitating better service by property managers to their clients.
- **Transparent Property Maintenance.** APM's built-in property maintenance software facilitates electronic work orders to vendors, for both one-time and recurring tasks, which are organized in real time to provide a snapshot of all past and in-progress work orders. Residents can access tenant portals to submit online maintenance requests, which automatically create work orders upon acceptance by the property manager. This allows property managers to expedite response times, track and edit the status of repairs, and ensure that property issues are addressed in a timely manner.

- **Convenient Payments to Owners and Vendors.** As an alternative to cash or checks, APM enables property managers to make payments to owners and vendors faster and more securely by depositing funds directly into their bank accounts. Like our other payment solutions, this functionality is built into APM so that payments are automatically entered into our accounting software.
- **Property Inspection on Any Device.** Built-in property inspections functionality allows property managers to perform and manage on-site property inspections remotely on their preferred mobile device. Property managers can make notes directly in the application (or use their phone's speech-to-text functionality) and upload related photographs as they walk through the property. APM then generates an inspection report in a fraction of the time it would take to type up handwritten notes and allows property managers to create work orders from flagged inspection items.
- **Optimized Rent Comparison.** RentMatch, our rent comparison tool, quickly analyzes the rental price and characteristics of any given unit and uses data analytics to compare them to actual rental prices of units of similar size and bedroom count in the same geographical area, presenting the results in a user-friendly report.
- **Variable Functionality for Different Property Types.** APM allows property managers to manage single- and multi-family residences, student housing, commercial property or mixed real estate portfolios, as well as optional rentable items such as parking spaces or storage. We are continually adding new core functionality, including rent-by-the-bed for student housing and the ability to allocate common area maintenance charges.

Value+ Services

Our Value+ services enable property managers to activate certain optional, but often mission-critical, functionality that is seamlessly built into APM and designed to improve the user experience in a number of significant ways.

- **Professionally Designed Websites.** We collaborate with our customers to deliver and maintain websites that showcase modern and mobile-optimized designs, with unique sites customized for individual properties, including image galleries and floor plans. Our websites are fully integrated with APM's functionality, including vacancy postings, payment options, owner portals and maintenance requests. Property managers can track and analyze site traffic and lead generation and identify prospects by evaluating the guest cards on vacancy postings that are filled in by prospective residents.
- **Electronic Payment Services.** Our payments platform provides prospective and current residents with a number of convenient and secure payment options. Prospective residents can pay rental application fees through our secure online rental applications. APM supports ACH payment processing (e-Check) and credit or debt card payments of security deposits and rent through our secure online tenant portals. These payment options eliminate the time and cost associated with processing physical checks. As a more secure alternative to cash and money orders, residents can make regular or last-minute Electronic Cash Payments at any 7-Eleven and ACE Cash Express location.
- **Instant Background and Credit Checks.** APM offers instant background screening and credit checks for use during the rental application process. Instead of manually entering or faxing information to third-party service providers, APM allows property managers to simply press a "Screen Now" button upon receipt of a new online rental application and receive an easy-to-read report summarizing the results of a credit check and nationwide eviction and criminal records search. Customers also gain access to, and have the option to contribute to, Experian RentBureau rental payment history data, updated every 24 hours, to identify the highest quality residents and reduce the risk of bad debts.
- **Reliable Insurance Coverage.** Property managers are increasingly requiring residents to carry tenant liability insurance to reduce the hassle and expense associated with resident-caused damage. APM facilitates enrollment of residents in a simple, easy-to-understand tenant liability insurance program, and allows property managers to link this service to lease signings and renewals and easily track

resident compliance. Residents can choose to purchase insurance through a third party and provide proof of coverage, but our tenant liability insurance program seeks to provide residents with a cost-effective, integrated solution and property managers with a competitive advantage when marketing their services to owners.

- **24/7 Maintenance Contact Center.** APM's contact center is manned 24 hours a day, 7 days a week, by professionally trained agents. These agents can act as an extension of the property manager's office to resolve or route incoming maintenance requests. Our answering service is designed to work seamlessly with APM's property maintenance software. APM agents are equipped to enter non-emergency work orders directly into APM for the property manager's approval and dispatch vendors immediately in case of an emergency.

MyCase

Core Functionality

Our legal software solution is designed to assist solo practitioners and small law firms with administering their practice and managing their case load. We acquired MyCase in 2012 and are continuing to expand its functionality by leveraging our AppFolio Business System, including our experience gained in the property management vertical, to advance our software solution in the legal vertical. MyCase includes the following core functionality:

- **On-the-Go Time Tracking.** MyCase allows attorneys to enter billable hours on their preferred mobile device, automatically linking time entries to the appropriate case or matter. Lawyers are able to handle multiple court appearances, meetings and other interactions without having to recreate their days after the fact. MyCase can also be used to track non-billable entries to monitor the performance and efficiency of flat-fee arrangements and contributions to pro bono work.
- **Flexible Legal Billing Software.** MyCase's legal billing software can be used to generate detailed trust account balances and a wide variety of reports to track productivity and other firm metrics. It can also quickly pull unbilled time and expenses or flat fee balances into a professionally formatted invoice, which can be customized with the law firm's logo. Attorneys can use our Payment Plan Generator to easily define a payment schedule for a client with flexible due dates and balances. Our QuickBooks integration functionality provides a one-way sync of detailed accounting data into QuickBooks, ensuring consistency across accounting software.
- **Secure Client Portals.** MyCase's integrated client portals provide clients with on-demand access to a variety of information, including sensitive and privileged communications, with the knowledge that such correspondence is private and secure and better protected than messages sent over unsecure email. Our client portals have a modern interface similar to that of social networking sites, with real-time activity streams to provide an overview of recent developments, and a comment stream associated with uploaded items shared with clients, who get automatic notifications of updates.
- **Automated Organizational Tasks.** MyCase offers broad functionality to facilitate better organization of cases and matters, including centralized contacts, tasks, calendars and reminders accessible by the entire firm. Our workflow software allows lawyers to automate processes for routine tasks tailored to the type of case or matter. Calendars and reminders are synchronized in real time across all devices to assist the entire team with time management, and colleagues and clients receive notifications when calendar events are added. Practitioners can also link calendar events to the applicable case or matter to track associated billable hours.
- **Robust Document Management and Collaborative Assembly.** MyCase provides a robust legal document management system, which, together with our unlimited storage and drag-and-drop upload tool, allows law firms to organize correspondence and other documentation in a searchable, centralized firm library. Our cloud-based platform allows colleagues to collaborate in drafting new documents, which can be assembled quickly and easily by capitalizing on our customizable templates.

Value+ Services

We currently offer two optional, but frequently essential, services to our law firm customers.

- **Professionally Designed Websites.** Our professionally designed websites are fully integrated with MyCase so that practitioners and their clients can easily login to the site to access case and matter information, communicate and manage bills. Our websites are geared towards improving the effectiveness of law firm marketing and building a mobile presence. We work with our law firm customers to build their brand by tailoring website content, providing professional images, creating a logo and purchasing their unique domain.
- **Electronic Payment Services.** MyCase enables practitioners to accept credit or debit cards in their offices or over the phone and pay only normal merchant processing fees. In addition, by linking operating and trust accounts, practitioners can accept online payment of retainers and other amounts directly into these accounts.

Our Customers

Our business model is premised on long-term customer relationships. We had 2,586, 3,993 and 5,885 property manager customers as of December 31, 2012, 2013 and 2014, respectively. We had 713, 1,744 and 3,658 law firm customers as of December 31, 2012, 2013 and 2014, respectively. No customer represented more than 10% of our total revenue in the years ended December 31, 2013 and 2014. Our property manager customers include third-party managers and owner-operators, managing single- and multi-family residences, commercial property and student housing, as well as mixed real estate portfolios. Our property manager customers typically manage portfolios ranging from 20 to 3,000 units. Our customers in the legal vertical are generally solo practitioners and small law firms with less than 20 lawyers.

Culture and Employees

We believe our people are at the heart of our success and our customers' success. We endeavor to attract and hire the most talented employees and provide a challenging and rewarding environment to motivate and bring out the best in them. We believe our ability to create and grow our company culture provides us with a significant competitive advantage by stimulating strong teams capable of executing our strategic plans and encouraging innovation. We subscribe to six core values, which capture the culture of our organization:

- Simpler Is Better
- Great, Innovative Products Are Key To A Great Business
- Great People Make A Great Company
- Listening To Customers Is In Our DNA
- Small, Focused Teams, Keep Us Agile
- We Do The Right Thing Because It's Good For Business

As of December 31, 2014, we had 377 employees across our offices in Santa Barbara, California, San Diego, California and Dallas, Texas. We also hire temporary employees and consultants. We consider our relations with our employees to be good. None of our employees are represented by a labor union or covered by a collective bargaining agreement.

Technology and Operations

Data Security and Availability

Historically, the cost and complexity of on-premise architectures have meant that only large enterprises can afford advanced data security and back-up servers. We have made significant investments in the most current technology in order to make these benefits available to SMBs.

[Table of Contents](#)

We use Ruby-on-Rails as our web application framework for both APM and MyCase. Our software solutions run on a combination of both public and private cloud infrastructure, consisting of both our own servers and Amazon's Elastic Compute Cloud, or EC2, platform. Our servers are located in state-of-the-art data centers operated by third-party service providers. Physical security at these facilities includes a variety of access controls, including electronic keycards, pin codes, biometric hand scans and mantraps, and policing by high resolution, motion sensitive video surveillance. These facilities provide redundant power and a system of heating, ventilating and air conditioning, as well as fire-threat detection and suppression. We utilize a system of redundant routers, switches, server clusters and back-up systems to help ensure high availability. Amazon is widely recognized for operating state-of-the-art, highly available data centers.

With respect to Internet security, sensitive data, such as passwords, Social Security and tax identification numbers, are encrypted before being written to disk. In addition, all network connections are encrypted. Data is backed up using Amazon's Simple Storage Service, or S3, providing high durability, and we also perform regular backups of all customer data. We evaluate our Internet security regularly, including through third-party penetration testing.

In addition, our software solutions allow our customers to define roles that provide different levels of access to users, allowing them to view and modify specific items depending on their role. Supervisors can distribute work to on-site staff in a secure and controlled environment, while leadership retains visibility across the entire system.

Research and Product Development

We entrust product design, development and testing to our talented team of engineers, who coordinate closely with our product management team to launch new core functionality and Value+ services. Our engineers are organized in smaller groups to foster agility and continued innovation in responding to the evolving needs of our customers. We leverage a collaborative, team-based and test-driven approach to engineering to release new code frequently. We believe that it is easier for our customers to adjust to these continuous updates to our software solutions, which incrementally change and improve their user experience, than it is to adapt to the infrequent, but more drastic, upgrades of legacy on-premise software.

We rely heavily on input from our customers in developing products that meet their needs and anticipate developments in their respective industries. Our product management team leads our research and market validation efforts and provides guidance to management and to our engineering team based on our collective domain expertise and in-depth knowledge and understanding of our customers. As a result, our product management team engages regularly with customers, partners and other industry participants, as well as our customer service and sales and marketing organizations. Our product management team manages our development projects generally and serves to align separate functions within the company with a single strategic vision.

Our research and product development expense was \$5.1 million and \$6.5 million for the years ended December 31, 2013 and 2014, respectively.

Sales and Marketing

We leverage a modern marketing approach along with marketing automation technology to build brand recognition and our reputation as an industry leader in our targeted verticals. Across our digital and in-person marketing activities, we focus on authenticity and transparency, and seek opportunities to showcase the voice of happy customers. Targeting SMBs within our verticals allows us to more easily identify prospective customers and tailor our marketing and sales strategies accordingly, resulting in a lower customer acquisition cost and faster market penetration.

[Table of Contents](#)

We participate in and drive industry thought leadership and education with both online and offline activities. We attend, host and present at a number of industry events and support educational opportunities in the form of trade shows, conferences and webinars across the United States, details of which are made available on our product websites. We host informational lunches and networking opportunities in key cities in the form of “Meet Ups,” which bring together existing and prospective customers. Our online user forums facilitate discussions with other industry participants and serve as a great resource for tips on using our platform and best practices. We also make a number of valuable educational resources available for free through our industry partners and on our industry websites, such as PropertyManager.com and our blogs. We are able to capitalize on the resulting network effect, which builds goodwill through customer reviews and testimonials, word-of-mouth referrals and references from other industry participants.

We use a variety of in-bound marketing techniques to promote our software solutions, including content marketing, SEO, SEM, social media and advanced digital advertising tactics. We believe our success in this area is borne out by the increasing number of unique visits to our product websites, as well as the increasing interest in our brands, as evidenced by Google search activity. Our dedicated sales development team acts in partnership with our in-bound marketing efforts to reach potential customers, generate additional sales opportunities and speed the time from evaluation to close. We offer free trials of both APM and MyCase. Our sales representatives can then assist prospective property manager customers as they evaluate and choose APM, while prospective law firm customers generally sign up for a 30-day free trial on a self-service basis (with additional support from a live sales development representative as needed).

Our sales team works closely with our marketing organization to find and acquire new customers as well as expand adoption and use by existing customers. We have a metrics-driven sales culture with a focus on early indicators that lead to strong pipeline creation. We leverage technology and specialization of resources along with an emphasis on continued training and development to maximize the productivity and speed the ramp time for each sales representative. Our interactive sales methodology allows the sales team to quickly build relationships, assess the customer’s business challenges, and demonstrate the benefits of our core functionality and Value+ services.

Throughout the customer relationship, we continue to promote adoption and usage of our Value+ services in a variety of channels, including email, webinars, training, sales outreach and within our software solution via in-app messaging. While APM and MyCase customers are using our core solutions, in-app messaging puts additional Value+ services right in their workflow. This makes it easy for customers to increase usage or find out about additional Value+ services in an unobtrusive manner. Our Value+ sales team then works in tandem with our marketing organization to sell and increase adoption and usage of our Value+ services. This combination of activities gives us a unique advantage to build a strong relationship with our customers while helping them maximize their investment in our software solutions.

Customer Service

Our success is based on long-term customer retention, not a one-time sale, and we partner with our customers throughout the life of the customer relationship to help them navigate their digital transformation. We design our software solutions to be simple and easy—easy to switch to, set up, use and manage. We offer unlimited training and support across our software solutions at no extra charge. We pride ourselves on being customer-centric and strive to educate our customers on the additional core functionality and Value+ services they can use to improve business efficiency and productivity.

Our on-boarding team strives to ensure that customers are prepared to run their businesses on our platform and provide the best on-boarding experience in the industry. Based on our assistance with data migration, we are able to provide valuable insights into data integrity and work diligently with our customers to help resolve any issues in their underlying business processes. We also assist our customers with the configuration of our platform for particular property types or cases. We provide a dedicated team throughout the on-boarding process and

[Table of Contents](#)

ongoing planning thereafter, including compliance with best practices. Our Value+ team includes a number of employees focused on guiding our customers through the adoption of our Value+ services, which may require additional information or underwriting as part of the on-boarding process for compliance or regulatory reasons.

Our software solutions are designed to be highly intuitive so that our customers can learn to use them in a matter of hours, as opposed to days and weeks. Nevertheless, we provide a variety of training options to assist with this process. Our instructors offer several live-streamed training courses each week, and also make available recorded training courses, which can be accessed on demand. These are centralized in our online help resource centers, along with downloadable guides, job aids and other reference materials. Our training is designed to provide product overviews for those in the process of converting to our software solutions, as well as in-depth, step-by-step instructions and ongoing education for those seeking to leverage greater functionality.

Our cloud-based platform allows us to fix issues quickly and to continuously improve our customers' experience through ongoing updates to our software solutions. However, when issues and questions do arise, we strive to ensure that a real person is available to respond to a customer's concerns quickly and intelligently. Early in their relationship with us, we seek to confirm our accounting software is fully integrated with our customers' business processes and track several key metrics to help ensure full utilization of our software solution. Throughout the customer relationship, our customer loyalty team proactively engages with our customers to facilitate our customers' success. Similarly, our Value+ team includes employees focused exclusively on expanding Value+ service adoption and usage by new and existing customers and providing expertise with respect to related services. We also have engineers focused on infrastructure, operations and application support.

Competition

The overall market for business management software is global, highly competitive and continually evolving in response to changes in technology, operational requirements, laws and regulations. While we focus on providing software solutions to SMBs in our targeted verticals, we compete with other vertical cloud-based solution providers that serve companies of all sizes and horizontal cloud-based solution providers that offer broad solutions across multiple verticals.

In the property management vertical, our competitors include established vertical software vendors, such as RealPage and Yardi. In the property management vertical, we also compete with cloud-based solution providers whose services are geared toward individual landlords with smaller portfolios than those of our targeted customers. In the legal vertical, our competitors include established vertical software vendors, such as Thompson-Reuters and LexisNexis, and newer market entrants, such as Clio.

We also see competition from numerous cloud-based solution providers that focus almost exclusively on one or more point solutions. For example, in the property management vertical, we compete with listing services, tenant screening applications and specialists in lease forms. In the legal vertical, we compete with time tracking, legal billing and payment services. Continued consolidation among cloud-based solution providers could lead to significantly increased competition.

We believe the principal competitive factors in our market include the following:

- ease of deployment and use of software solutions and applications;
- total cost of ownership;
- data security and availability;
- breadth and depth of functionality in software solutions and applications;
- nature and extent of mobile interface;
- level of customer satisfaction;

[Table of Contents](#)

- size of customer base and level of user adoption and usage;
- brand awareness and reputation;
- ability to innovate and respond to customer needs rapidly;
- domain expertise with respect to our targeted verticals; and
- ability to leverage a common technology platform and business strategy.

We believe that we compete favorably on the basis of these factors and that the domain expertise required for developing, marketing and selling successful software solutions in the property management and legal verticals may hinder new entrants that are unable to invest the necessary resources to develop and deploy software solutions with the same level of functionality as ours. We also believe that we can leverage our expertise in serving the SMB market, as well as reusable technological components and operational synergies, to enter adjacent markets and new verticals more efficiently than many other cloud-based solution providers.

Facilities

Our corporate headquarters are located in Santa Barbara, California and consist of approximately 43,000 square feet of space under a lease that expires in 2018. We have an option to renew the lease for three years. In April 2015, we leased additional space in Santa Barbara under a lease that expires in 2020. In addition to our headquarters, we lease space in San Diego, California and Dallas, Texas under leases that expire in 2016.

We lease all of our facilities and do not own any real property. We intend to procure additional space as we add employees and expand geographically. We believe our current facilities are adequate for our current needs and that, should it be needed, suitable additional or alternative space will be available to accommodate any such expansion of our operations.

Intellectual Property

We rely on a combination of patents, copyrights, trademarks, trade secrets, confidentiality procedures and contractual restrictions to establish and protect our proprietary rights in our core solutions and Value+ services. As of December 31, 2014, we had eight issued U.S. patents that directly relate to our technology that expire between 2028 and 2031, and we had three pending patent applications in the United States and two pending patent applications internationally. We intend to pursue additional patent protection to the extent we believe it would be beneficial and cost effective.

We registered “AppFolio” and certain other marks as trademarks in the United States and several other jurisdictions. We also filed trademark applications in the United States and certain other jurisdictions and will pursue additional trademark registrations to the extent we believe it would be beneficial and cost effective. We are the registered holder of a variety of domestic and international domain names that include “appfolioinc.com,” “appfolio.com,” “mycase.com,” “propertymanager.com” and similar variations. We also license software from third parties for use in our solutions, including open source software and other software available on standard commercial terms.

We control access to our proprietary technology by entering into confidentiality and invention assignment agreements with our employees and contractors and confidentiality agreements with third parties. Despite our precautions, it may be possible for unauthorized third parties to copy our software solutions and use information that we regard as proprietary to create products and services that compete with ours.

Some license provisions protecting against unauthorized copying, use, transfer and disclosures of our software solutions may be unenforceable under the laws of certain jurisdictions and foreign countries. In addition, the laws of some countries do not protect proprietary rights to as great an extent as the laws of the

[Table of Contents](#)

United States, and many foreign countries do not enforce these laws as diligently as government agencies and private parties in the United States. To the extent that we expand internationally, our exposure to unauthorized copying and use of our software solutions and misappropriation of our proprietary technology may increase.

We expect that software and other solutions in our industry may be increasingly subject to third-party infringement claims as the number of competitors grows and the functionality of products in different industries and segments overlap. Moreover, many of our competitors and other industry participants have issued patents or filed patent applications, and have asserted claims and related litigation regarding patent and other intellectual property rights. From time to time, third parties have asserted patent, copyright, trademark, trade secret and other intellectual property rights within our industry.

Legal Proceedings

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows or financial condition.

MANAGEMENT

Executive Officers and Directors

The following table sets forth information concerning our executive officers and directors as of March 31, 2015:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Executive Officers:		
Brian Donahoo	51	President, Chief Executive Officer and Director
Klaus Schauser	52	Chief Strategist, Founder and Director
Jonathan Walker	46	Chief Technology Officer and Founder
Ida Kane	45	Chief Financial Officer
Non-Employee Directors:		
Andreas von Blottnitz ⁽¹⁾⁽²⁾	49	Chairman of the Board of Directors
Timothy Bliss ⁽²⁾	62	Director

(1) Member of our audit committee.

(2) Member of our compensation committee.

(3) Member of our nominating and corporate governance committee.

Executive Officers

Brian Donahoo has served as our President and Chief Executive Officer and as a director since 2007. From 1999 to 2007, Mr. Donahoo served as the Senior Vice President for Products and Services at Expertcity, Inc. a provider of web-based remote desktop access software, which was acquired by Citrix Systems, Inc., (NASDAQ: CTXS) in 2004 and later renamed CitrixOnline LLC. Previously, Mr. Donahoo served as Site Director at Stream International, a provider of services to the technology industry, from 1995 to 1999. Mr. Donahoo received a B.S. in Psychology from Colorado State University.

We believe Mr. Donahoo's valuable perspective and experience as our President and Chief Executive Officer, considerable experience in the software industry, and extensive leadership skills qualify him to serve on our board of directors.

Klaus Schauser co-founded AppFolio in 2006 and has served as our Chief Strategist and a director since 2007. Mr. Schauser was a co-founder and, from 1999 to 2005, the Chief Technology Officer, of Expertcity, Inc., which was acquired by Citrix Systems, Inc. (NASDAQ: CTXS) in 2004. He has also served as a Professor of Computer Science at the University of California, Santa Barbara. Mr. Schauser received a Ph.D. in Computer Science from the University of California, Berkeley.

We believe Mr. Schauser's background as the founder of two cloud-based solution providers, as well as his deep industry and technology experience, qualify him to serve on our board of directors.

Jonathan Walker co-founded AppFolio in 2006 and has served as our Chief Technology Officer since 2006. Prior to co-founding AppFolio, in 2004, Mr. Walker co-founded Versora, Inc., a provider of software products and professional integration services, and served as its Chief Technology Officer from 2004 to 2006. Prior to founding Versora, Inc., Mr. Walker served as Chief Technology Officer of Miramar Systems, Inc., a data migration solutions provider, until its acquisition by CA, Inc. (NASDAQ: CA) in 2004. Mr. Walker received a B.S. in Business and Economics from Westmont College.

[Table of Contents](#)

Ida Kane has served as our Chief Financial Officer since February 2015. From 2010 to 2015, Ms. Kane served as Chief Financial Officer and Corporate Secretary of Rightscale, Inc., a cloud-based solution provider. From 2005 to 2009, Ms. Kane served as Chief Financial Officer at thinkorswim Group Inc. (NASDAQ: SWIM), an online option trading and investor education company, until its sale to TD Ameritrade Holding Corporation (NYSE: AMTD). Prior to joining thinkorswim Group Inc., Ms. Kane served as Chief Financial Officer and Vice President of Operations of a business unit of Franklin Covey Co. (NYSE: FC). Ms. Kane received a B.S. in Accounting and an M.B.A. from the University of Miami in Florida and earned her CPA license (inactive) from the State of Florida.

Non-Employee Directors

Timothy Bliss has served as a member of our board of directors since 2008. Mr. Bliss is a partner at Investment Group of Santa Barbara, LLC, or IGSB, one of our principal stockholders. Mr. Bliss joined IGSB in 1974 and has been a partner since 1982. He also serves on the board of directors of a private company. He received a B.A. from Harvard College and an M.B.A. from the Stanford Graduate School of Business.

We believe Mr. Bliss's seven years of experience with AppFolio and his long history of investing in and building technology companies qualify him to serve on our board of directors.

Andreas von Blottnitz has served as a member of our board of directors since 2007. Mr. von Blottnitz serves as a venture partner of BV Capital Management, LLC, or BV Capital, one of our principal stockholders, which he joined in 2005. He currently serves on the board of directors of a number of private companies. From 1999 to 2004, he served as the Chief Executive Officer of Expertcity, Inc., which was acquired by Citrix Systems, Inc. (NASDAQ: CTXS) in 2004. Mr. von Blottnitz received a B.A. in Business Sciences from Wirtschaftsakademie in Hamburg, Germany.

We believe Mr. von Blottnitz's background as a director and officer of multiple companies in the technology industry, his extensive investing experience, and his leadership and strategic planning skills qualify him to serve on our board of directors.

Director Independence

Our board of directors has undertaken a review of the independence of each of our directors. Based on the information provided by each director concerning his background, employment and affiliates, our board of directors has affirmatively determined that Messrs. von Blottnitz, Bliss, and do not have relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors meet the definition of "independent director" under the applicable NASDAQ listing standards. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant, including the transactions described in the section entitled "Certain Relationships and Related Party Transactions."

Board of Directors

Our board of directors consists of members, of whom qualify as independent under the applicable NASDAQ listing standards. Pursuant to our current certificate of incorporation and amended and restated voting agreement, Mr. von Blottnitz serves on our board of directors as nominee of the holders of our Series A convertible preferred stock, Mr. Bliss serves on our board of directors as nominee of the holders of our Series B convertible preferred stock, Series B-1 convertible preferred stock, Series B-2 convertible preferred stock, and Series B-3 convertible preferred stock, voting together as a single class, and Mr. Donahoo serves on our board of directors as the designee reserved for the person serving as our Chief Executive Officer. Our

[Table of Contents](#)

amended and restated voting agreement will terminate upon the completion of this offering, and the provisions of our current certificate of incorporation by which our directors were elected will be amended and restated in connection with this offering. See the section entitled “Certain Relationships and Related Party Transactions—Amended and Restated Voting Agreement,” for additional information.

After the completion of 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 immediately prior to the completion of this offering. Following this offering, the persons nominated for director at each annual meeting of stockholders who receive the highest number of affirmative votes will be elected to our board of directors.

Classified Board of Directors

Upon the completion of this offering, our amended and restated certificate of incorporation and amended and restated bylaws will provide for a classified board of directors consisting of three classes of directors, each serving staggered three-year terms. Our directors will be divided among the three classes as follows:

- Class I will initially consist of _____ and _____, whose terms will expire at our annual meeting of stockholders to be held in 2016;
- Class II will initially consist of _____ and _____, whose terms will expire at our annual meeting of stockholders to be held in 2017; and
- Class III will initially consist of _____ and _____, whose terms will expire at our annual meeting of stockholders to be held in 2018.

Directors in a particular class will be elected for a three-year term at the annual meeting of stockholders in the year in which the term of that class of directors expires. As a result, 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. Each director’s term continues until the election and qualification of his or her successor, or his or her earlier death, resignation or removal. Any newly created directorships resulting from an increase in the number of directors or a vacancy may be filled by the directors then in office.

Directors may only be removed for cause by the affirmative vote of the holders of a majority of the combined voting power of the outstanding shares of our capital stock. Because only one-third of our directors will be elected at each annual meeting, two consecutive annual meetings of stockholders could be required for stockholders to change a majority of our board of directors.

This classification of our board of directors may have the effect of delaying, deterring or preventing changes in control of our company.

Board Leadership Structure and Board Role in Risk Oversight

The positions of Chairman of our board of directors and Chief Executive Officer are presently separated. We believe that separating these positions allows our Chief Executive Officer to focus on our day-to-day business, while allowing our Chairman to lead our board of directors in its fundamental role of providing advice to and independent oversight of management. Our board of directors recognizes the time, effort and energy that our Chief Executive Officer is required to devote to his position in the current business environment, as well as the commitment required to serve as our Chairman, particularly as our board of directors’ oversight responsibilities continue to grow. While our amended and restated bylaws and corporate governance principles do not require that our Chairman and Chief Executive Officer positions be separate, our board of directors believes that having separate positions is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

Committees of the Board of Directors

Our board of directors has established three permanent committees: our audit committee; our compensation committee; and our nominating and corporate governance committee. Applicable NASDAQ listing standards require that each committee of our board of directors has at least one independent director on the listing date of our common stock, has a majority of independent directors within 90 days after that date, and be fully independent within one year after that date. The composition of our audit committee, compensation committee and nominating and corporate governance committee will satisfy these independence requirements prior to each of these phase-in dates. Our board of directors has adopted written charters for each of these committees, all of which satisfy the applicable NASDAQ listing standards and will be available on our website upon the completion of this offering. In addition, from time to time, special committees may be established under the direction of our board of directors when necessary to address specific issues. Members will serve on these committees until their resignation or until otherwise determined by our board of directors. The composition and responsibilities of each of the committees of our board of directors are described below.

Audit Committee

We have an audit committee consisting of Messrs. von Blottnitz, _____ and _____, each of whom has been determined to satisfy the independence and financial literacy requirements under applicable SEC rules and regulations and the applicable NASDAQ listing standards. _____ serves as chair of our audit committee. Our board of directors has affirmatively determined that _____ is an “audit committee financial expert” within the meaning of Item 407(d) of Regulation S-K under the Securities Act. Upon the completion of this offering, our audit committee will be responsible for, among other things:

- appointing, terminating, compensating and overseeing the work of any independent registered public accounting firm engaged to prepare or issue an audit report or other audit, review or attest services;
- monitoring and evaluating the independent registered public accounting firm’s qualifications, performance and independence on an ongoing basis;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements;
- reviewing and discussing the adequacy and effectiveness of our auditing, accounting and financial reporting processes and systems of internal control that are followed by the independent registered public accounting firm, our internal audit function and our financial and senior management;
- establishing and overseeing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by our employees regarding questionable accounting or auditing matters;
- investigating any matter within the scope of its duties brought to its attention and engaging independent counsel and other advisors as our audit committee deems necessary;
- reviewing and approving related party transactions for potential conflict of interest situations on an ongoing basis; and
- reviewing and assessing the adequacy of its written charter on an annual basis;
- overseeing such other matters as are specifically delegated to our audit committee by our board of directors from time to time.

Compensation Committee

We have a compensation committee consisting of Messrs. von Blottnitz, Bliss and _____, each of whom has been determined to be an independent director under applicable SEC rules and regulations and the applicable NASDAQ listing standards. Each member of our compensation committee is also a non-employee director, as

Table of Contents

defined by Rule 16b-3 promulgated under Exchange Act, and an outside director, as defined by Section 162(m) of the Code. _____ serves as chair of our compensation committee. Upon the completion of this offering, our compensation committee will be responsible for, among other things:

- assisting our board of directors in developing and reviewing the compensation programs and strategy applicable to our directors and senior management, and overseeing our overall compensation philosophy;
- reviewing and recommending to our board of directors for approval our cash and equity incentive plans, including individual grants or awards thereunder;
- reviewing and recommending to our board of directors for approval the terms of any employment agreement, severance or change-in-control arrangement, or other compensatory arrangement with any executive officers or other key employees;
- reviewing and discussing with management the tables and narrative discussion regarding executive officer and director compensation to be included in the annual proxy statement;
- reviewing and assessing the adequacy of its written charter on an annual basis; and
- overseeing such other matters as are specifically delegated to our compensation committee by our board of directors from time to time.

Nominating and Corporate Governance Committee

We have a nominating and corporate governance committee consisting of _____ and _____, each of whom has been determined to be an independent director under applicable SEC rules and regulations and the applicable NASDAQ listing standards. _____ serves as chair of our nominating and corporate governance committee. Upon the completion of this offering, our nominating and corporate governance committee will be responsible for, among other things:

- assisting our board of directors in identifying individuals qualified to become board members, consistent with criteria approved by our board of directors;
- recommending that our board of directors select the director nominees for election at each annual meeting of stockholders or to fill newly created directorships and vacancies on the board of directors in accordance with our amended and restated bylaws;
- developing and recommending to our board of directors such corporate governance guidelines and procedures as the nominating and corporate governance committee determines is appropriate from time to time;
- overseeing the evaluation of our board of directors and of each committee of our board of directors;
- generally advising our board of directors on corporate governance and related matters;
- reviewing and assessing the adequacy of its written charter on an annual basis; and
- overseeing such other matters as are specifically delegated to our nominating and corporate governance committee by our board of directors from time to time.

Codes of Business Conduct and Ethics

We have adopted a code of business conduct and ethics relating to the conduct of our business by all of our employees, officers and directors, as well as a separate code of business conduct and ethics applicable to our Chief Executive Officer and senior financial officers, both of which will be available on our website upon the completion of this offering. We expect that any amendment to either code of business conduct and ethics, or any waivers of their respective requirements, will be disclosed on our website or in our future filings under the Exchange Act.

Compensation Committee Interlocks and Insider Participation

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 committee performing equivalent functions) of any entity that has one or more executive officers serving on our board of directors or compensation committee. No interlocking relationship exists between any member of the board of directors or any member of the compensation committee (or other committee performing equivalent functions) of any other company.

Mr. Bliss, a member of our compensation committee, is a partner at IGSB. Since January 1, 2012, Mr. Bliss and certain entities affiliated with IGSB, or the IGSB entities, purchased shares of our convertible preferred stock in the following transactions: in September 2012, Mr. Bliss and the IGSB entities purchased an aggregate of 498,927 and 4,775,447 shares, respectively, of our Series B-2 convertible preferred stock from us at a purchase price of \$1.40301 per share, for an aggregate purchase price of \$0.7 million and \$6.7 million, respectively; and in November 2013, Mr. Bliss and the IGSB entities purchased an aggregate of 379,820 and 2,405,526 shares, respectively, of our Series B-3 convertible preferred stock from us at a purchase price of \$1.97462 per share, for an aggregate purchase price of \$0.8 million and \$4.7 million, respectively.

The sales of our convertible preferred stock to Mr. Bliss and the IGSB entities were made in connection with our convertible preferred stock financings and on substantially the same terms and conditions as all other sales of our convertible preferred stock by us in each such financing. Mr. Bliss and the IGSB entities are also parties to our amended and restated investors' rights agreement, amended and restated right of first refusal and co-sale agreement and amended and restated voting agreement.

We have entered into an indemnification agreement with each of our directors. See the section entitled "Certain Relationships and Related Party Transactions" for additional information.

Director Compensation

In 2014, our non-employee directors did not receive any compensation for their service on our board of directors or committees of our board of directors. Historically, we have reimbursed all non-employee directors for travel and out-of-pocket expenses incurred in connection with their service on our board of directors or committees of our board of directors, including attending board and committee meetings. After the completion of this offering, we will continue to reimburse our non-employee directors for expenses incurred in attending board and committee meetings.

Our directors who are also our employees receive no additional compensation for their service as directors. During 2014, Messrs. Donahoo and Schauer were our employees. See the section entitled "Executive Compensation" for additional information.

Prior to the completion of this offering, we intend to implement a director compensation policy pursuant to which our non-employee directors would be eligible to receive compensation for their service on our board of directors and committees of our board of directors. We intend to disclose the terms of this policy in accordance with applicable SEC rules and regulations.

EXECUTIVE COMPENSATION

This narrative discussion of the compensation policies and arrangements that apply to our named executive officers is intended to assist your understanding of, and to be read in conjunction with, the Summary Compensation Table and related disclosures set forth below. As an emerging growth company, we are eligible to comply with the executive compensation disclosure rules applicable to a “smaller reporting company,” as defined in applicable SEC rules and regulations.

Named Executive Officers

Our named executive officers include our principal executive officer and our two other most highly compensated executive officers who were serving as executive officers as of December 31, 2014. For 2014, our named executive officers were:

- Brian Donahoo, who currently serves as our President and Chief Executive Officer, as well as a member of our board of directors, and is our principal executive officer;
- Klaus Schausser, who currently serves as our Chief Strategist, as well as a member of our board of directors; and
- Jonathan Walker, who currently serves as our Chief Technology Officer.

Compensation Objectives

The primary objective of our executive compensation programs is to attract and retain talented executives with the skills necessary to lead us in achieving our strategic objectives and creating long-term value for our stockholders. We recognize that there is significant competition for talented executives within our industry, especially in Santa Barbara, California where our headquarters are located, and it can be particularly challenging for early-stage companies to recruit executives of the caliber necessary to achieve our goals.

Our executive compensation decision-making process has historically been impacted by the fact that each of our named executive officers owns a substantial number of the shares of our outstanding capital stock, which serves to align their interests with those of our stockholders. This has resulted in our paying our named executive officers lower amounts of cash compensation than might otherwise be expected for officers with similar titles and responsibility levels at similar companies.

When establishing our executive compensation programs going forward, we expect to be guided by the following principles:

- attract and retain executives with the background, experience and vision required for our long-term growth and success;
- provide a total compensation package, taking into account cash and non-cash compensation, that is generally competitive with other companies in our industry that are of a similar size and stage of growth; and
- continue to align the interests of our executives with those of our stockholders by tying a portion of total compensation to the achievement of strategic objectives that we believe will drive our long-term growth and success, and, where appropriate, provide additional grants of equity-based awards.

Compensation Determinations

Historically, our full board of directors has been responsible for establishing our overall executive compensation programs, including approving the compensation program for our named executive officers. Following the completion of this offering, our compensation committee, which is comprised solely of

[Table of Contents](#)

independent directors, will assist our board of directors in developing and reviewing the compensation programs and strategy applicable to our directors and executive officers, and overseeing our overall compensation philosophy. See the section entitled “Management—Committees of the Board of Directors” for additional information.

Compensation Program

In light of the compensation objectives discussed above, the compensation program for our named executive officers generally consists of a base salary, a cash bonus program, equity-based awards and other benefits as described below.

Base Salary

We pay base salaries to attract and retain key executives with the necessary background, experience and vision required for our future growth and success. Base salaries generally reflect each executive officer’s title and responsibility level, individual performance, business experience and equity ownership. Base salaries are reviewed periodically and adjusted in response to factors such as title, responsibility level and individual performance.

Cash Bonus Program

For 2014, we adopted a cash bonus program that applied to each of our named executive officers, as well as to certain other senior management personnel. The principal purpose of the cash bonus program was to align the payment of cash bonuses to executives with the achievement of strategic objectives that our board of directors believed would continue to position us for long-term success, which, in 2014, related to generating continued revenue growth and improving cash flow from operations. As a result of these objectives, our board of directors tied the payment of cash bonuses to revenue and operating margin targets.

Pursuant to the cash bonus program, our board of directors initially established targets for each of the two specified financial metrics, as well as a targeted aggregate bonus pool amount. Each participant was then eligible to receive cash bonus payments based upon our actual financial performance relative to the targeted amounts for the financial metrics. The payments made to each plan participant were equal regardless of title or position with us. The targeted cash bonus payments were approximately \$88,000 per participant. See the section entitled “—Summary Compensation Table” for additional information.

Equity-Based Awards

In keeping with our compensation objectives discussed above, we believe that meaningful equity ownership is important to align the interests of our executives with those of our stockholders and to provide our executives with incentives to create long-term value for our stockholders. The executives’ interests are aligned with stockholders because, as the value of our common stock increases or decreases over time, the value of their equity-based awards increases or decreases as well.

Our outstanding equity awards have principally been granted pursuant to the 2007 Plan. The 2007 Plan allows for the issuance of equity awards to our executives in the form of stock options or restricted stock. Equity awards granted to our executives pursuant to the 2007 Plan, whether in the form of stock options or restricted stock, typically vest as to 25% of the shares on the first anniversary of the grant date, and then in 36 equal monthly installments thereafter such that the full number of shares will be vested four years following the grant date. We believe that granting equity awards that vest over time promotes the retention of our executives. See the section entitled “—Outstanding Equity Awards at Fiscal Year End” for additional information.

To the extent we grant equity awards to our named executive officers and other employees in the future, we expect the grants will be made pursuant to the 2015 Plan. Our compensation committee will have the discretion

[Table of Contents](#)

to determine the type, amount and other terms of these awards taking into account our compensation objectives discussed above, subject to approval of our board of directors. See the section entitled “—Stock Incentive Plans” for additional information.

Benefits

We offer a standard benefits package that we believe is necessary to attract and retain key executives. Our named executive officers are eligible to participate in our medical, dental, vision and other welfare benefit plans. We also pay the premiums for long-term disability insurance and life insurance for our named executive officers. Furthermore, we maintain a 401(k) plan for the benefit of our eligible employees, including our named executive officers. Currently, we match contributions made by participants in our 401(k) plan in an amount equal to 50% of the amount contributed by participants, on up to 4% of their base salaries. The benefits provided to our named executive officers generally reflect those provided to all of our employees.

Employment Agreements

We currently do not have employment agreements with any of our named executive officers. All of our named executive officers are employed on an at-will basis, with no fixed term of employment.

Severance Agreements

We currently do not have severance agreements, change-in-control agreements or other similar types of agreements with any of our named executive officers.

Summary Compensation Table

The following table sets forth summary compensation information for our named executive officers for the year ended December 31, 2014.

Name and Title	Year	Salary (\$)	Bonus (\$)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	All Other Compensation (\$)	Total (\$)
Brian Donahoo President and Chief Executive Officer	2014	250,000	1,703,000(3)	369,000	60,000	—	2,382,000
Klaus Schauser Chief Strategist	2014	150,000	—	—	60,000	—	210,000
Jonathan Walker Chief Technology Officer	2014	200,000	—	369,000	60,000	—	629,000

- (1) Amounts shown in this column do not reflect dollar amounts actually received by our named executive officers. Instead, this amount reflects the aggregate grant-date fair value of the stock options granted in 2014, computed in accordance with the provisions of ASC 718. Assumptions used in the calculation of these amounts are included in Note 2 of the notes to our consolidated financial statements included elsewhere in this prospectus. As required by applicable SEC rules and regulations, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.
- (2) Amounts shown in this column reflect accumulated payouts for 2014 under our cash bonus program based on our achievement of specified financial metrics. See the section entitled “—Cash Bonus Program” for additional information.
- (3) This amount reflects the payment of a one-time cash bonus, plus applicable tax withholdings, to Mr. Donahoo that was used to repay certain promissory notes in our favor that were initially issued in connection with the purchase of restricted stock. See Note 8 of the notes to our consolidated financial statements included elsewhere in this prospectus.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information about the outstanding equity awards held by each of our named executive officers as of December 31, 2014.

Name	Grant Date	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares That Have Not Vested (#)	Market Value of Shares That Have Not Vested (\$)(1)
Brian Donahoo	12/3/2014	—	300,000(2)	1.23	12/02/2024	—	—
	7/27/2011	—	—	—	—	145,834(3)	—
	4/19/2013	—	—	—	—	217,000(4)	—
Klaus Schausser		—	—	—	—	—	—
Jonathan Walker	12/3/2014	—	200,000(2)	1.23	12/02/2024	—	—
	12/3/2014	—	100,000(5)	1.23	12/02/2024	—	—

- (1) There was no public market for our common stock as of December 31, 2014. We have estimated the market value of the unvested restricted stock awards based on an assumed initial public offering price of \$ per share, which is the midpoint of the price range on the cover page of this prospectus.
- (2) This amount represents options to purchase shares of our common stock that were granted on December 3, 2014 and remained unvested as of December 31, 2014. The shares underlying these options will vest as to 25% of the shares on December 3, 2015, the first anniversary of the grant date, and the remaining shares vest in 36 equal monthly installments thereafter.
- (3) This amount represents shares subject to a restricted stock award that was granted on July 27, 2011 and remained unvested as of December 31, 2014. The restricted stock vested as to 25% of the shares on July 27, 2012, the first anniversary of the grant date, and the remaining shares vest in 36 equal monthly installments thereafter.
- (4) This amount represents shares subject to a restricted stock award that was granted on April 19, 2013 and remained unvested as of December 31, 2014. The restricted stock vested as to 25% of the shares on April 19, 2014, the first anniversary of the grant date, and the remaining shares vest in 36 equal monthly installments thereafter.
- (5) This amount represents options to purchase shares of our common stock that were granted on December 3, 2014 and remained unvested as of December 31, 2014. The shares underlying these options will vest as to 25% of the shares on December 3, 2017, the third anniversary of the grant date, and the remaining shares vest in 36 equal monthly installments thereafter.

Stock Incentive Plans

Our board of directors and stockholders previously adopted the 2007 Plan. In connection with this offering, our board of directors and stockholders have adopted the 2015 Plan and the ESPP, which will become effective on the day immediately prior to the date of completion of this offering.

The following description of each of our equity incentive plans is qualified by reference to the full text of those plans and the related agreements, which are included as exhibits to the registration statement of which this prospectus is a part.

2007 Stock Incentive Plan

The 2007 Plan was approved by our board of directors and stockholders in February 2007. The 2007 Plan amended and restated our 2006 Equity Incentive Plan. The 2007 Plan was most recently amended in July 2014.

[Table of Contents](#)

Authorized Shares. Our board of directors has determined not to make any further awards under the 2007 Plan following the completion of this offering. The 2007 Plan will continue to govern outstanding awards granted under the 2007 Plan. As of December 31, 2014, an aggregate of 17,019,995 shares of our Class B common stock were reserved for issuance under the 2007 Plan. As of December 31, 2014, options to purchase an aggregate of 4,866,995 shares of our Class B common stock remained outstanding under the 2007 Plan.

Plan Administration. Our board of directors or a committee of our board of directors has the authority to manage and control the administration of the 2007 Plan. In particular, the administrator has the authority to determine the persons to whom awards are granted and the number of shares of our common stock underlying each award. In addition, the administrator has the authority to accelerate the exercisability or vesting of any award, and to determine the specific terms and conditions of each award.

Stock Options. The 2007 Plan permits us to grant options to purchase shares of our common stock that are intended to qualify as incentive stock options under Section 422 of the Code, as well as options that do not so qualify, which are referred to as non-qualified stock options. The term of each stock option will be fixed by the administrator and may not exceed 10 years from the date of grant. Incentive stock options may only be issued to our employees. Non-qualified stock options may be issued to employees, officers, directors, consultants and other service providers. The exercise price of each stock option granted pursuant to the 2007 Plan will be determined by the administrator, and may not be less than 100% of the fair market value of the underlying common stock on the date of grant. If, on the date of grant, the person to whom an incentive stock option is granted owns or is deemed to own stock representing more than 10% of the combined voting power of our outstanding capital stock, then the exercise price of the stock option 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 of the underlying common stock.

Exercise of Stock Options. The administrator will determine the methods of payment of the exercise price of a stock option, which may include cash, shares or certain other property or consideration acceptable to the administrator. After the termination of service of an employee, officer, director, consultant or other service provider, the participant may exercise his or her stock option, to the extent vested as of the date of termination, within three months after termination or such shorter or longer period of time as stated in his or her stock option agreement, no less than 30 days or more than five years, to the extent required by applicable law. Except as provided by the administrator and as permissible under applicable law, the 2007 Plan does not permit the transferability of stock options and only the recipient of the stock option may exercise a stock option during his or her lifetime.

Restricted Stock. The 2007 Plan also permits us to grant restricted stock awards. Restricted stock awards may be issued to employees, officers, directors, consultants and other service providers. The purchase price for the shares of restricted stock will be determined by our board of directors, and may not be less than 85% of the fair market value of the underlying common stock on the date of grant. If, on the date of grant, the person to whom a restricted stock award is granted owns or is deemed to own stock representing more than 10% of the combined voting power of our outstanding capital stock, then the purchase price for the shares of restricted stock must be at least 100% of the fair market value of the underlying common stock.

Change in Control. With respect to stock options and restricted stock awards granted under the 2007 Plan, our board of directors may provide that, in the event of a "change in control," as defined in the 2007 Plan, vesting of stock options and restricted stock will accelerate automatically, effective as of immediately prior to the change in control. Our board of directors has the discretion to provide other terms and conditions that relate to the vesting of stock options and restricted stock awards upon a change in control, or for the assumption of stock options or restricted stock awards in the event of a change in control. Outstanding stock options terminate upon a change in control except to the extent they are assumed upon a change in control.

Amendment; Termination. Our board of directors may amend, suspend or terminate the 2007 Plan at any time, subject to compliance with applicable law. No stock options or restricted stock awards may be granted

under the 2007 Plan after the date that is 10 years from the date the 2007 Plan was approved by our board of directors. Our board of directors may also amend, modify or terminate any outstanding stock option or restricted stock award, provided that no amendment to a stock option or restricted stock award may substantially affect or impair the rights of a participant previously granted without his or her written consent. As noted above, our board of directors has determined not to grant any further stock options or restricted stock awards under the 2007 Plan following the completion of this offering. All outstanding stock options and restricted stock awards will continue to be governed by their existing terms.

2015 Equity Incentive Plan

We expect that our board of directors and stockholders will adopt the 2015 Plan in its final form prior to the completion of this offering and that the 2015 Plan will become effective on the day immediately prior to the date of completion of this offering.

Authorized Shares. We will reserve an aggregate of _____ shares of our Class A common stock for issuance under the 2015 Plan. The number of shares reserved for issuance under the 2015 Plan will increase automatically on January 1 of each calendar year beginning in 2016 and continuing through 2025 by the lesser of (i) the number of shares of our Class A common stock subject to awards granted under the 2015 Plan during the preceding calendar year; or (ii) the number of shares of our Class A common stock determined by our board of directors. The number of shares of our Class A common stock is also subject to adjustment in the event of a recapitalization, stock split, reclassification, stock dividend or other change in our capitalization. In addition, the following shares of our Class A common stock will be available for grant and issuance under the 2015 Plan:

- shares subject to stock options or stock appreciation rights, or SARs, granted under the 2015 Plan that cease to be subject to the stock option or SAR for any reason other than exercise of the stock option or SAR;
- shares subject to awards granted under the 2015 Plan that are subsequently forfeited or repurchased by us at the original issue price;
- shares subject to awards granted under the 2015 Plan that otherwise terminate without shares being issued;
- shares surrendered, cancelled, or exchanged for cash or a different award (or combination thereof); and
- shares subject to awards under the 2015 Plan that are used to pay the exercise price of an award or withheld to satisfy the tax withholding obligations related to any award.

Plan Administration. The 2015 Plan will be administered by our compensation committee, all of the members of which are independent directors under the applicable NASDAQ listing standards, or by our board of directors acting in place of our compensation committee. Our compensation committee will have the authority to construe and interpret the 2015 Plan, grant awards and make all other determinations necessary or advisable for the administration of the 2015 Plan.

Awards and Eligible Participants. The 2015 Plan authorizes the award of stock options, SARs, restricted stock awards or restricted stock units, or RSUs, performance awards and stock bonuses. The 2015 Plan provides for the grant of awards to our employees, directors, consultants and independent contractors, subject to certain exceptions. No person will be eligible to receive more than _____ shares of our Class A common stock under the 2015 Plan in any calendar year other than a new employee, who will be eligible to receive no more than _____ shares of our Class A common stock under the 2015 Plan in the calendar year in which the employee commences employment. No participant will be eligible to receive more than \$ _____ in performance awards in any calendar year under the 2015 Plan. No more than _____ shares of our Class A common stock will be issued under the 2015 Plan pursuant to the exercise of incentive stock options.

Stock Options. The 2015 Plan permits us to grant incentive stock options and non-qualified stock options. The exercise price of stock options will be determined by our compensation committee, and may not be

[Table of Contents](#)

less than 100% of the fair market value of our Class A common stock on the date of grant, subject to certain exceptions. Our compensation committee has the authority to reprice any outstanding stock option (by reducing the exercise price, or canceling the stock option in exchange for cash or another equity award) under the 2015 Plan without the approval of our stockholders. Stock options may vest based on the passage of time or the achievement of performance conditions in the discretion of our compensation committee. Our compensation committee may provide for stock options to be exercised only as they vest or to be immediately exercisable with any shares issued on exercise being subject to our right of repurchase that lapses as the shares vest. The maximum term of stock options granted under the 2015 Plan is 10 years.

Stock Appreciation Rights. SARs provide for a payment to the holder, in cash or shares of our Class A common stock, based upon the difference between the fair market value of our Class A common stock on the date of exercise and the stated exercise price on the date of grant, up to a maximum amount of cash or number of shares. SARs may vest based on the passage of time or the achievement of performance conditions in the discretion of our compensation committee. Our compensation committee has the authority to reprice any outstanding SAR (by reducing the exercise price, or canceling the SAR in exchange for cash or another equity award) under the 2015 Plan without the approval of our stockholders.

Restricted Stock Awards. A restricted stock award represents the issuance to the holder of shares of our Class A common stock, subject to the forfeiture of those shares due to failure to achieve certain performance conditions or termination of employment. The purchase price, if any, for the shares will be determined by our compensation committee. Unless otherwise determined by the administrator at the time of award, vesting will cease on the date the holder no longer provides services to us and unvested shares will be forfeited to or repurchased by us.

Restricted Stock Units. RSUs represent the right on the part of the holder to receive shares of our Class A common stock at a specified date in the future, subject to forfeiture of that right due to failure to achieve certain performance conditions or termination of employment. If an RSU has not been forfeited, then, on the specified date, we will deliver to the holder of the RSU shares of our Class A common stock, cash or a combination of cash and shares of our Class A common stock.

Performance Awards. Performance awards cover a number of shares of our Class A common stock that may be settled upon achievement of performance conditions as provided in the 2015 Plan in cash or by issuance of the underlying common stock. These awards are subject to forfeiture prior to settlement due to failure to achieve certain performance conditions or termination of employment.

Stock Bonuses. Stock bonuses may be granted as additional compensation for past or future service or performance and, therefore, no payment will be required for any shares awarded under a stock bonus. Unless otherwise determined by our compensation committee at the time of award, vesting will cease on the date the holder no longer provides services to us and unvested shares will be forfeited to us.

Change in Control. If we are party to a merger or consolidation, sale of all or substantially all our assets or similar change-in-control transaction, outstanding awards, including any vesting provisions, may be assumed or substituted by the successor company. In the alternative, outstanding awards may be cancelled in connection with a cash payment. Outstanding awards that are not assumed, substituted or cashed out will accelerate in full and expire upon the closing of the transaction. Awards held by non-employee directors will immediately vest as to all or any portion of the shares subject to the award and will become exercisable at such times and on such conditions as our compensation committee determines.

Amendment; Termination. The 2015 Plan will terminate 10 years from the date our board of directors approved it, unless it is terminated earlier by our board of directors. Our board of directors may amend, suspend or terminate the 2015 Plan at any time, subject to compliance with applicable law.

2015 Employee Stock Purchase Plan

We expect that our board of directors and stockholders will adopt the ESPP in its final form prior to the completion of this offering and that the ESPP will become effective on the day immediately prior to the completion of this offering.

Qualified Plan. We have adopted the ESPP in order to enable eligible employees to purchase shares of our Class A common stock at a discount following the completion of this offering. The ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Code.

Authorized Shares. We have reserved an aggregate of _____ shares of our Class A common stock for issuance under the ESPP. The number of shares reserved for issuance under the ESPP will increase automatically on January 1 of each calendar year beginning in 2016 and continuing through 2025 by the lesser of (i) the number of shares of our Class A common stock issued or transferred pursuant to rights granted under the ESPP during the preceding calendar year; or (ii) the number of shares of our Class A common stock determined by our board of directors. The number of shares of our Class A common stock is also subject to adjustment in the event of a recapitalization, stock split, reclassification, stock dividend or other change in our capitalization. The aggregate number of shares of our Class A common stock issued over the term of the ESPP will not exceed _____ shares of our Class A common stock.

Plan Administration. The ESPP will be administered by our compensation committee, all of the members of which are independent directors under the applicable NASDAQ listing standards, or by our board of directors acting in place of our compensation committee.

Eligible Participants. Our employees generally are eligible to participate in the ESPP. Our compensation committee may, in its discretion, elect to exclude employees who work fewer than 20 hours per week or five months in a calendar year. Employees who are 5% stockholders, or would become 5% stockholders as a result of their participation in the ESPP, are ineligible to participate in the ESPP. We may impose additional restrictions on eligibility in compliance with applicable law.

Payroll Deductions. Under the ESPP, eligible employees will be able to acquire shares of our Class A common stock by accumulating funds through payroll deductions. Eligible employees will be able to select a rate of payroll deduction between 1% and 20% of their eligible cash compensation.

Offering Periods. The ESPP is implemented through a series of offering periods under which our employees who meet the eligibility requirements for participation in that offering period will automatically be granted a nontransferable option to purchase shares of our Class A common stock in that offering period using their accumulated payroll deductions. Once an employee is enrolled, participation will be automatic in subsequent offering periods. We have not yet determined when the first offering period will begin, but it is anticipated that each offering period will run for approximately six months, commencing each June 1st and December 1st, with purchases occurring on the last day of each offering period. Our compensation committee has the discretion to change the commencement date of each offering period. In no event may an offering period exceed 27 months. An employee's participation automatically ends upon termination of employment for any reason.

Limitation on Purchase. No participant will have the right to purchase shares of our Class A common stock in an amount that, when aggregated with the shares subject to purchase rights under all our employee stock purchase plans that are also in effect in the same calendar year, have a fair market value of more than \$25,000, determined as of the first day of the applicable offering period.

Purchase Price. The purchase price for shares of our Class A common stock purchased under the ESPP will be 85% of the lesser of the fair market value of our Class A common stock on (i) the first trading day of the applicable offering period and (ii) the last trading day of the applicable offering period.

[Table of Contents](#)

Change in Control. If we experience a change-in-control transaction or any unusual or nonrecurring transaction or event, our compensation committee has the discretion to provide for the termination of any offering period that commenced prior to the closing of the transaction or event, replace outstanding purchase rights with other rights or property, make adjustments in the number and type of shares subject to outstanding purchase rights, shorten an offering period and provide for the early exercise of purchase rights, or terminate all outstanding purchase rights without being exercised.

Amendment; Termination. The ESPP will terminate 10 years from the date our board of directors approved it, unless it is terminated earlier by our board of directors. Our board of directors may amend, suspend or terminate the ESPP at any time, subject to compliance with applicable law.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the compensation arrangements that are described in the sections entitled “Management” and “Executive Compensation,” the following is a summary of each transaction or series of similar transactions since January 1, 2012, or any currently proposed transaction, to which we were or are a party in which:

- the amount involved exceeded or exceeds \$120,000; and
- any of our directors or executive officers, any holder of 5% of any class of our voting capital stock, or any member of the immediate family of, or person sharing the household with, any of these individuals or entities (each of which we refer to as a related person), had or will have a direct or indirect material interest.

Other than as described below, since January 1, 2012, there has not been, nor is there currently proposed, any transaction or series of similar transactions in which we were, or currently propose to be, a party where the amount involved exceeds, or will exceed, \$120,000, and in which any related person 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.

Series B-2 Convertible Preferred Stock Financing

In September 2012, in connection with our Series B-2 convertible preferred stock financing, we issued and sold an aggregate of 7,127,533 shares our Series B-2 convertible preferred stock at a price per share of \$1.40301 for an aggregate purchase price of \$10.0 million. The following table sets forth the number of shares of our Series B-2 convertible preferred stock that we issued to our related persons in this transaction:

<u>Name</u>	<u>Number of Shares of Series B-2 Convertible Preferred Stock</u>	<u>Aggregate Purchase Price</u>
Entities affiliated with IGSB(1)	4,775,447	\$ 6,700,000
Timothy Bliss	498,927	700,000

- (1) Affiliates of IGSB whose shares are aggregated for purposes of reporting share ownership information are IGSB Internal Venture Fund III, LLC and IGSB IVP III, LLC. Timothy Bliss, a member of our board of directors, is a member of IGSB, which is the manager of IGSB Internal Venture Fund III, LLC and IGSB IVP III, LLC.

Series B-3 Convertible Preferred Stock Financing

In November 2013, in connection with our Series B-3 convertible preferred stock financing, we issued and sold an aggregate of 6,077,119 shares our Series B-3 convertible preferred stock at a price per share of \$1.97462 for an aggregate purchase price of \$12.0 million. The following table sets forth the number of shares of our Series B-3 convertible preferred stock that we issued to our related persons in this transaction:

<u>Name</u>	<u>Number of Shares of Series B-3 Convertible Preferred Stock</u>	<u>Aggregate Purchase Price</u>
Entities affiliated with IGSB(1)	2,405,526	\$ 4,750,000
Timothy Bliss	379,820	750,000

- (1) Affiliates of IGSB whose shares are aggregated for purposes of reporting share ownership information are IGSB Internal Venture Fund III, LLC and IGSB IVP III, LLC. Timothy Bliss, a member of our board of directors, is a member of IGSB, which is the manager of IGSB Internal Venture Fund III, LLC and IGSB IVP III, LLC.

Amended and Restated Investors' Rights Agreement

We are party to an amended and restated investors' rights agreement that provides, among other things, certain stockholders, including certain of our executive officers, directors and principal stockholders, with demand registration rights, piggyback registration rights, Form S-3 registration rights and a right of first refusal with respect to new issuances of our securities. All registration rights will terminate on the earlier of (i) the date that is five years after our initial public offering, or (ii) as to any stockholder, the first date after our initial public offering on which such stockholder is able to dispose of all of its registrable securities without restriction under Rule 144. The right of first refusal does not apply to, and will terminate upon the completion of, this offering. See the section entitled "Description of Capital Stock—Registration Rights" for additional information.

Amended and Restated Right of First Refusal and Co-Sale Agreement

We are party to an amended and restated right of first refusal and co-sale agreement with certain stockholders, including certain of our executive officers, directors and principal stockholders. Under this agreement, as amended, with certain exceptions and limitations, we obtained a right of first refusal if certain of our preexisting stockholders propose to transfer any of their shares of our capital stock, and we granted certain stockholders a right of first refusal for any remaining shares for which we do not exercise our right of first refusal. Since January, 2012, we have waived our right of first refusal in connection with the sale of certain shares of our capital stock, including sales by certain of our executive officers. Additionally, certain other stockholders have a right of co-sale, permitting them to sell any shares of our capital stock if our preexisting stockholders sell any shares for which we or certain stockholders do not exercise rights of first refusal. This agreement will terminate upon the completion of this offering.

Amended and Restated Voting Agreement

We are party to an amended and restated voting agreement with certain stockholders, including certain of our executive officers, directors and principal stockholders. Under this agreement, as amended, such stockholders agreed to vote their shares in a certain way with respect to elections of directors to our board of directors and certain proposed sale transactions. This agreement will terminate upon the completion of this offering and none of our stockholders will have any special rights regarding the election or designation of members of our board of directors or any proposal sale transaction.

Notes Receivable for Restricted Stock

In April 2013, we received a promissory note bearing interest at 1% per annum from Mr. Donahoo in the principal amount of approximately \$0.2 million in connection with, and to facilitate, his purchase of restricted stock. This note was secured by the underlying shares and unvested shares were subject to repurchase by us upon his termination of employment at the original purchase price. In December 2014, we paid a one-time cash bonus, plus applicable tax withholdings, to Mr. Donahoo that was used to repay in full this promissory note, as well as additional promissory notes received from Mr. Donahoo prior to 2012. See Note 8 of the notes to our consolidated financial statements included elsewhere in this prospectus.

Limitation of Liability and Indemnification of Directors and Officers

Our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective immediately prior to the completion of this offering, provide that we will indemnify our directors and officers to the fullest extent permitted by law. In addition, as permitted by the laws of the State of Delaware, we have entered into indemnification agreements with each of our directors and executive officers. Under the terms of our indemnification agreements, we are required to indemnify each of our directors and executive officers, to the fullest extent permitted by the laws of the State of Delaware, if the indemnitee acted in good faith and in a manner the indemnitee reasonably believed to be in or not opposed to our best interests and, with respect to any

[Table of Contents](#)

criminal proceeding, had no reasonable cause to believe the indemnitee's conduct was unlawful. We must indemnify our directors and executive officers against any and all (i) costs and expenses (including attorneys' and experts' fees, expenses and charges) actually and reasonably paid or incurred in connection with investigating, defending, being a witness in or participating in, or preparing to investigate, defend, be a witness in or participate in, and (ii) damages, losses, liabilities, judgments, fines, penalties (whether civil, criminal or other), excise taxes, and amounts paid or payable in settlement and all other charges paid or payable in connection with, in the case of either (i) or (ii), any threatened, pending or completed action, suit, proceeding, alternate dispute resolution mechanism, investigation or inquiry related to the fact that (a) such person is or was a director, officer, employee or agent of ours or (b) such person is or was serving at our request as a director, officer, employee, member, manager, partner, trustee or agent of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise. The indemnification agreements also require us, if so requested, to advance within 20 days of such request any and all costs and expenses that such director or executive officer incurs, provided that such person agrees to return any such advance if it is ultimately determined that such person is not entitled to be indemnified for such costs and expenses. Our amended and restated bylaws also require that such person return any such advance if it is ultimately determined that such person is not entitled to indemnification by us as authorized by the laws of the State of Delaware.

We are not required to provide indemnification under our indemnification agreements for certain matters, including: (i) indemnification in connection with certain proceedings or claims initiated or brought voluntarily by the director or executive officer, (ii) indemnification that is finally determined, under the procedures and subject to the presumptions set forth in the indemnification agreements, to be unlawful, (iii) indemnification related to disgorgement of profits made from the purchase or sale of our securities under Section 16(b) of the Exchange Act, or similar provisions of state statutory or common law, or (iv) indemnification for reimbursement to us of any bonus or other incentive-based or equity-based compensation previously received by the director or executive officer or payment of any profits realized by the director or executive officer from the purchase or sale of our securities, as required in each case under the Exchange Act (including any such reimbursements under Section 304 of the Sarbanes-Oxley Act) in connection with an accounting restatement or the payment to us of profits arising from the purchase or sale by the director or executive officer of our securities in violation of Section 306 of the Sarbanes-Oxley Act, our amended and restated certificate of incorporation, our amended and restated bylaws or otherwise, except with respect to any excess amount beyond the amount so received by the director or officer. The indemnification agreements require us, to the extent that we maintain an insurance policy or policies providing liability insurance for our directors or executive officers, to cover such person by such policy or policies to the maximum extent available.

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 by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, 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.

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

Policies and Procedures for Approval of Related Party Transactions

Historically, we have not had a formal policy for the review and approval of transactions with related persons, although our board of directors has historically reviewed and approved any transaction involving us in which a director or officer had a financial interest, including the transactions described above. Prior to approving such a transaction, the material facts relating to the particular director's or officer's financial or other interest in the transaction were disclosed to our board of directors. Our board of directors took this information into account when evaluating the particular transaction and in determining whether such transaction was fair to us and in the best interest of all of our stockholders.

[Table of Contents](#)

We recently adopted a formal related party transaction policy. Pursuant to this policy, the chair of our audit committee is charged with primary responsibility for determining whether, based on the particular facts and circumstances, a related person has a direct or indirect material interest in a proposed or existing transaction involving us. To assist the chair of our audit committee in making this determination, the policy sets forth certain categories of transactions that are deemed not to involve a direct or indirect material interest on behalf of the related person. If, after applying these categorical standards and weighing all of the facts and circumstances, the chair of our audit committee determines that the related person would have a direct or indirect material interest in the transaction, the chair of our audit committee must present the transaction to our audit committee for review. Our audit committee must then either approve or reject the transaction in accordance with the terms of the policy.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock, as of March 31, 2015 and upon the completion of this offering, for:

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

For purposes of the table below, the percentage ownership calculations for beneficial ownership prior to this offering are based on no shares of our Class A common stock and 104,495,463 shares of our Class B common stock outstanding as of March 31, 2015, after giving effect to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into shares of our Class B common stock in connection with this offering. The percentage ownership calculations for beneficial ownership after this offering are based on _____ shares of our Class A common stock and 104,495,463 shares of our Class B common stock outstanding upon the completion of this offering, assuming no exercise of the underwriters' option to purchase additional shares of our Class A common stock.

Beneficial ownership is determined in accordance with applicable SEC rules and regulations and includes voting or investment power with respect to the shares of our common stock. Shares of our common stock that may be acquired by an individual or group within 60 days of March 31, 2015, pursuant to the exercise of options, warrants or other rights, are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

Except as indicated in footnotes to the table, we believe that the stockholders named in the table have sole voting and investment power with respect to all shares of our common stock shown to be beneficially owned by them, based on information provided to us by such stockholders. The address for each director and executive officer listed is: c/o AppFolio, Inc., 50 Castilian Drive, Goleta, California 93117.

Name of Beneficial Owner	Class B Common Stock Beneficially Owned Before this Offering		% of Total Voting Power Before this Offering	Common Stock Beneficially Owned After this Offering				% of Total Voting Power After this Offering
	Number	%		Class A		Class B		
	Number	%		Number	%	Number	%	
5% Stockholders:								
Entities affiliated with IGSB(1)	35,443,870	33.9%	33.9%					
Entities affiliated with BV Capital(2)	15,162,208	14.5%	14.5%					
Directors and Named Executive Officers:								
Andreas von Blottnitz(3)	967,800	*	*					
Timothy Bliss(4)	38,129,757	36.5%	36.5%					
Brian Donahoo(5)	5,064,594	4.8%	4.8%					
Klaus Schauser(6)	18,778,336	18.0%	18.0%					
Jonathan Walker(7)	7,598,598	7.3%	7.3%					
All current directors and executive officers as a group (six persons)(8)	70,639,085	67.6%	67.6%					

* Represents beneficial ownership of less than one percent.

- (1) Consists of (i) 9,722,308 shares held by IGSB Internal Venture Fund II, LLC, (ii) 3,004,808 shares held by IGSB Internal Venture Fund III, LLC, (iii) 18,482,118 shares held by IGSB IVP II, LLC and (iv) 4,234,636

Table of Contents

shares held by IGSB IVP III, LLC. Mr. Bliss, one of our directors, is the manager of IGSB IVP II, LLC and IGSB Internal Venture Fund II, LLC (together, the “IGSB II Entities”) and possesses sole voting and dispositive power with respect to the IGSB II Entities’ shares. IGSB is the manager of IGSB IVP III, LLC and IGSB Internal Venture Fund III, LLC (together, the “IGSB III Entities”). Mr. Bliss, Maurice Duca and William R. Rauth, III are the members of IGSB and possess shared voting and dispositive power with respect to the IGSB III Entities’ shares. The address for each of the entities affiliated with IGSB is P.O. Box 5609, Santa Barbara, CA 93150.

- (2) Consists of (i) 6,041,921 shares held by BV Capital Fund II, L.P., (ii) 1,193,366 shares held by BV Capital Fund II-A, L.P. and (iii) 7,926,921 shares held by BV Capital GmbH & Co Beteiligungs KG No. 1. BV Capital GP II, LLC is the sole general partner of each of BV Capital Fund II, L.P., BV Capital Fund II-A, L.P. and BV Capital GmbH & Co. Beteiligungs KG No. 1. BV Capital Management, LLC is the sole managing member of BV Capital GP II, LLC. Matthias Schilling is the sole managing member of BV Capital Management, LLC, and has sole voting and investment power over these shares. The address for the entities affiliated with BV Capital is 600 Montgomery Street, 43rd Floor, San Francisco, CA 94111.
- (3) Consists of shares held by Oceanlink Investments Limited, which is managed by a board of directors that possesses sole voting and dispositive power with respect to these shares. Oceanlink Trust, of which Mr. von Blotnitz is a trustee and beneficiary, holds all of the equity interests of Oceanlink Investments Limited. Mr. von Blotnitz possesses shared power to revoke Oceanlink Trust and therefore may be deemed to beneficially own these shares. The address for Oceanlink Investments Limited is P.O. Box 621, Le Gallais Chambers, 54 Bath Street, St. Helier, Jersey, Channel Islands JE48YD.
- (4) Consists of (i) the shares identified in footnote (1) above, (ii) 2,518,536 shares held by Mr. Bliss in a self-directed IRA account and (iii) 167,351 shares held by the Timothy Bliss & Virginia Bliss Family Trust dated April 2, 1982, of which Mr. Bliss and his spouse serve as co-trustees.
- (5) Includes 219,917 shares that may be repurchased by us at the original purchase price as of 60 days following March 31, 2015.
- (6) Consists of shares held by the 1206 Family Trust dated December 13, 2002, of which Mr. Schauser and his spouse serve as co-trustees.
- (7) Consists of (i) 7,516,098 shares held directly by Mr. Walker, and (ii) 82,500 shares held by PENSCO Trust Company FBO Jonathan Walker.
- (8) Includes 319,917 shares that may be repurchased by us at the original purchase price as of 60 days following March 31, 2015.

DESCRIPTION OF CAPITAL STOCK

A summary description of our capital stock, and the material terms and provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective immediately prior to the completion of this offering and will affect the rights of holders of our capital stock, is set forth below. Because it is only a summary, it may not contain all the information that is important to you in making a decision to invest in our Class A common stock. For a complete description, you should refer to our amended and restated certificate of incorporation and amended and restated bylaws, which are included as exhibits to the registration statement of which this prospectus is a part.

Upon the completion of this offering, our amended and restated certificate of incorporation will provide for two classes of common stock: Class A common stock and Class B common stock. In addition, our amended and restated certificate of incorporation will authorize shares of undesignated preferred stock, the powers, preferences and rights of which may be designated from time to time by our board of directors.

Upon the filing of our amended and restated certificate of incorporation, our authorized capital stock will consist of _____ shares, all with a par value of \$0.0001 per share, of which:

- _____ shares will be designated Class A common stock;
- _____ shares will be designated Class B common stock; and
- _____ shares will be designated preferred stock.

We are offering shares of our Class A common stock in this offering. All shares of our existing common stock and convertible preferred stock outstanding immediately prior to the completion of this offering will be converted and reclassified into shares of our Class B common stock. In addition, all options to purchase shares of our common stock outstanding immediately prior to the completion of this offering will become exercisable for shares of our Class B common stock.

As of December 31, 2014, and after giving effect to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into shares of our Class B common stock in connection with this offering, there were:

- No shares of our Class A common stock outstanding;
- 104,196,556 shares of our Class B common stock outstanding held by 130 stockholders of record;
- 4,866,995 shares of our Class B common stock issuable upon the exercise of outstanding stock options; and
- No shares of our preferred stock outstanding.

Class A Common Stock and Class B Common Stock

Dividend Rights. Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of outstanding shares of our Class A common stock and Class B common stock are entitled to receive dividends out of funds legally available at the times and in the amounts that our board of directors may determine. See the section entitled “Dividend Policy” for additional information.

[Table of Contents](#)

Voting Rights. The holders of our Class A common stock are entitled to one vote per share, and holders of our Class B common stock are entitled to 10 votes per share. The holders of our Class A common stock and Class B common stock will vote together as a single class on all matters submitted to a vote of our stockholders, unless otherwise required by Delaware law or our amended and restated certificate of incorporation. Delaware law could require either holders of our Class A common stock or holders of our Class B common stock to vote separately as a single class in the following circumstances:

- if we were to seek to amend our amended and restated certificate of incorporation to increase or decrease the par value of a class of our capital stock, then that class would be required to vote separately to approve the proposed amendment; and
- if we were to seek to amend our amended and restated certificate of incorporation in a manner that alters the powers, preferences or special rights of a class of our capital stock in a manner that affected its holders adversely, then that class would be required to vote separately to approve the proposed amendment.

Our stockholders do not have the ability to cumulate votes for the election of directors. Our amended and restated certificate of incorporation and amended and restated bylaws will provide for a classified board of directors consisting of three classes of approximately equal size, each serving 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.

Identical Rights. Except for voting rights, or as otherwise required by applicable law, the shares of our Class A common stock and Class B common stock have the same powers, preferences and rights and rank equally, share ratably and are identical in all respects as to all matters.

No Preemptive or Similar Rights. Our common stock is not entitled to preemptive rights, and is not subject to redemption. There are no sinking fund provisions applicable to our common stock.

Conversion. Each share of our Class B common stock is convertible at any time at the option of the holder into one share of our Class A common stock. In addition, each share of our Class B common stock will convert into one share of our Class A common stock upon any transfer, whether or not for value, except for certain transfers described in our amended and restated certificate of incorporation, including, without limitation, (i) a transfer by a partnership or limited liability company that was a registered holder of our Class B common stock at the “effective time,” as defined in our amended and restated certificate of incorporation, to a partner or member thereof at the effective time or (ii) a transfer to a “qualified recipient,” as defined in our amended and restated certificate of incorporation.

All the outstanding shares of our Class B common stock will convert automatically into shares of our Class A common stock upon the date when the number of outstanding shares of our Class B common stock represents less than 10% of all outstanding shares of our Class A common stock and Class B common stock. Once converted into our Class A common stock, our Class B common stock may not be reissued.

Right to Receive Liquidation Distributions. Upon our dissolution, liquidation or winding-up, the assets legally available for distribution to our stockholders are distributable ratably among the holders of our Class A common stock and Class B common stock, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Preferred Stock

Effective upon the filing of our amended and restated certificate of incorporation and based on the number of shares of our convertible preferred stock outstanding as of December 31, 2014, there will be no shares of preferred stock outstanding because all outstanding shares of convertible preferred stock will have been converted and reclassified into an aggregate of 68,026,659 shares of our Class B common stock.

[Table of Contents](#)

Pursuant to the terms of our amended and restated certificate of incorporation, our board of directors will be authorized, subject to limitations prescribed by Delaware law, to issue up to _____ shares of our preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further action by our stockholders. The number of authorized shares of any series of preferred stock may be increased or decreased, but not below the number of shares of that series then outstanding, by the affirmative vote of the holders of a majority of the voting power of our outstanding capital stock entitled to vote thereon, or such other vote as may be required by the certificate of designation establishing the series. The issuance of preferred stock, while providing flexibility in connection with possible financings, acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deterring or preventing a change in our control or the removal of our incumbent directors and officers, and could adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plans to issue any shares of preferred stock.

Stock Options

As of December 31, 2014, options to purchase a total of 4,866,955 shares of our Class B common stock were outstanding, with a weighted average exercise price of approximately \$0.78 per share under the 2007 Plan.

Registration Rights

Following the completion of this offering, the holders of approximately 68,026,659 shares of our Class B common stock, which will be issued upon the conversion and reclassification of our convertible preferred stock, will have rights, subject to certain conditions and limitations, to include their shares in registration statements relating to our common stock. The holders of at least 40% of the shares subject to these registration rights have the right, beginning no earlier than six months after the effective date of the registration statement filed with respect to this offering, on up to two occasions, to demand that we register such shares under the Securities Act, subject to certain limitations. In addition, in the event that we propose to register any shares of our common stock under the Securities Act either for our account or for the account of other security holders, such holders are entitled to receive notice of such registration and to include their shares of common stock in any such registration. Further, at any time after we become eligible to file a registration statement on Form S-3, any holder of shares subject to these registration rights may require us to file a registration statement under the Securities Act on Form S-3 with respect to shares of our common stock having an aggregate offering price, net of selling expenses, of at least \$500,000. These registration rights are subject to certain conditions and limitations, including the right of the underwriters of an offering to limit the number of shares of our common stock held by such holders to be included in such registration statement according to market factors. We are generally required to bear all of the expenses of such registrations, including reasonable fees of a single counsel acting on behalf of all selling holders, but excluding underwriting discounts, selling commissions and stock transfer taxes. Registration of any of the shares of our common stock held by such holders would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon effectiveness of the applicable registration statement. The holders of these shares have waived such rights with respect to this offering.

Antitakeover Provisions of Delaware Law, Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Certain provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws may have the effect of delaying, deterring or preventing another person from acquiring control of us, or removing incumbent officers and directors. These provisions are expected to discourage certain types of coercive takeover practices and takeover bids that our board of directors may consider inadequate and to encourage any person seeking to acquire control of us to first negotiate with our board of directors. We believe

[Table of Contents](#)

the benefits of increased protection of our ability to negotiate with the proponent of an unsolicited proposal to acquire us or remove our incumbent directors and officers, outweighs the disadvantages of discouraging these proposals because, among other things, negotiation of these proposals could result in an improvement of their terms and potential benefits to our stockholders.

Dual Class Common Stock. As described above in the section entitled “—Class A Common Stock and Class B Common Stock,” our amended and restated certificate of incorporation provides for a dual class common stock structure, which will provide the holders of our Class B common stock with significant influence over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale transaction.

Delaware Law. Upon the completion of this offering, we will be governed by the provisions of Section 203 of the DGCL regulating corporate takeovers. This section prevents some Delaware corporations from engaging, under certain circumstances, in a business combination, which includes a merger or sale of at least 10% of the corporation’s assets, with any interested stockholder, meaning a stockholder who, together with its affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of the corporation’s outstanding voting stock, unless:

- the transaction is approved by the board of directors prior to the time that the interested stockholder became an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder’s becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- subsequent to such time that the stockholder became an interested stockholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

These provisions might also have the effect of preventing changes in our management. It is also possible that these provisions could make it more difficult to accomplish transactions that stockholders might otherwise deem to be in their best interests.

Amended and Restated Certificate of Incorporation and Bylaw Provisions. We anticipate that our amended and restated certificate of incorporation and our amended and restated bylaws will include, upon the completion of this offering, a number of other provisions that could deter hostile takeovers or delay, deter or prevent changes in control or the removal of our incumbent directors or officers, including the following:

- *Supermajority Approvals.* Our amended and restated certificate of incorporation and our amended and restated bylaws will provide that the affirmative vote of the holders of at least 66 2/3% of the combined voting power of our then-outstanding capital stock is required to amend certain provisions of our amended and restated certificate of incorporation and our amended and restated bylaws. This will have the effect of making it more difficult to amend our amended and restated certificate of incorporation or amended and restated bylaws to remove or modify any of their respective provisions.
- *Director Appointments; Filling Vacancies.* Our amended and restated certificate of incorporation and amended and restated bylaws will authorize our board of directors to fill vacant directorships. In addition, the number of directors on our board of directors is fixed exclusively by our board of directors. Newly created directorships resulting from any increase in our authorized number of directors, and any vacancies on our board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause, will be filled generally by the majority vote of our remaining directors then in office, even if less than a quorum is present. These provisions will prevent a stockholder from increasing the size of our board of directors and gaining control of our board of directors by filling the resulting vacancies with its own nominees.

[Table of Contents](#)

- *Classified Board.* Our amended and restated certificate of incorporation and amended and restated bylaws will provide that our board of directors is classified into three classes of directors, each of which will hold office for a three-year term. In addition, directors may only be removed from our board of directors for cause and then only by the affirmative vote of the holders of at least a majority of the combined voting power of our outstanding capital stock. This could delay a successful tender offeror from obtaining majority control of our board of directors, and the prospect of that delay might deter a potential offeror. See the section entitled “Management—Board of Directors” for additional information.
- *Stockholder Action; Special Meeting of Stockholders.* Our amended and restated certificate of incorporation will provide that our stockholders may not take action by written consent and will only be able to take action at annual or special meetings of our stockholders. Our amended and restated bylaws further provide that special meetings of our stockholders may only be called by a majority of our board of directors.
- *No Cumulative Voting.* The DGCL provides that stockholders are denied the right to cumulate votes in the election of directors unless the corporation’s certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation does not provide for cumulative voting.
- *Advance Notice Requirements for Stockholder Proposals and Director Nominations.* Our amended and restated certificate of incorporation and amended and restated bylaws will provide advance notice procedures for stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders. In general, to be timely, a stockholder’s notice must be delivered to, or mailed and received at, our principal executive offices not later than the 90th day nor earlier than the 120th day prior to the first anniversary of the preceding year’s annual meeting of stockholders. Our amended and restated bylaws also specify certain requirements regarding the form and content of a stockholder’s notice. These provisions may preclude our stockholders from bringing matters before an annual meeting of stockholders, or from making nominations for directors at an annual meeting of stockholders.
- *Issuance of Undesignated Preferred Stock.* Our board of directors will have the authority, without further action by our stockholders, to issue up to shares of undesignated preferred stock with powers, preferences and rights, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock would enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a tender offer, proxy contest or otherwise.
- *Authorized but Unissued Shares.* Our authorized but unissued shares of our common stock and preferred stock will be available for future issuance without stockholder approval. We may use additional shares for a variety of purposes, including capital raising transactions, acquisitions and as employee compensation. The existence of authorized but unissued shares of our common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a tender offer, proxy context or otherwise.
- *Exclusive Forum.* Our amended and restated certificate of incorporation will provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws, or (iv) any action asserting a claim against us governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and to have consented to the foregoing provisions. Although we have included this provision in our amended and restated certificate of incorporation, the enforceability

[Table of Contents](#)

of similar exclusive forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could rule that this provision is invalid or unenforceable.

Exchange Listing

We intend to apply to list our Class A common stock on NASDAQ under the symbol "APPF."

Transfer Agent and Registrar

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

Limitations of Liability and Indemnification

See the section entitled "Certain Relationships and Related Party Transactions—Limitation of Liability and Indemnification of Directors and Officers" for additional information.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for any class or series of our capital stock, and a liquid trading market for our Class A common stock may not develop or be sustained after this offering. Future sales of a substantial number of shares of our Class A common stock, including shares of our Class A common stock issued upon the exercise of outstanding options, in the public market after this offering, or the perception that such sales could occur, could adversely affect the market price of our Class A common stock prevailing from time to time after this offering and could impair our ability to raise equity capital in the future.

Upon the completion of this offering, a total of _____ shares of our Class A common stock and 104,196,556 shares of our Class B common stock will be outstanding, after giving effect to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into shares of our Class B common stock immediately prior to the completion of this offering, based on the number of shares of our common stock outstanding as of December 31, 2014.

Of the shares to be outstanding upon the completion of this offering, the _____ shares of our Class A common stock to be sold in this offering, plus any shares sold upon the exercise by the underwriters of their option to purchase additional shares of our Class A common stock, will be freely tradable in the public market without restriction under the Securities Act, unless these shares are purchased by our “affiliates,” as that term is defined in Rule 144.

The 104,196,556 shares of our Class B common stock will be “restricted securities” under Rule 144. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701, each of which are summarized below. Subject to the lock-up agreements described below and the provisions of Rules 144 and 701, as well as our insider trading policy, these restricted securities will be available for sale in the public market at various times beginning 181 days after the date of this prospectus.

Rule 144

In general, under Rule 144, once we have been subject to public company reporting requirements for at least 90 days, a person (i) who is not deemed to have been one of our affiliates at any time during the immediately preceding 90 days, and (ii) who has beneficially owned the shares of our common stock proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell an unlimited number of shares of our common stock, subject to the current public information requirements of Rule 144. In addition, if such a person has beneficially owned the shares of our common stock proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then such person is entitled to sell an unlimited number of shares of our common stock without complying with any of the requirements of Rule 144.

In general, under Rule 144, once we have been subject to the public company reporting requirements for at least 90 days, an affiliate of ours who owns shares that were acquired from us or an affiliate of ours at least six months prior to the proposed sale is entitled to sell, within any three-month period beginning 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our Class A common stock then outstanding, which will equal approximately _____ shares immediately after this offering; and
- the average weekly trading volume of our Class A common stock during the four calendar weeks preceding the date of the filing of a Form 144 with respect to the sale.

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

[Table of Contents](#)

Rule 144. Rule 144 also provides that affiliates relying on Rule 144 to sell shares of our Class A common stock that are not restricted shares must nonetheless comply with the same restrictions applicable to restricted shares, other than the holding period requirement, unless such shares are covered by an effective registration statement.

Rule 701

Rule 701 generally allows a stockholder (i) who purchased shares of our capital stock pursuant to a written compensatory plan or contract in compliance with Rule 701, and (ii) who is not deemed to have been one of our affiliates at any time during the immediately preceding 90 days, to sell these shares in reliance upon Rule 144, but without being required to comply with the current public information requirement, holding period requirement, volume limitations or notice provisions of Rule 144. Rule 701 permits our affiliates who purchase shares of our capital stock pursuant to a written compensatory plan or contract in compliance with Rule 701 to sell these shares in reliance upon Rule 144 without complying with the holding period requirement of Rule 144. However, all holders of shares subject to Rule 701 are required to wait until 90 days after the date of this prospectus before selling such shares pursuant to Rule 701.

Lock-up Agreements

We, all of our directors and officers, and the holders of substantially all of our outstanding securities, have agreed that, without the prior written consent of Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus, or the restricted period:

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

whether any such transaction described above is to be settled by delivery of our Class A common stock or Class B common stock or such other securities, in cash or otherwise. In addition, we and each such person agrees that, without the prior written consent of Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC on behalf of the underwriters, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of our Class A common stock or Class B common stock or any security convertible into or exercisable or exchangeable for our Class A common stock or Class B common stock. In addition, holders of all of our capital stock and securities convertible into or exchangeable for shares of our capital stock are subject to market stand-off agreements with us. See the section entitled "Underwriters" for additional information.

Registration Rights

Following the completion of this offering, stockholders holding approximately 68,026,659 shares of our Class B common stock will have certain rights with respect to the registration under the Securities Act of the shares of our Class A common stock into which these shares are convertible. Pursuant to the lock-up agreements described above, we, all of our officers and directors, and the holders of substantially all of our outstanding securities, have agreed not to exercise those rights during the restricted period without the prior written consent

[Table of Contents](#)

of Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC on behalf of the underwriters. See the section entitled “Description of Capital Stock—Registration Rights” for additional information.

Registration Statements

We intend to file a registration statement on Form S-8 under the Securities Act to register all of the shares of our common stock subject to options outstanding or reserved for issuance under our 2007 Plan, 2015 Plan and ESPP. We expect to file this registration statement as soon as practicable after the completion of this offering. Shares registered under this registration statement will be freely tradable in the public market, subject to any vesting restrictions and lock-up agreements applicable to these shares.

**MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS APPLICABLE TO
NON-U.S. HOLDERS OF OUR CLASS A COMMON STOCK**

The following is a summary of material U.S. federal income and estate tax considerations related to the ownership and disposition of our Class A common stock that are applicable to non-U.S. holders (defined below), but does not purport to be a complete analysis of all the potential tax considerations relating thereto.

This summary:

- is based on the Code, U.S. federal tax regulations promulgated under it, or Treasury Regulations, judicial authority and published rulings and administrative pronouncements of the U.S. Internal Revenue Service, or IRS, each as of the date of this prospectus and each of which are subject to change at any time, possibly with retroactive effect;
- is applicable only to holders who hold their shares as “capital assets” within the meaning of section 1221 of the Code;
- does not discuss the applicability of any U.S. state or local taxes, non-U.S. taxes or any other U.S. federal tax except for U.S. federal income and, to the limited extent discussed below, estate taxes; and
- does not address all aspects of U.S. federal income taxation that may be relevant to holders in light of their particular circumstances or who are subject to special treatment under U.S. federal income tax laws, including, but not limited to:
 - certain former citizens and long-term residents of the United States;
 - banks, financial institutions or “financial services entities”;
 - insurance companies;
 - tax-exempt organizations;
 - tax-qualified retirement and pension plans;
 - brokers, dealers or traders in securities, commodities or currencies;
 - persons that own, have owned or are deemed to own more than 5% of our Class A common stock;
 - persons who hold or receive our Class A common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
 - investors holding our Class A common stock as part of a “straddle,” “hedge,” “conversion transaction,” or other risk-reduction transaction;
 - investors who are integral parts or controlled entities of a foreign sovereign;
 - partnerships or other pass-through entities classified as partnerships for U.S. federal income tax purposes (and partners or investors therein);
 - persons deemed to sell our Class A common stock under the constructive sale provisions of the Code;
 - real estate investment trusts and regulated investment companies; and
 - “controlled foreign corporations” “passive foreign investment companies” and corporations that accumulate earnings to avoid U.S. federal income tax.

This summary constitutes neither tax nor legal advice. Prospective investors are urged to consult their own tax advisors to determine the specific tax consequences and risks to them of purchasing, holding and disposing of our Class A common stock, including the application to their particular situations of any U.S. federal, state, local and non-U.S. tax laws and of any applicable income tax treaty.

Non-U.S. Holder Defined

For purposes of this discussion, a non-U.S. holder is a beneficial owner of our Class A common stock (other than a partnership or other entity classified as such for U.S. federal income tax purposes) that is not a “U.S. person” for U.S. federal income tax purposes. A “U.S. person” is any of the following:

- An individual citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States or any state thereof or the District of Columbia or otherwise treated as such for U.S. federal income tax purposes;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) the trust has a valid election in effect to be treated as a U.S. person.

If a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) owns our Class A common stock, then the U.S. federal income tax treatment of a partner in that partnership generally will depend on the status of the partner and the partnership’s activities. Partners and partnerships should consult their own tax advisors with regard to the U.S. federal income tax treatment of an investment in our Class A common stock.

Distributions

As described in the section titled “Dividend Policy,” we have never declared or paid any cash dividends on our existing common stock and do not anticipate paying any cash dividends or other distributions on our Class A common stock in the foreseeable future. Distributions of cash or property, if any, paid to a non-U.S. holder of our Class A common stock will constitute “dividends” for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. If the amount of a distribution exceeds both our current and accumulated earnings and profits, such excess will first constitute a nontaxable return of capital, which will reduce the holder’s tax basis in our Class A common stock, but not below zero, and then will be treated as gain from the sale of our Class A common stock and will be treated as described below under the section entitled “—Sale or Taxable Disposition of Class A Common Stock.”

Subject to the following paragraphs, dividends on our Class A common stock generally will be subject to U.S. federal withholding tax at a 30% gross rate, subject to any exemption or lower rate as may be specified by an applicable income tax treaty. We may withhold up to 30% of either (i) the gross amount of the entire distribution, even if the amount of the distribution is greater than the amount constituting a dividend, as described above, or (ii) the amount of the distribution we project will be a dividend, based upon a reasonable estimate of both our current and our accumulated earnings and profits for the taxable year in which the distribution is made. If tax is withheld on the amount of a distribution in excess of the amount constituting a dividend, then you may obtain a refund of that excess amount by timely filing a claim for refund with the IRS. Any such distributions will also be subject to the discussion below under the sections entitled “—Information Reporting and Backup Withholding” and “—Foreign Account Tax Compliance Act Considerations.”

To claim the benefit of a reduced rate of or an exemption from U.S. federal withholding tax under an applicable income tax treaty, a non-U.S. holder will be required (i) to satisfy certain certification requirements, which may be done by providing us or our agent with a properly executed and completed IRS Form W-8BEN (for individuals) or W-8BEN-E (for entities) or other appropriate version of IRS Form W-8 certifying, under penalty of perjury, that the holder qualifies for treaty benefits and is not a U.S. person or (ii) if our Class A common stock is held through certain non-U.S. intermediaries, to satisfy the relevant certification requirements of the applicable Treasury Regulations. Special certification and other requirements apply to certain non-U.S.

holders that are pass-through entities. Non-U.S. holders that do not timely provide us or our agent with the required certification, but that qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Dividends that are effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment, or a fixed base in the case of an individual non-U.S. holder, that is maintained by the non-U.S. holder in the United States), which we refer to as “effectively connected dividends,” are not subject to U.S. federal withholding tax, provided that the non-U.S. holder certifies, under penalty of perjury, that the dividends paid to such holder are effectively connected dividends on a properly executed and completed IRS Form W-8ECI (or other applicable form). Instead, any such effectively connected dividends will be subject to U.S. federal income tax on a net income basis in a manner similar to that which would apply if the non-U.S. holder were a U.S. person.

Corporate non-U.S. holders who receive effectively connected dividends may also be subject to an additional “branch profits tax” at a gross rate of 30% on their earnings and profits for the taxable year that are effectively connected with the holder’s conduct of a trade or business within the United States, subject to any exemption or reduction provided by an applicable income tax treaty.

Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty.

Sale or Taxable Disposition of Class A Common Stock

Any gain realized on the sale, exchange or other taxable disposition of our Class A common stock generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment, or fixed base in the case of an individual non-U.S. holder, that is maintained by the non-U.S. holder in the United States);
- the non-U.S. holder is a non-resident alien individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or
- we are or have been a “United States real property holding corporation” for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of such disposition and the non-U.S. holder’s holding period in our Class A common stock.

A non-U.S. holder described in the first bullet point above generally will be subject to U.S. federal income tax on the net gain derived from the sale or disposition under regular graduated U.S. federal income tax rates as if the holder were a U.S. person. If the non-U.S. holder is a corporation, then the gain may also, under certain circumstances, be subject to the “branch profits tax” discussed above.

A non-U.S. holder described in the second bullet point above generally will be subject to U.S. federal income tax at a flat 30% rate (or such lower rate specified by an applicable income tax treaty) on the net gain derived from the sale or disposition, which gain may be offset by U.S.-source capital losses for the year (provided that such holder has timely filed U.S. federal income tax returns with respect to such losses).

With respect to the third bullet point above, although there can be no assurance, we believe we are not, have not been and will not become a “United States real property holding corporation” for U.S. federal income tax purposes. However, because the determination of whether we are a United States real property holding corporation depends on the fair market value of our U.S. real property relative to the fair market value of our

[Table of Contents](#)

other business assets, there can be no assurance that we will not become a United States real property holding corporation in the future. In the event that we are or become a United States real property holding corporation at any time during the applicable period described in the third bullet point above, any gain recognized on a sale or other taxable disposition of our Class A common stock may be subject to U.S. federal income tax, including any applicable withholding tax, if (i) the non-U.S. holder beneficially owns, or has owned, more than 5% of our Class A common stock at any time during the applicable period, or (ii) our Class A common stock ceases to be regularly traded on an “established securities market” within the meaning of the Code. Non-U.S. holders who intend to acquire more than 5% of our Class A common stock are encouraged to consult their tax advisors with respect to the U.S. tax consequences of a disposition of our Class A common stock.

Any proceeds from the disposition of our Class A common stock will also be subject to the discussion below under the sections entitled “—Information Reporting and Backup Withholding” and “—Foreign Account Tax Compliance Act Considerations.”

Federal Estate Tax

Class A common stock owned or treated as owned by an individual who is a non-U.S. holder at the time of his or her death generally will be included in the individual’s gross estate for U.S. federal estate tax purposes and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

Information returns generally will be filed with the IRS in connection with payments of dividends on our Class A common stock and the proceeds from a sale or other disposition of our Class A common stock. Copies of information returns may be made available to the tax authorities of the country in which a non-U.S. holder resides or is incorporated under the provisions of a specific treaty or agreement.

You may be subject to additional information reporting and backup withholding at a current rate of 28% with respect to dividends paid on our Class A common stock or with respect to proceeds received from a disposition of the shares of our Class A common stock, unless you establish an exemption, for example, by properly certifying your non-U.S. status on an IRS Form W-8BEN, W-8BEN-E or other appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding may apply if either we or our agent has actual knowledge, or reason to know, that you are a U.S. person. Backup withholding is not an additional tax, but rather is a method of tax collection. You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability, provided that the required information is furnished to the IRS in a timely manner.

Foreign Account Tax Compliance Act Considerations

The Foreign Account Tax Compliance Act, or FATCA, generally imposes a U.S. federal withholding tax at a rate of 30% on payments of dividends on, and gross proceeds from the sale or other disposition of, our Class A common stock if paid to a foreign entity unless (i) if the foreign entity is a “foreign financial institution” (as specifically defined under these rules), the foreign entity undertakes certain due diligence, reporting, withholding, and certain certification obligations with respect to certain 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), (ii) if the foreign entity is a “non-financial foreign entity” (as specifically defined under these rules), the foreign entity identifies certain of its substantial direct and indirect U.S. investors, if any, or certifies it has none, and complies with certain other requirements, or (iii) the foreign entity is otherwise exempt under FATCA.

Under applicable Treasury Regulations, withholding under FATCA generally applies to payments of dividends on our Class A common stock and, under current transitional rules, is expected to apply to payments of

[Table of Contents](#)

gross proceeds from a sale or other disposition of our Class A common stock made after December 31, 2016. Under certain circumstances, a non-U.S. holder may be eligible for refunds or credits of the tax. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this section. Non-U.S. holders should consult their own tax advisors regarding the possible implications of FATCA on their investment in our Class A common stock and the entities through which they hold our Class A common stock, including, without limitation, the process and deadlines for meeting the applicable requirements to prevent the imposition of the 30% withholding tax under FATCA.

UNDERWRITERS

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares of our Class A common stock indicated below:

<u>Underwriters</u>	<u>Number of Shares</u>
Morgan Stanley & Co. LLC	
Credit Suisse Securities (USA) LLC	
Pacific Crest Securities, a division of KeyBanc Capital Markets Inc.	
William Blair & Company, L.L.C.	
Total	

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

The underwriters initially propose to offer part of the shares of our Class A common stock directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers. After the initial offering of the shares of our Class A common stock, the offering price and other selling terms may from time to time be varied by the representatives.

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

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters’ option to purchase up to an additional _____ shares of our Class A common stock.

	<u>Per Share</u>	<u>Total</u>	
		<u>No Exercise</u>	<u>Full Exercise</u>
Public offering price	\$	\$	\$
Underwriting discounts and commissions to be paid by us	\$	\$	\$
Proceeds, before expenses, to us	\$	\$	\$

[Table of Contents](#)

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately \$. We have agreed to reimburse the underwriters for expenses relating to clearance of this offering with the Financial Industry Regulatory Authority up to \$.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of our Class A common stock offered by them.

We intend to apply to list our Class A common stock on NASDAQ under the symbol "APPF."

We, all of our directors and officers and the holders of substantially all of our outstanding securities have agreed that, without the prior written consent of Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC on behalf of the underwriters, we and they will not, during the restricted period ending 180 days after the date of this prospectus:

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

whether any such transaction described above is to be settled by delivery of our Class A common stock or Class B common stock or such other securities, in cash or otherwise. In addition, we and each such person agrees that, without the prior written consent of Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC on behalf of the underwriters, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of our Class A common stock or Class B common stock or any security convertible into or exercisable or exchangeable for our Class A common stock or Class B common stock.

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

- (i) the sale of shares of our Class A common stock to the underwriters in this offering;
- (ii) the issuance by us of shares of our Class A common stock or Class B common stock upon the exercise of an option outstanding on the date of this prospectus of which the underwriters have been advised in writing;
- (iii) transactions by any person other than us relating to shares of our Class A common stock or other securities acquired in open market transactions after the completion of the offering of the shares, provided that no filing under Section 16(a) of the Exchange Act is required or voluntarily made in connection with subsequent sales of our Class A common stock or other securities acquired in such open market transactions; or
- (iv) the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of our Class A common stock, provided that (i) such plan does not provide for the transfer of such shares of our Class A common stock during the restricted period and (ii) to the extent a public announcement or filing under the Exchange Act, if any, is required or voluntarily made regarding the establishment of such plan, such announcement or filing will include a statement to the effect that no transfer of shares of our Class A common stock may be made under such plan during the restricted period.

[Table of Contents](#)

Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC may release our Class A common stock or Class B common stock and other securities subject to the lock-up agreements described above, or waive the provisions of the lock-up agreements, in whole or in part at any time, provided that, at least two business days before the effective date of a release or waiver that is granted to our directors or officers, we have agreed with the underwriters that we will announce the impending release or waiver by press release through a major news service if Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC notify us of the impending release or waiver at least three business days before the effective date of such release or waiver, except where the release or waiver is effected solely to permit a transfer of securities that is not for consideration and where the transferee has agreed in writing to be bound by the same lock-up agreement terms in place for the director or officer.

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

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

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

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 respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

In addition, in the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. The underwriters and their respective affiliates may also make investment recommendations 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 or short positions in such securities and instruments.

Pricing of the Offering

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

Selling Restrictions

European Economic Area

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

- (i) to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- (ii) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our Class A common stock will result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

United Kingdom

Each underwriter has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or FSMA), received by it in connection with the issue or sale of the shares of our Class A common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our Class A common stock in, from or otherwise involving the United Kingdom.

Hong Kong

Shares of our Class A common stock 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 shares of our Class A common stock may be issued or may be in the possession of any person for the purpose of 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 of our Class A common stock 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) and any rules made thereunder.

Japan

Shares of our Class A common stock have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, or the Financial Instruments and Exchange Law, and each underwriter has agreed that it will not offer or sell any shares of our Class A common stock, 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 shares of our Class A common stock may not be circulated or distributed, nor may the shares of our Class A common stock 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 shares of our Class A common stock 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 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 will not be transferable for six months after that corporation or that trust has acquired shares of our Class A common stock under Section 275 except: (1) 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; (2) where no consideration is given for the transfer; or (3) by operation of law.

LEGAL MATTERS

Certain legal matters relating to this offering will be passed upon for us by Stradling Yocca Carlson & Rauth, P.C., Newport Beach, California. The underwriters have been represented by Wilson Sonsini Goodrich & Rosati, P.C., Palo Alto, California.

EXPERTS

The financial statements as of December 31, 2013 and 2014 and for the years then ended included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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 the shares of our Class A common stock offered pursuant to this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits filed therewith, as permitted by the rules and regulations of the SEC. For additional information about us and the shares of our Class A common stock offered hereby, reference is made to the registration statement and the exhibits filed therewith. Statements contained in this prospectus regarding the contents of any other document that is filed as an exhibit to the registration statement are not necessarily complete, and, in each instance, we refer you to the copy of such other document filed as an exhibit to the registration statement.

A copy of the registration statement and the exhibits filed therewith may be inspected without charge at the public reference room maintained by the SEC, located at 100 F Street, N.E., Washington, D.C. 20549-1004, and copies of all or any part of the registration statement may be obtained from that office at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC. The address of the website is www.sec.gov.

We currently do not file reports or other information with the SEC. Upon the completion of this offering, we will be required to file periodic reports, current reports, proxy statements and other information with the SEC pursuant to the Exchange Act, which will be available for inspection and copying at the SEC's public reference room and website referred to above. We also intend to make these filings and this information available free of charge on our website once the offering is completed. The address of our website is www.appfolioinc.com. The information contained on or accessed through our website does not constitute part of this prospectus, and you should not consider information contained on or accessed through our website in deciding whether to invest in our Class A common stock. References to our website address in this prospectus are inactive textual references only.

APPFOLIO, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit	F-5
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Stockholders of AppFolio, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, convertible preferred stock and stockholders' deficit and cash flows present fairly, in all material respects, the financial position of AppFolio, Inc. and its subsidiaries (the "Company") at December 31, 2013 and 2014 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
April 17, 2015

APPFOLIO, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except par values)

	<u>December 31,</u>		<u>Pro Forma</u>
	<u>2013</u>	<u>2014</u>	<u>December 31,</u> <u>2014</u> <u>(unaudited)</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 11,269	\$ 5,412	\$ 5,412
Accounts receivable, net	790	1,191	1,191
Prepaid expenses and other current assets	655	1,204	1,204
Total current assets	<u>12,714</u>	<u>7,807</u>	<u>7,807</u>
Property and equipment, net	1,744	2,623	2,623
Capitalized software, net	2,873	5,509	5,509
Goodwill	4,998	4,998	4,998
Intangible assets, net	4,473	3,615	3,615
Other assets	905	882	882
Total assets	<u>\$ 27,707</u>	<u>\$ 25,434</u>	<u>\$ 25,434</u>
Liabilities, Convertible Preferred Stock and Stockholders' (Deficit) Equity			
Current liabilities			
Accounts payable	\$ 217	\$ 2,088	\$ 2,088
Accrued employee expenses	2,062	3,150	3,150
Accrued expenses	710	1,721	1,721
Deferred revenue	2,819	3,772	3,772
Other current liabilities	15	2,797	2,797
Total current liabilities	<u>5,823</u>	<u>13,528</u>	<u>13,528</u>
Deferred revenue	124	8	8
Other liabilities	2,553	199	199
Total liabilities	<u>8,500</u>	<u>13,735</u>	<u>13,735</u>
Commitments and contingencies (Note 6)			
Convertible preferred stock, Series A, B, B-1, B-2 and B-3, \$0.0001 par value, 68,027 shares authorized, issued and outstanding as of December 31, 2013 and 2014. Liquidation preference of \$62,020 as of December 31, 2014. No shares issued and outstanding, pro forma (unaudited)	63,166	63,166	—
Stockholders' (deficit) equity:			
Common stock, \$0.0001 par value, 120,000 and 123,000 shares authorized as of December 31, 2013 and 2014, respectively; 35,487 and 36,170 shares issued and outstanding as of December 31, 2013 and 2014, respectively; 104,197 shares issued and outstanding pro forma (unaudited)	3	3	10
Additional paid-in capital	431	1,544	64,703
Accumulated deficit	<u>(44,393)</u>	<u>(53,014)</u>	<u>(53,014)</u>
Total stockholders' (deficit) equity	<u>(43,959)</u>	<u>(51,467)</u>	<u>11,699</u>
Total liabilities, convertible preferred stock and stockholders' (deficit) equity	<u>\$ 27,707</u>	<u>\$ 25,434</u>	<u>\$ 25,434</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Year Ended December 31,	
	2013	2014
Revenue	\$ 26,542	\$ 47,671
Costs and operating expenses:		
Cost of revenue (exclusive of depreciation and amortization)	13,616	22,555
Sales and marketing	10,337	16,876
Research and product development	5,057	6,505
General and administrative	2,286	6,489
Depreciation and amortization	2,850	3,805
Total costs and operating expenses	<u>34,146</u>	<u>56,230</u>
Operating loss	(7,604)	(8,559)
Other income (expense), net	287	(121)
Interest income, net	12	59
Net loss	<u>\$ (7,305)</u>	<u>\$ (8,621)</u>
Net loss per share, basic and diluted	<u>\$ (0.22)</u>	<u>\$ (0.25)</u>
Weighted average common shares outstanding, basic and diluted	<u>33,749</u>	<u>35,027</u>
Pro forma net loss per share, basic and diluted (unaudited)		<u>\$ (0.08)</u>
Pro forma weighted average common shares outstanding, basic and diluted (unaudited)		<u>103,054</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

(in thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance December 31, 2012	61,950	\$ 51,288	34,159	\$ 3	\$ 101	\$ (37,088)	\$ (36,984)
Issuance of restricted stock	—	—	897	—	—	—	—
Exercise of stock options	—	—	481	—	83	—	83
Forfeiture of restricted stock	—	—	(50)	—	—	—	—
Issuance of preferred stock, net of issuance costs	6,077	11,878	—	—	—	—	—
Stock-based compensation	—	—	—	—	247	—	247
Net loss	—	—	—	—	—	(7,305)	(7,305)
Balance December 31, 2013	68,027	63,166	35,487	3	431	(44,393)	(43,959)
Exercise of stock options	—	—	683	—	168	—	168
Stock-based compensation	—	—	—	—	945	—	945
Net loss	—	—	—	—	—	(8,621)	(8,621)
Balance December 31, 2014	<u>68,027</u>	<u>\$ 63,166</u>	<u>36,170</u>	<u>\$ 3</u>	<u>\$ 1,544</u>	<u>\$ (53,014)</u>	<u>\$ (51,467)</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	<u>Year Ended December 31,</u>	
	<u>2013</u>	<u>2014</u>
Cash from operating activities		
Net loss	\$ (7,305)	\$ (8,621)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,850	3,805
Loss on disposal of property and equipment	47	109
Write-off of intangible assets	—	7
Stock-based compensation	247	892
Gain on sale to SecureDocs	(271)	—
Change in fair value of contingent consideration	(1,337)	26
Loss on equity-method investment	—	19
Changes in operating assets and liabilities:		
Accounts receivable	(490)	(401)
Prepaid expenses and other current assets	(423)	(549)
Other assets	60	(5)
Accounts payable	(146)	1,831
Accrued employee expenses	1,168	1,088
Accrued expenses	308	1,011
Deferred revenue	766	837
Other liabilities	156	426
Net cash (used in) provided by operating activities	<u>(4,370)</u>	<u>475</u>
Cash from investing activities		
Purchases of property and equipment	(1,260)	(1,878)
Additions to capitalized software	(2,370)	(4,567)
Purchases of intangibles	(58)	(31)
Maturities of investments	3,423	—
Net cash used in investing activities	<u>(265)</u>	<u>(6,476)</u>
Cash from financing activities		
Proceeds from stock option exercises	83	168
Principal payments under capital lease obligations	—	(24)
Proceeds from issuance of convertible preferred stock, net of issuance costs	11,878	—
Net cash provided by financing activities	<u>11,961</u>	<u>144</u>
Net cash increase (decrease) in cash and cash equivalents	7,326	(5,857)
Cash and cash equivalents		
Beginning of year	3,943	11,269
End of year	<u>\$ 11,269</u>	<u>\$ 5,412</u>
Noncash investing activities		
Purchases of property and equipment included in accounts payable	\$ 6	\$ 46
Assets acquired under capital lease	82	—
Notes and equity method investment received in exchange for property and intangible assets	360	—
Stock-based compensation capitalized for software development	—	53

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

AppFolio, Inc. (“we” or “AppFolio”) provides industry-specific, cloud-based software solutions for small and medium-sized businesses (“SMBs”) in the property management and legal industries. Our platform is designed to be the system of record to automate essential business processes and the system of engagement to enhance business interactions between our customers and their clients and vendors. Our mobile-optimized software solutions have a user-friendly interface across multiple devices, enabling our customers to work at any time and from anywhere. Our property management software provides small and medium-sized property managers with an end-to-end solution to their business needs, enabling them to manage properties quickly and easily in a single, integrated environment. Our legal software provides solo practitioners and small law firms with a streamlined practice and case management solution, allowing them to manage their practices and case load within a flexible system. We also offer optional, but often mission-critical, Value+ services, such as our professionally designed websites and electronic payment services, which are seamlessly built into our core solutions.

Capital Resources

From inception to date, we have financed our operations primarily through private placements of equity securities in the form of convertible preferred stock. As of December 31, 2014, we had cash and cash equivalents of \$5.4 million and stockholders’ deficit of \$51.5 million. In March 2015, we entered into a \$12.5 million five-year term loan and revolving line of credit (collectively the “credit facility”) (see Note 13). We believe that our existing cash and cash equivalents balance, together with borrowings available under our credit facility, will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months.

Our future capital requirements will depend on many factors, including the change in the number of our customers, the adoption and utilization of our Value+ services by new and existing customers, the timing and extent of the introduction of new core functionality and Value+ services in our existing markets and verticals, the timing and extent of our expansion into adjacent markets or new verticals, the timing and extent of our investments across our organization, and the continued market acceptance of our software solutions. In addition, we may in the future enter into arrangements to acquire or invest in complementary businesses, services, technologies or intellectual property rights. We may be required to seek additional equity or debt financing in order to meet these future capital requirements. If we are unable to raise additional capital when desired, or on terms that are acceptable to us, our business, operating results and financial condition could be adversely affected.

2. Summary of Significant Accounting Policies

Basis of Presentation

Our accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (“GAAP”).

Principles of Consolidation

The accompanying consolidated financial statements include the operations of AppFolio, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Our investment in SecureDocs, Inc. (“SecureDocs”) is accounted for under the equity method of accounting as we have the ability to exert significant influence, but do not control and are not the primary beneficiary of the entity. Our proportional share of earnings or losses of SecureDocs is included in other income (expense), net in the consolidated statements of operations. Our investment in SecureDocs and our share of its losses are not material individually or in the aggregate to our financial position, results of operations or cash flows for any period presented.

Reclassifications

Certain amounts in the 2013 consolidated balance sheet have been reclassified to conform to the 2014 presentation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. On an ongoing basis, management evaluates its estimates based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

Revision to Previously Issued Financial Statements

In September 2012, we raised proceeds of \$10.0 million from the issuance of Series B-2 convertible preferred stock. In connection with the issuance of the Series B-2 convertible preferred stock, we had the right to require the Series B-2 investors to purchase up to an additional 3.6 million shares at a price of \$1.40 per share (“the Series B-2 put right”). The Series B-2 put right was incorrectly accounted for and valued resulting in a reduction in the carrying value of the convertible preferred stock and an increase in additional paid-in capital in 2012, rather than an increase in the carrying value of convertible preferred stock and a decrease in additional paid-in capital. Upon its termination in 2013 the Series B-2 put right was incorrectly reversed. We concluded that the errors were not material to the previously issued financial statements taken as a whole. We have revised the convertible preferred stock and additional paid-in capital balances as of December 31, 2012 included in the consolidated statements of convertible preferred stock and stockholders’ deficit by \$2.1 million, and the convertible preferred stock and additional paid-in capital balances as of December 31, 2013 included in the consolidated statements of convertible preferred stock and stockholders’ deficit and consolidated balance sheets by \$1.5 million. The errors had no impact on our consolidated statements of operations or cash flows.

In addition, we have revised our 2013 financial statements to correct for errors primarily related to the classification of certain balance sheet items. These errors reduced current assets by \$0.3 million, increased non-current assets by \$0.4 million, increased current liabilities and decreased non-current liabilities each by \$0.2 million, and increased interest income by \$0.1 million. We concluded that these errors, individually and in aggregate, were not material to our previously issued 2013 financial statements. These errors had no net impact on our cash flows from operating, investing or financing activities.

Segment Information

Our chief operating decision maker (“CODM”) reviews financial information presented on an aggregated and consolidated basis, together with revenue information by type of service, principally to make decisions about how to allocate resources and to measure our performance. Management has determined that it has one operating segment.

Unaudited Pro Forma Information

The unaudited pro forma balance sheet as of December 31, 2014 reflects the conversion of all of the outstanding shares of our convertible preferred stock into an aggregate of 68,026,659 shares of our common stock. Each share of convertible preferred stock will automatically convert into shares of our common stock at its then effective conversion rate immediately prior to the completion of a public offering of our common stock for which aggregate gross proceeds to us are at least \$40 million and at a price per share of at least \$4.207, or upon a majority vote of all preferred stockholders voting.

[Table of Contents](#)

Pro forma basic and diluted net loss per share for the year ended December 31, 2014 reflect the conversion of our convertible preferred stock into our common stock, using the if-converted method, as of January 1, 2014.

Concentrations of Credit Risk

Financial instruments that potentially subject us to credit risk consist principally of cash, cash equivalents, accounts receivable and notes receivable.

At times, we maintain cash balances at financial institutions in excess of amounts insured by United States government agencies or payable by the United States government directly. We place our cash and cash equivalents with high credit quality financial institutions.

Concentrations of credit risk with respect to accounts receivable and revenue are limited due to a large, diverse customer base. No individual customer represented more than 10% of accounts receivable or revenue as of and for the years ended December 31, 2013 and 2014, respectively.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Accounting Standard Codification (“ASC”) 820, *Fair Value Measurements and Disclosures* (“ASC 820”), describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- Level 1—Quoted prices in active markets for identical assets or liabilities or funds.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 and 2014 by level within the fair value hierarchy. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement (in thousands):

	December 31,							
	2013			Total Fair Value	2014			Total Fair Value
Level 1	Level 2	Level 3	Level 1		Level 2	Level 3		
Cash equivalents	\$10,613	\$ —	\$ —	\$ 10,613	\$3,696	\$ —	\$ —	\$ 3,696
Total Assets	<u>\$10,613</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10,613</u>	<u>\$3,696</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,696</u>
Contingent consideration	\$ —	\$ —	\$2,403	\$ 2,403	\$ —	\$ —	\$2,429	\$ 2,429
Total Liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$2,403</u>	<u>\$ 2,403</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$2,429</u>	<u>\$ 2,429</u>

[Table of Contents](#)

As of December 31, 2013 and 2014, cash equivalents consisted of cash invested in money market funds.

Upon the business acquisition of MyCase, Inc. (“MyCase”) in October 2012, we recorded a liability for the estimated fair value of the contingent consideration for earn-out payments based upon meeting certain revenue targets during the period from the acquisition date through March 2015. The maximum contingent consideration that could be earned under the acquisition agreement is \$6.6 million. The contingent consideration is measured at fair value each period and is based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions we believe would be made by a market participant. We assess these estimates on an on-going basis as additional data impacting the assumptions becomes available. Changes in the fair value of contingent consideration related to updated assumptions and estimates are recognized within general and administrative expenses in the consolidated statements of operations. We determined the fair value of the contingent consideration using the probability weighted discounted cash flow method. The significant inputs used in the fair value measurement of contingent consideration are the probability of achieving revenue thresholds and determining discount rates. The change in the fair value of the contingent consideration liability during the year ended December 31, 2013 primarily related to a change in estimates of the performance of MyCase as MyCase was subsumed within our operations.

The following table summarizes the changes in contingent consideration liability (in thousands):

	Contingent Consideration
Fair value as of December 31, 2012	\$ 3,740
Change in fair value	<u>(1,337)</u>
Fair value as of December 31, 2013	2,403
Change in fair value	<u>26</u>
Fair value as of December 31, 2014	<u>\$ 2,429</u>

The contingent consideration liability is recorded in *other liabilities* and *other current liabilities* on the accompanying consolidated balance sheets as of December 31, 2013 and 2014, respectively. We expect to make the final earn-out payment in May 2015.

The carrying amounts of cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the short maturity of these items. The carrying value of our SecureDocs’ note receivable approximates its fair value based on a discounted cash flow analysis.

Certain assets, including goodwill and intangible assets, are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired a result of an impairment review. For the years ended December 2013 and 2014, no impairments were identified on those assets required to be measured at fair value on a non-recurring basis.

Cash and Cash Equivalents and Restricted Cash

We consider all highly liquid investments, readily convertible to cash, and which have a remaining maturity date of three months or less at the date of purchase, to be cash equivalents. Cash and cash equivalents are recorded at fair value and consist primarily of bank deposits and money market funds.

Restricted cash of \$0.4 million as of December 31, 2013 and 2014, comprised certificates of deposits relating to collateral requirements for customer automated clearing house (“ACH”) and credit card chargebacks and minimum collateral requirements for our insurance services, which are recorded in other long term assets.

[Table of Contents](#)

Accounts Receivable

Accounts receivable are recorded at the invoiced amount, net of allowance for doubtful accounts. The allowance for doubtful accounts is based on historical loss experience, the number of days that receivables are past due, and an evaluation of the potential risk of loss associated with delinquent accounts. Accounts receivable considered uncollectable are charged against the allowance for doubtful accounts when identified. We do not have any off-balance sheet credit exposure related to our customers. As of December 31, 2013 and 2014, our allowance for doubtful accounts was not material.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of assets. The estimated useful lives of our property and equipment are as follows:

Data center and computer equipment	3 years
Furniture and fixtures	7 years
Office equipment	2 to 5 years
Leasehold improvements	Shorter of remaining life of lease or asset life

Repair and maintenance costs are expensed as incurred. Renewals and improvements are capitalized. Assets disposed of or retired are removed from the cost and accumulated depreciation accounts and any resulting gain or loss is reflected in our results of operations.

Internal-Use Software

We account for the costs of computer software obtained or developed for internal use in accordance with ASC 350, *Intangibles—Goodwill and Other* (“ASC 350”). These include costs incurred in connection with the development of our internal-use software solutions when (i) the preliminary project stage is completed, (ii) management has authorized further funding for the completion of the project and (iii) it is probable that the project will be completed and performed as intended. These capitalized costs include personnel and related expenses for employees who are directly associated with and who devote time to internal-use software projects and, when material, interest costs incurred during the development. Capitalization of these costs ceases once the project is substantially complete and the software is ready for its intended purpose. Costs incurred for significant upgrades and enhancements to our software solutions are also capitalized. Costs incurred for post-configuration training, maintenance and minor modifications or enhancements are expensed as incurred. Capitalized software development costs are amortized using the straight-line method over an estimated useful life of three years. We do not transfer ownership of our software, or lease our software, to third parties.

Intangible Assets

Intangible assets primarily consist of customer relationships, acquired technology, trademarks, domain names and patents, which are recorded at cost, less accumulated amortization. We determine the appropriate useful life of our intangible assets by performing an analysis of expected cash flows of the acquired assets. Intangible assets are amortized over their estimated useful lives using the straight-line method, which approximates the pattern in which the economic benefits are consumed.

The estimated useful lives of our intangible assets are as follows:

Customer relationships	5 years
Technology	6 years
Trademarks	10 years
Domain names	5 years
Patents	5 years

Impairment of Long-Lived Assets

We assess the recoverability of our long-lived assets when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Such events or changes in circumstances may include a significant adverse change in the extent or manner in which a long-lived asset is being used, a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of a long-lived asset, current or future operating or cash flow losses that demonstrate continuing losses associated with the use of a long-lived asset, or a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Impairment testing is performed at an asset level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. We assess recoverability of long-lived assets by determining whether the carrying value of an asset can be recovered through projected undiscounted cash flows over its remaining life. If the carrying value of an asset exceeds the forecasted undiscounted cash flows, an impairment loss is recognized, measured as the amount by which the carrying value exceeds estimated fair value. An impairment loss is charged to operations in the period in which management determines such impairment. There were no impairment charges related to the identified long-lived assets for the years ended December 31, 2013 and 2014.

Business Combinations

The results of a business acquired in a business combination are included in our consolidated financial statements from the date of acquisition. We allocate the purchase price, including the fair value of contingent consideration, to the identifiable assets and liabilities of the acquired business at their acquisition date fair values. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities, if any, is recorded as goodwill.

Determining the fair value of assets acquired and liabilities assumed requires management to make significant judgments and estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies.

When we issue awards to an acquired company's stockholders, we evaluate whether the awards are contingent consideration or compensation for post-acquisition services. The evaluation includes, among other things, whether the vesting of the awards is contingent on the continued employment of the selling stockholder beyond the acquisition date. If continued employment is required for vesting, the awards are treated as compensation for post-acquisition services and recognized as an expense over the requisite service period.

Acquisition-related transaction costs are not included as a component of consideration transferred, but are accounted for as an expense in the period in which the costs are incurred.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. We test goodwill for impairment in accordance with the provisions of ASC 350. Goodwill is tested for impairment at least annually at the reporting unit level or whenever events or changes in circumstances indicate that goodwill might be impaired. Events or changes in circumstances which could trigger an impairment review include a significant adverse change in legal factors or in the business climate, unanticipated competition, loss of key personnel, significant changes in the use of the acquired assets or our strategy, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations.

ASC 350 provides that an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a

reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then additional impairment testing is not required. However, if an entity concludes otherwise, then it is required to perform the first of a two-step impairment test.

The first step involves comparing the estimated fair value of a reporting unit with its book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. If, however, the fair value of the reporting unit is less than book value, then the carrying amount of the goodwill is compared with its implied fair value. The estimate of implied fair value of goodwill may require valuations of certain internally generated and unrecognized intangible assets. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess.

We have one reporting unit and we test for goodwill impairment annually during the fourth quarter of the calendar year. Our qualitative goodwill assessment during the fourth quarter of 2014 concluded there were no indications of impairment based on a number of factors considered including the improvement in key operating metrics over the prior year, the increase in the fair value of our common stock, and continued execution against our strategic objectives.

Revenue Recognition

We charge our customers on a subscription basis for our core solutions and many of our Value+ services. Our subscription fees are designed to scale to the size of our customers' businesses. Our core solutions refer to the base subscriptions for our cloud-based property management and legal software solutions. Value+ services recognized on a subscription basis include website hosting, insurance and contact center services. Subscription fees for our core solutions are charged on a per-unit per-month basis for our property management software solution and on a per-user per-month basis for our legal software solution. Website hosting fees are charged based on the number of websites hosted per month. Insurance and contact center fees are charged on a per-unit per-month basis. We recognize subscription revenue ratably over the terms of the subscription agreements, which range from one month to one year. We offer customers a free-trial period to try our software. Revenue is not recognized until the free-trial period is complete and the customer has entered into a subscription agreement with us. We generally invoice our customers for subscription services in monthly, quarterly or annual installments, typically in advance of the subscription period. As a result, we do not have significant deferred revenue because our invoicing is generally for periods less than one year.

We also charge our customers usage-based fees for using certain Value+ services, although fees for electronic payment processing are generally paid by the clients of our customers. Usage-based services include background and credit checks and electronic payment services. Usage-based fees are charged on a flat fee per transaction basis with no minimum usage commitments. We recognize revenue for usage-based services in the period the service is rendered. We generally invoice our customers for usage-based services on a monthly basis for services rendered in the preceding month.

We also offer our customers assistance with on-boarding and optimizing their use of our core solutions, as well as website design services. These services are generally purchased as part of a subscription agreement, and are typically performed within the first several months of the arrangement. We recognize revenue for these one-time services upon completion of the related service. We generally invoice our customers for one-time services in advance of the services being completed.

We recognize revenue when (i) there is persuasive evidence of an arrangement, (ii) our software solutions have been made available or delivered, or services have been performed, (iii) the amount of fees is fixed or determinable, and (iv) collectability is reasonably assured. Evidence of an arrangement generally consists of either a signed customer contract or an online click-through agreement. We consider that delivery of a solution or

[Table of Contents](#)

website has commenced once we provide the customer with access to use the solution or website. Fees are fixed based on rates specified in the subscription agreements, which do not provide for any refunds or adjustments. If collectability is not considered reasonably assured, revenue is deferred until the fees are collected. Some of our subscription agreements contain minimum cancellation fees in the event that the customer cancels the subscription early.

As customers do not have the right to the underlying software code for our software solutions, our revenue arrangements are outside the scope of software revenue recognition guidance.

Multiple-Deliverable Arrangements

The majority of customer arrangements include multiple deliverables. We therefore recognize revenue in accordance with Accounting Standards Update (“ASU”) 2009-13, *Revenue Recognition (Topic 605)—Multiple—Deliverable Revenue Arrangements—a Consensus of the Emerging Issues Task Force* (“ASU 2009-13”).

For multiple-deliverable arrangements, we first assess whether each deliverable has value to the customer on a standalone basis. We have determined that the subscription services related to our core solutions have value on a standalone basis because, once access is provided, they are fully functional and do not require additional development, modification or customization. Subscription services related to website hosting, insurance services and contact center services have value on a standalone basis as the services are sold separately by other vendors and are not essential to the functionality of the other deliverables. Usage-based services have value to the customer on a standalone basis as they are sold separately by other vendors and are not essential to the functionality of the other deliverables. The usage-based services are typically entered into subsequent to the initial customer arrangement. In multiple-deliverable arrangements that contain usage-based services, the customer has the option to purchase the services on an ad hoc basis, and payments are made when the services are rendered. The one-time services to assist our customers with on-boarding and optimizing our core solutions, as well as website design services, have value on a standalone basis as these services do not require highly specialized or skilled individuals to perform them, are not essential to the functionality of our software solutions and may be performed by the customer or another vendor.

Based on the standalone value of the deliverables, and since our customers do not have a general right of return, we allocate revenue among the separate non-contingent deliverables in a multiple-deliverable arrangement under the relative selling price method using the selling price hierarchy established in ASU 2009-13. Usage-based services are not included in the relative revenue allocation at the inception of the arrangement as they are contingent on the customer’s use of the applicable Value+ service. Usage-based services do not contain any significant incremental discounts. The ASU 2009-13 selling price hierarchy requires the selling price of each deliverable in a multiple-deliverable arrangement to be based on, in descending order, (i) vendor-specific objective evidence of fair value (“VSOE”), (ii) third-party evidence of fair value (“TPE”), or (iii) management’s best estimate of the selling price (“BESP”).

For our core solutions, we have established VSOE based on our consistent historical pricing and discounting practices for customer renewals where the customer only subscribes to our core solutions. In establishing VSOE, the substantial majority of the selling prices for our core solutions fall within a reasonably narrow pricing range.

For our Value+ services and services relating to on-boarding and optimizing our core solutions, as well as website design services, we were not able to determine VSOE because they are not sold by us separately from other deliverables. In addition, we considered whether TPE existed for these services and determined TPE existed for our website hosting based on prices charged by other companies selling similar services separately. For our remaining services, the selling prices of other deliverables are based on BESP. The determination of BESP requires us to make significant judgments and estimates. We consider numerous factors, including the nature of the deliverables themselves, the market conditions and competitive landscape for the sale, internal costs, and our published pricing and discounting practices. We maintain pricing transparency and adhere to our

published price lists in selling these services to our customers. We update our estimates of BESP on an ongoing basis as events and circumstances may require.

After the contract value is allocated to each non-contingent deliverable in a multiple-deliverable arrangement based on the relative selling price, revenue is recognized for each deliverable based on the pattern in which the revenue is earned. For subscription services, revenue is recognized on a straight-line basis over the subscription period. For usage-based services, revenue is recognized as the services are rendered. For one-time services, revenue is recognized upon completion of the related services.

We record amounts collected from our customers in advance of recognizing revenue as deferred revenue. Deferred revenue that will be recognized as revenue within one year from the respective balance sheet date is recorded as current deferred revenue and the remaining portion, if any, is recorded as noncurrent.

Cost of Revenue

Cost of revenue consists of personnel-related costs (including salaries, incentive-based compensation, benefits, and stock-based compensation) for our employees focused on customer service and the support of our operations, platform infrastructure costs (such as data center operations and hosting-related costs), fees paid to third-party service providers, payment processing fees, and allocated shared costs. We typically allocate shared costs across our organization based on headcount within the applicable part of our organization. Cost of revenue excludes depreciation of property and equipment, and amortization of capitalized software development costs and intangible assets.

Sales and Marketing

Sales and marketing expense consists of personnel-related costs (including salaries, sales commissions, incentive-based compensation, benefits, and stock-based compensation) for our employees focused on sales and marketing, costs associated with sales and marketing activities, and allocated shared costs. Marketing activities include advertising, online lead generation, lead nurturing, customer and industry events, industry-related content creation and collateral creation. Sales commissions and other incremental costs to acquire customers and grow adoption and utilization of our Value+ services by new and existing customers are expensed as incurred. We focus our sales and marketing efforts on generating awareness of our software solutions, creating sales leads, establishing and promoting our brands, and cultivating an educated community of successful and vocal customers. Advertising expenses were \$1.3 million and \$2.1 million for the years ended December 31, 2013 and 2014, respectively, and are expensed as incurred.

Research and Product Development

Research and product development expense consists of personnel-related costs (including salaries, incentive-based compensation, benefits, and stock-based compensation) for our employees focused on research and product development, fees for third-party development resources, and allocated shared costs. Our research and product development efforts are focused on enhancing the ease of use and functionality of our existing software solutions by adding new core functionality, Value+ services and other improvements, as well as developing new products. We capitalize the portion of our software development costs that meets the criteria for capitalization. Amortization of software development costs is included in depreciation and amortization expense.

General and Administrative

General and administrative expense consists of personnel-related costs (including salaries, incentive-based compensation, benefits, and stock-based compensation) for employees in our executive, finance, information technology, or IT, human resources and administrative organizations. In addition, general and administrative expense includes fees for third-party professional services (including consulting, legal and audit services), other corporate expenses, and allocated shared costs.

Depreciation and Amortization

Depreciation and amortization expense includes depreciation of property and equipment, amortization of capitalized software development costs and amortization of intangible assets. We depreciate or amortize property and equipment, software development costs and intangible assets over their expected useful lives on a straight-line basis, which approximates the pattern in which the economic benefits of the assets are consumed.

Stock-Based Compensation

We account for stock-based compensation awards granted to employees and directors by recording compensation expense based on the awards' grant-date estimated fair value, in accordance with ASC 718, *Compensation—Stock Compensation* ("ASC 718"). We estimate the fair value of restricted stock awards based on the fair value of our common stock. We estimate the fair value of stock options using the Black-Scholes option-pricing model. Determining the fair value of stock-based compensation awards under this model requires highly subjective assumptions, including the fair value of the underlying common stock, the risk-free interest rate, the expected term of the award, the expected volatility of the price of our common stock, and the expected dividend yield of our common stock. These estimates involve inherent uncertainties and the application of management's judgment. If we had made different assumptions, our stock-based compensation expense and our net loss could have been materially different.

These assumptions and estimates are as follows:

- *Fair Value of Common Stock.* Because there is no public market for our common stock, our board of directors has determined the fair value of our common stock at the time of the grant of stock options and restricted stock awards by considering a number of objective and subjective factors. The fair value of the underlying common stock will be determined by our board of directors until such time as our common stock is listed on an established stock exchange or national market system. The fair value has been determined in accordance with applicable elements of the practice aid issued by the American Institute of Certified Public Accountants titled *Valuation of Privately Held Company Equity Securities Issued as Compensation*. Our board of directors grants stock options with exercise prices equal to the fair value of our common stock on the date of grant.
- *Risk-Free Interest Rate.* The risk free interest rate assumption is based upon observed interest rates on United States government securities appropriate for the expected term of the stock option.
- *Expected Term.* Given we do not have sufficient exercise history to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior, we determine the expected term using the simplified method, which is calculated as the midpoint of the stock option vesting term and the expiration date of the stock option.
- *Expected Volatility.* We determine the expected volatility based on the historical average volatilities of publicly traded industry peers. We intend to continue to consistently apply this methodology using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock price becomes available, unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose stock prices are publicly available would be utilized in the calculation.
- *Expected Dividend Yield.* We have not paid and do not anticipate paying any cash dividends in the foreseeable future and, therefore, we use an expected dividend yield of zero.

[Table of Contents](#)

The following table summarizes information relating to our stock options granted in the years ended December 31, 2013 and 2014:

	Year Ended December 31,	
	2013	2014
Stock options granted (in thousands)	502	2,803
Weighted average exercise price per share	\$ 0.45	\$ 1.15
Weighted average Black-Scholes model assumptions:		
Risk-free interest rate	1.24%	1.86%
Expected term (in years)	6.0	6.2
Expected volatility	51%	48%
Expected dividend yield	—	—

In addition to the assumptions used in the Black-Scholes option-pricing model, we also estimate a forfeiture rate to calculate our stock-based compensation expense for our awards. The forfeiture rate is based on an analysis of 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 estimated forfeiture rate 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 our stock-based compensation expense recognized in our consolidated 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 our stock-based compensation expense recognized in our consolidated financial statements.

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the consolidated statements of operations in the period that includes the enactment date. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in our consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized. We recognize interest and penalties accrued with respect to uncertain tax positions, if any, in our provision for income taxes in the consolidated statements of operations.

Net Loss per Share

In periods in which we have net income, we apply the two-class method for calculating earnings per share. Under the two-class method, our net income is attributed to our common stockholders and participating securities based on their participation rights. Participating securities include convertible preferred stock and restricted stock. In periods in which we have net losses, we do not attribute losses to participating securities as they are not contractually obligated to share our losses.

Basic loss per share is calculated by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding, net of the weighted average unvested restricted stock subject to repurchase, if any, during the period.

[Table of Contents](#)

Diluted loss per share is calculated by dividing the net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding, adjusted for the effects of potentially dilutive common stock, which are comprised of stock options, using the treasury-stock method, and convertible preferred stock, using the if-converted method.

The following table presents a reconciliation of our weighted average number of shares used to compute net loss per share (in thousands):

	Year Ended December 31,	
	2013	2014
Weighted average shares outstanding	35,228	35,993
Weighted average unvested restricted shares subject to repurchase	(1,479)	(966)
Weighted average number of shares used to compute basic and diluted net loss per share	<u>33,749</u>	<u>35,027</u>

Because we reported net losses for all periods presented, all potentially dilutive common stock are antidilutive for those periods.

The following table presents the number of anti-dilutive shares excluded from the calculation of diluted net loss per share as of December 31, 2013 and 2014 (in thousands):

	Year Ended December 31,	
	2013	2014
Options to purchase common stock	2,900	4,867
Conversion of convertible preferred stock	68,027	68,027
Unvested restricted stock awards	1,341	693
Total shares excluded from net loss per share attributable to common stockholders	<u>72,268</u>	<u>73,587</u>

Unaudited Pro Forma Net Loss per Share

The following table sets forth the computation of our pro forma basic and diluted net loss per share for the year ended December 31, 2014 (in thousands, except per share data):

Net loss	<u>\$ (8,621)</u>
Weighted average number of shares used to compute net loss per share	<u>35,027</u>
Pro forma adjustment to reflect assumed conversion of convertible preferred stock to common stock	<u>68,027</u>
Weighted average number of shares used to compute pro forma basic and diluted net loss per share	<u>103,054</u>
Pro forma net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.08)</u>

Comprehensive Loss

ASC 220, *Comprehensive Income*, establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As of December 31, 2013 and 2014, we had no other comprehensive income (loss) items; therefore, comprehensive loss equals net loss. Accordingly, we have not included a separate statement of comprehensive loss in the financial statements.

Recent Accounting Pronouncements

Under the Jumpstart our Business Startups Act (the “JOBS Act”), we meet the definition of an emerging growth company. We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. ASU 2014-09 is currently effective on January 1, 2017, although the FASB has proposed rules to defer its effectiveness until 2018. Early application is not permitted. The standard permits the use of either a retrospective or cumulative effect transition method. We have not determined which transition method we will adopt, nor have we determined the effect of this guidance on our financial condition, results of operations, cash flows or disclosures.

3. Property and Equipment

Property and equipment consists of the following as of December 31, 2013 and 2014 (in thousands):

	December 31,	
	2013	2014
Data center and computer equipment	\$ 1,935	\$ 2,871
Furniture and fixtures	705	1,158
Office equipment	179	215
Leasehold improvements	129	333
Gross property and equipment	2,948	4,577
Less: Accumulated depreciation	(1,204)	(1,954)
Total property and equipment, net	\$ 1,744	\$ 2,623

Depreciation expense on property and equipment totaled \$0.5 million and \$0.9 million for the years ended December 31, 2013 and 2014, respectively.

As of December 31, 2013 and 2014, property and equipment included property and equipment under capital leases with a cost basis of \$82,000. Accumulated depreciation on property and equipment under capital leases as of December 31, 2013 and 2014 was \$0 and \$21,000, respectively.

4. Internal-Use Software Development Costs

Internal-use software development costs were as follows (in thousands):

	December 31,	
	2013	2014
Internal use software development costs, gross	\$ 9,415	\$13,931
Less: Accumulated amortization	(6,542)	(8,422)
Internal use software development costs, net	\$ 2,873	\$ 5,509

For the years ended December 31, 2013 and 2014, \$2.4 million and \$4.6 million of software development costs were capitalized and \$1.5 million and \$2.0 million were amortized, respectively.

Table of Contents

Future amortization expense with respect to capitalized software development costs as of December 31, 2014 is estimated as follows (in thousands):

Years Ending December 31,	
2015	\$2,497
2016	2,040
2017	950
2018	22
Total amortization expense	<u>\$5,509</u>

5. Intangible Assets

Intangible assets consisted of the following as of December 31, 2013 and 2014 (in thousands, except years):

	December 31, 2013			Weighted Average Useful Life in Years
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	
Customer relationships	\$ 230	\$ (58)	\$ 172	5.0
Technology	4,000	(833)	3,167	6.0
Trademarks	800	(100)	700	10.0
Domain names	313	(123)	190	5.0
Patents	293	(49)	244	5.0
	<u>\$ 5,636</u>	<u>\$ (1,163)</u>	<u>\$ 4,473</u>	<u>6.4</u>

	December 31, 2014			Weighted Average Useful Life in Years
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	
Customer relationships	\$ 230	\$ (104)	\$ 126	5.0
Technology	4,000	(1,500)	2,500	6.0
Trademarks	800	(180)	620	10.0
Domain names	287	(161)	126	5.0
Patents	324	(81)	243	5.0
	<u>\$ 5,641</u>	<u>\$ (2,026)</u>	<u>\$ 3,615</u>	<u>6.4</u>

Amortization expense for the years ended December 31, 2013 and 2014 was \$0.9 million and \$0.9 million, respectively. Amortization expense for each of the five fiscal years through December 31, 2019 and thereafter is estimated as follows (in thousands):

Years Ending December 31,	
2015	\$ 886
2016	899
2017	862
2018	619
2019	113
Thereafter	236
Total amortization expense	<u>\$3,615</u>

6. Commitments and Contingencies

Lease Obligations

As of December 31, 2014, we had various non-cancellable operating leases related to our office facilities.

As of December 31, 2014, future minimum payments for obligations under non-cancellable operating leases were as follows (in thousands):

Years Ending December 31,	
2015	\$1,043
2016	1,004
2017	818
2018	137
2019	—
Thereafter	—
Total minimum lease payments	<u>\$3,002</u>

We recorded rent expense of \$0.8 million and \$1.0 million for the years ended December 31, 2013 and 2014, respectively.

As of December 31, 2014, our future minimum payments for capital lease obligations relating to office equipment were \$37,000 for 2015 and \$34,000 for 2016.

Contingent Consideration Liability

In October 2012, we acquired all of the outstanding shares of MyCase, a company that developed a practice and case management software solution for the legal market. The purchase price included cash paid at closing and contingent consideration comprised of potential earn-out payments based upon the operations meeting certain revenue targets during the 30 months following the acquisition date. The fair value of the contingent consideration liability was \$2.4 million as of December 31, 2013 and 2014. The contingent consideration liability is included in long term *other liabilities* and *other current liabilities* in the consolidated balance sheets as of December 31, 2013 and 2014, respectively.

Insurance

We have a wholly owned subsidiary, Terra Mar Insurance Company, Inc. (“Terra Mar”), which was established to provide our customers with the option to purchase tenant liability insurance. If our customers choose to use our insurance services, they are issued an insurance policy underwritten by our third-party service provider. The policy has a limit of \$100,000 per incident for each insured residence. We have entered into a reinsurance agreement with our third party service provider and, as a result, we assume a 100% quota share of the tenant liability insurance provided to our customers through our third party service provider. We accrue in cost of revenue losses reported and an estimate of losses incurred but not reported by our property manager customers, as we bear the risk related to claims. Our liability for reported and incurred but not reported claims as of December 31, 2013 and 2014 was \$0 and \$0.3 million, respectively, and is included in *other current liabilities* in the consolidated balance sheets.

Included in other current assets as of December 31, 2013 and 2014 are \$0.2 million and \$0.6 million, respectively, of deposits held with a third party related to requirements to maintain collateral for our insurance services.

Litigation

From time to time, we may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. We are not currently a party to any legal proceedings, nor are we aware of any pending or threatened litigation, that would have a material adverse effect on our business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

Indemnifications

In the ordinary course of business, we may provide indemnification of varying scope and terms to customers, investors, directors and officers with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third parties. These indemnification provisions may survive termination of the underlying agreement and the maximum potential amount of future payments we could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The maximum potential amount of future payments we could be required to make under these indemnification provisions is indeterminable. We have never paid a material claim, nor have we been sued in connection with these indemnification arrangements. As of December 31, 2013 and 2014, we had not accrued a liability for these indemnification arrangements because the likelihood of incurring a payment obligation, if any, in connection with these indemnification arrangements is not probable or reasonably estimable.

7. Convertible Preferred Stock and Stockholders' Deficit

As of December 31, 2013 and 2014, we were authorized to issue two classes of shares designated common stock and preferred stock. The total number of shares that we have authority to issue is 191,026,659, of which 123,000,000 shares are designated as common stock with a par value of \$0.0001 per share, and 68,026,659 shares are designated as preferred stock with a par value of \$0.0001 per share.

Convertible Preferred Stock

Our authorized preferred stock consists of Series A convertible preferred stock ("Series A"), Series B convertible preferred stock ("Series B"), Series B-1 convertible preferred stock ("Series B-1"), Series B-2 convertible preferred stock ("Series B-2") and Series B-3 convertible preferred stock ("Series B-3") (collectively the "preferred stock").

In November 2013, we raised proceeds of \$11.8 million net of issuance costs through the issuance of 6,077,119 shares of Series B-3 convertible preferred stock.

As of December 31, 2013 and 2014, information for each class of convertible preferred stock is as follows (in thousands, except liquidation preference per share):

	<u>Authorized Shares</u>	<u>Issued and Outstanding</u>	<u>Aggregate Liquidation Preference</u>	<u>Liquidation Preference Per Share</u>
Convertible preferred stock				
Series A	16,130	16,130	\$ 5,000	\$ 0.3100
Series B	30,269	30,269	25,020	0.8266
Series B-1	8,423	8,423	10,000	1.1872
Series B-2	7,128	7,128	10,000	1.4030
Series B-3	6,077	6,077	12,000	1.9746
	<u>68,027</u>	<u>68,027</u>	<u>\$ 62,020</u>	

The following describes the various rights and preferences for the preferred stockholders.

[Table of Contents](#)

Voting

The holders of the preferred stock are entitled to vote, together with the holders of common stock, on all matters submitted to stockholders for a vote. Each preferred stockholder is entitled to the number of votes equal to the number of shares of common stock into which each preferred share is convertible at the time of such vote.

Dividends

The Series A, Series B, Series B-1, Series B-2 and Series B-3 holders are entitled to receive noncumulative dividends when and if declared by our board of directors at an annual rate of \$0.0248, \$0.0661, \$0.0950, \$0.1122 and \$0.1580 per share, respectively. If our board of directors declares a dividend on any share or class of capital stock, the preferred stock participates in any dividend declared. No dividends have been declared by our board of directors through December 31, 2014.

Liquidation

In the event of our liquidation, deemed liquidation event (including a change in control), dissolution or winding up, prior to any distribution to common stockholders, the Series A, Series B, Series B-1, Series B-2 and Series B-3 preferred stockholders are entitled to the greater of (i) the original issuance price plus any declared but unpaid dividends or (ii) such amount per share as would have been payable had all shares of preferred stock been converted into common stock immediately prior to such liquidation, dissolution or winding up.

If there are not sufficient assets to distribute the full liquidation amounts to the Series A, Series B, Series B-1, Series B-2 and Series B-3 preferred stockholders, then the available assets are distributed pro rata among the Series A, Series B, Series B-1, Series B-2 and Series B-3 preferred stockholder based on the number of shares owned.

After the payment of all preferential amounts required to be paid to the holders of preferred stock, the remaining assets available for distribution will be distributed among the holders of common stock ratably based on the number of shares of common stock owned by each stockholder.

The original issuance price per share of the Series A, Series B, Series B-1, Series B-2 and Series B-3 was \$0.31, \$0.8266, \$1.1872, \$1.403 and \$1.9746, respectively.

The liquidation preference provisions of the convertible preferred stock are considered contingent redemption provisions because there are certain elements that were not solely within our control, such as a change in control. Accordingly, we presented the convertible preferred stock within the mezzanine portion of the consolidated balance sheets.

Conversion

Each share of Series A, Series B, Series B-1, Series B-2 and Series B-3 is convertible, at the option of the holder, into shares of common stock at a conversion rate determined by dividing the original issuance price per share by the conversion price per share. The conversion price per share of the Series A, Series B, Series B-1, Series B-2 and Series B-3 is \$0.31, \$0.8266, \$1.1872, \$1.403 and \$1.9746, respectively, subject to proportional adjustments for certain dilutive issuances, splits, combinations, and other recapitalizations and reorganizations. The preferred stock automatically converts to common stock immediately prior to the completion of a public offering of our common stock for which aggregate gross proceeds to us are at least \$40 million and at a price per share of at least \$4.207, or upon a majority vote of all preferred stockholders voting as a single class on an as-converted basis at the then effective conversion price. As of December 31, 2014, each share of preferred stock converts to one share of common stock.

[Table of Contents](#)

Unissued Shares of Common Stock

We are required to reserve and keep available out of our authorized but unissued shares of common stock such number of shares sufficient to effect the conversion of all outstanding shares of preferred stock, plus shares granted and available for grant under our stock option plan.

The number of shares of our common stock reserved for these purposes as of December 31, 2014 was as follows (in thousands):

	December 31, 2014
Convertible preferred stock issued	68,027
Outstanding stock options	4,867
Additional shares available for grant	983
Reserve required for unissued common shares	73,877
Common shares outstanding	36,170
Total reserve required	110,047

8. Stock-Based Compensation

Stock Options

On February 14, 2007, our board of directors adopted the 2007 Stock Incentive Plan (the "Plan") as an amendment and restatement to an original 2006 Equity Incentive Plan. Under the Plan, the number of shares of our common stock to be granted or subject to options or rights may not exceed 17 million. The Plan is administered by our board of directors, which determines the terms and conditions of each grant. Employees, officers, directors and consultants are eligible to receive stock options and stock awards under the Plan. The aggregate number of shares available under the Plan and the number of shares subject to outstanding options automatically adjusts for any changes in the outstanding common stock by reason of any recapitalization, spin-off, reorganization, reclassification, stock dividend, stock split, reverse stock split, or similar transaction. The exercise price of incentive stock options may not be less than the fair value of our common stock at the date of grant. The exercise price of incentive stock options granted to individuals that own greater than 10% of our voting stock may not be less than 110% of the fair value of our common stock at the date of grant. The term of each stock option cannot exceed ten years. Our board of directors will determine the vesting terms of all stock options. Generally, our board of directors has granted options with vesting terms of four years and contractual terms of ten years.

A summary of our stock option activity under the Plan for the year ended December 31, 2014 is as follows (number of shares in thousands):

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
Options outstanding as of December 31, 2013	2,900	\$ 0.29	6.8
Options granted	2,803	1.15	
Options exercised	(683)	0.25	
Options cancelled/forfeited	(153)	0.59	
Options outstanding as of December 31, 2014	4,867	\$ 0.78	8.2
As of December 31, 2014			
Options vested or expected to vest	4,505	\$ 0.76	8.1
Options exercisable	1,789	0.29	5.8

[Table of Contents](#)

As of December 31, 2014, total remaining stock-based compensation expense for unvested stock options was \$1.3 million, which is expected to be recognized over a weighted average period of 4.0 years.

The weighted-average grant-date fair value per share of options granted for the years ended December 31, 2013 and 2014 was \$0.22 and \$0.55, respectively. We recorded stock-based compensation expense for stock option awards of \$0.1 million for the years ended December 31, 2013 and 2014, respectively.

The total intrinsic value of options exercised in 2013 and 2014 was \$0.2 million and \$0.4 million, respectively. This intrinsic value represents the difference between the fair market value of our common stock on the date of exercise and the exercise price of each option. Based on the fair value of our common stock as of December 31, 2014, the total intrinsic value of all outstanding options was \$2.2 million. The total intrinsic value of exercisable options as of December 31, 2014 was \$1.7 million. The total intrinsic value of options vested and expected to vest as of December 31, 2014 was \$2.1 million.

There were no excess tax benefits realized for the tax deductions from stock options exercised during the years ended December 31, 2013 and 2014.

The table below sets forth information regarding stock options granted from January 1, 2014 to December 31, 2014 (number of shares in thousands):

<u>Grant Date</u>	<u>Number of Shares</u>	<u>Exercise Price at Grant Date</u>	<u>Estimated per Share Fair Value of Common Stock at Grant Date</u>	<u>Intrinsic Value per Share at Grant Date</u>
January 30, 2014	308	\$ 0.82	\$ 0.82	\$ —
April 30, 2014	167	\$ 0.82	\$ 0.82	\$ —
July 23, 2014	190	\$ 1.04	\$ 1.04	\$ —
December 3, 2014	2,138	\$ 1.23	\$ 1.23	\$ —

Restricted Stock

Activity in connection with our restricted stock was as follows for the year ended December 31, 2014 (number of shares in thousands):

	<u>Number of Shares</u>	<u>Weighted-Average Grant Date Fair Value</u>
Unvested as of December 31, 2013	1,341	\$ 0.40
Granted	—	—
Vested	(648)	0.38
Forfeited	—	—
Unvested as of December 31, 2014	<u>693</u>	<u>\$ 0.41</u>

The restricted stock awards vest over a four-year period. For the years ended December 31, 2013 and 2014, we recognized stock-based compensation expense for restricted stock awards of \$0.2 million and \$0.8 million, respectively.

The weighted average grant-date fair value per share of restricted stock granted during the year ended December 31, 2013 was \$0.45. As of December 31, 2014, total remaining stock-based compensation expense for unvested restricted stock is \$0.3 million, which is expected to be recognized over a weighted average period of 1.86 years.

Certain key employees, including officers, purchased shares of restricted stock in exchange for promissory notes in our favor, bearing interest at rates ranging from 0.87% to 5.09% per annum. The principal amounts of

[Table of Contents](#)

certain notes were automatically forgiven under the terms of the notes over the vesting period of the restricted stock, provided the employee continued providing services to us through the forgiveness dates. For accounting purposes, these notes were considered non-substantive and the notes were not reflected in our consolidated financial statements. Other notes were considered nonrecourse notes, as the notes were in substance collateralized only by the shares of our common stock underlying the restricted stock awards. The notes were considered stock options for accounting purposes, and were not recorded in the consolidated balance sheets. Total notes receivable as of December 31, 2013 were \$1.1 million. In 2014, the nonrecourse notes were in substance forgiven as we paid a bonus plus applicable tax withholdings to the employees and the employees used the bonus to repay the notes in full. The forgiveness of the nonrecourse notes during the year ended December 31, 2014 was considered a modification to the underlying terms of the stock options, which resulted in additional stock-based compensation expense of \$0.7 million, which was recorded in the year ended December 31, 2014, and \$0.1 million, which will be recorded over the remaining vesting period of the restricted stock awards. As of December 31, 2014, no employee notes were outstanding.

9. Business Disposition

In December 2013, we sold and licensed certain assets of our secure data room product to SecureDocs, a newly formed C-corporation led by our former employees. As consideration, we received a (i) 20% nondilutive common stock interest in SecureDocs, (ii) \$2 million promissory note payable upon the earlier of (a) a sale of SecureDocs, (b) the ninth anniversary of the transaction, or (iii) bankruptcy, insolvency or other liquidation or dissolution of SecureDocs, and (c) the right of first refusal to purchase SecureDocs in the event that an offer to purchase SecureDocs is made by a third party.

The disposition of this business was accounted for as a change in interest due to our loss of control over SecureDocs. We derecognized the carrying value of the SecureDocs' net assets and liabilities of \$0.1 million and recognized the fair value of the consideration received of approximately \$0.4 million resulting in a gain of \$0.3 million, which is included in other income (expense), net in the consolidated statements of operations. The fair value of the consideration received was estimated using a discounted cash flow analysis.

Following the disposition, we account for the investment in SecureDocs under the equity method of accounting so that, at the end of each reporting period, the investment is adjusted for our proportionate share of the net loss or income of SecureDocs. As of December 31, 2013, the investment in SecureDocs of \$28,000 and the related-party note receivable of \$0.3 million (net of allowance) were reflected in other assets on the consolidated balance sheets. During the year ended December 31, 2014, we recorded our share of the losses of SecureDocs, reducing the carrying value of the equity-method investment in SecureDocs to \$0.

10. Income Taxes

We had no provision for income taxes for the years ended December 31, 2013 and 2014 because we have incurred losses and maintain a full valuation allowance against our net deferred tax assets.

Set forth below is a reconciliation of the components that caused our provision for income taxes to differ from amounts computed by applying the U.S. Federal statutory rate of 34% for the years ended December 31, 2013 and 2014:

	Year Ended December 31,	
	2013	2014
Income tax benefit at the statutory rate	34%	34%
Change in contingent consideration	6	0
Permanent differences	(2)	(1)
Change in valuation allowance	(43)	(37)
Research and development credits	5	4
Provision for income taxes	0%	0%

Table of Contents

The components of deferred tax assets (liabilities) were as follows (in thousands):

	December 31,	
	2013	2014
Deferred income tax assets:		
Net operating loss carryforwards	\$ 19,274	\$ 22,579
Research and development tax credits	1,331	2,014
Other	462	708
Gross deferred tax assets	21,067	25,301
Valuation allowance	(16,358)	(19,900)
Deferred tax assets, net of valuation allowance	4,709	5,401
Deferred tax liabilities:		
Property, equipment and software	(1,463)	(2,351)
Intangible assets	(1,851)	(1,282)
State taxes	(1,249)	(1,450)
Other	(146)	(318)
Total deferred tax liabilities	(4,709)	(5,401)
Total net deferred tax assets	\$ —	\$ —

As of December 31, 2014, we had federal net operating losses of \$56.3 million, which will begin to expire in 2027. As of December 31, 2014, we had state net operating losses of \$40.2 million, which will begin to expire in 2017. As of December 31, 2014, we also had federal and state research and development credit carryforwards of \$2.0 million and \$2.1 million, respectively. The federal credit carryforwards will begin to expire in 2027, while the state credits carry forward indefinitely.

The Internal Revenue Code of 1986, as amended (“IRC”), imposes substantial restrictions on the utilization of net operating losses and other tax attributes in the event of an “ownership change” of a corporation. Accordingly, a company’s ability to use pre-change net operating loss and research tax credits may be limited as prescribed under IRC Section 382. Events which may cause limitation in the amount of the net operating losses and credits that we utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. Due to the effects of historical equity issuances, utilization of our net operating losses may be limited pursuant to IRC Section 382. The IRC Section 382 limitation is not expected to have a material effect on our financial statements.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred through December 31, 2014. Such objective evidence limits the ability to consider other subjective positive evidence such as its future income projections. On the basis of this evaluation, as of December 31, 2014, a valuation allowance of \$19.9 million has been recorded since it is more likely than not that the deferred tax assets will not be realized.

The change in the valuation allowance for the years ended December 31, 2013 and 2014 was as follows (in thousands):

	Year Ended December 31,	
	2013	2014
Valuation allowance, at beginning of year	\$ 12,809	\$ 16,358
Increase in valuation allowance	3,549	3,542
Valuation allowance, at end of year	\$ 16,358	\$ 19,900

[Table of Contents](#)

The following is a reconciliation of the total amounts of unrecognized tax benefits (in thousands):

	Year Ended December 31,	
	2013	2014
Unrecognized tax benefit beginning of year	\$ 936	\$ 1,600
Decreases—tax positions in prior year	—	(278)
Increases—tax positions in current year	664	692
Unrecognized tax benefit end of year	<u>\$ 1,600</u>	<u>\$ 2,014</u>

The unrecognized tax benefits are recorded as a reduction to the deferred tax assets. Since there is a full valuation allowance recorded against the deferred tax assets, the recognition of previously unrecognized tax benefits on uncertain positions would result in no impact to the effective tax rate.

As of December 31, 2014, we had no accrued interest and penalties related to uncertain income tax positions. We do not anticipate that the amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

We are subject to taxation in the United States and various states. Due to the presence of net operating loss carryforwards, the years ended December 31, 2011 through 2014 remain open to examination by the Internal Revenue Service (“IRS”) and the years ended December 31, 2010 through 2014 remain open to examination by state taxing authorities. We are not currently under audit by any taxing authorities.

11. Revenue and Other Information

The CODM reviews separate revenue information for our core solutions, Value+ and other service offerings as a measure of growth in the number of our customers and growth in the adoption and utilization of our core solutions and Value+ services by new and existing customers. The following table presents our revenue categories for the years ended December 31, 2013 and 2014 (in thousands):

	Year Ended December 31,	
	2013	2014
Core solutions	\$ 14,413	\$ 22,406
Value+ services	10,134	22,525
Other	1,995	2,740
Total revenues	<u>\$ 26,542</u>	<u>\$ 47,671</u>

Value+ services presented in the table above include subscriptions to website hosting services and contact center services. Other services included above are for one-time services related to on-boarding and optimizing the use of our core solutions as well as website design services.

Our revenue is generated primarily from U.S. customers. All of our property and equipment is located in the United States.

12. Retirement Plans

We have a 401(k) retirement and savings plan made available to all employees. The 401(k) plan allows each participant to contribute up to an amount not to exceed an annual statutory maximum. We may, at our discretion, make matching contributions to the 401(k) plan. We are responsible for the administrative costs of the 401(k) plan. We have not made any contributions to the 401(k) plan since inception.

13. Subsequent Events

We evaluated subsequent events through April 17, 2015, the date of issuance of our consolidated financial statements.

Subsequent to December 31, 2014, we granted to employees options to purchase 682,700 shares of our common stock at a weighted average exercise price of \$1.41 per share. In addition, we issued 100,000 shares of restricted stock with a purchase price of \$1.41 per share.

Subsequent to December 31, 2014, we entered into a new operating lease to expand our office space, which increased our minimum non-cancellable lease obligations by \$1.7 million through November 30, 2020.

On March 16, 2015, we entered into a new \$12.5 million credit facility consisting of a \$10.0 million term loan and a \$2.5 million revolving line of credit with Wells Fargo Bank, N.A., with a maturity date of March 16, 2020. The credit facility allows for borrowings at LIBOR Rate plus the LIBOR Rate Margin, and otherwise, at per annum rate equal to the Base Rate plus the Base Rate Margin (as those terms are defined in the credit agreement). On March 16, 2015, we borrowed \$10.0 million under this credit facility.

On April 1, 2015, we completed the acquisition of all of the membership interests of RentLinx, LLC, a San Diego, California-based company focused on a software platform that allows customers to advertise rental houses and apartments online. We paid the sellers \$4.0 million, of which \$0.5 million was placed into escrow to cover potential indemnification claims relating to breaches of representations, warranties and covenants. Given the timing of the completion of the acquisition, we are in the process of determining the fair value of the assets acquired and liabilities assumed necessary to allocate the purchase price. Therefore, the disclosure of the purchase price allocation is not practicable. We also agreed to pay an additional amount of approximately \$1.0 million to certain individuals subject to their continued employment with us, which we will record as an expense over the service period.



PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth an itemization of the various costs and expenses, other than the underwriting discounts and commissions, payable by us in connection with the offer, sale, issuance and distribution of the shares of our Class A common stock being registered hereunder. All of the amounts shown are estimated except the SEC registration fee, the FINRA filing fee and the NASDAQ listing fee.

	<u>Amount to be Paid</u>
SEC registration fee	\$ *
FINRA filing fee	*
NASDAQ listing fee	*
Accounting fees and expenses	*
Legal fees and expenses	*
Blue sky fees and expenses	*
Printing and engraving expenses	*
Transfer agent and registrar fees	*
Miscellaneous expenses	*
Total	<u>\$ *</u>

* To be furnished by amendment.

Item 14. Indemnification of Directors and Officers.

We are incorporated under the laws of the State of Delaware. Section 145 of the DGCL 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 is or 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. Section 145 of the DGCL further authorizes a corporation to purchase and maintain insurance on behalf of any indemnified person against any liability asserted against and incurred by such person in any indemnified capacity, or arising out of such person's status as such, regardless of whether the corporation would otherwise have the power to indemnify such person under the DGCL.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation will 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:

- breach of a director's duty of loyalty to the corporation or its stockholders;
- 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
- transaction from which the director derives an improper personal benefit.

[Table of Contents](#)

Our amended and restated certificate of incorporation to be in effect immediately prior to the completion of this offering will authorize us to, and our amended and restated bylaws to be in effect immediately prior to the completion of this offering will provide that we must, indemnify our directors and officers to the fullest extent authorized by the DGCL and also pay expenses incurred in defending any such proceeding in advance of its final disposition upon delivery of an undertaking, by or on behalf of an indemnified person, to repay all amounts so advanced if it should be determined ultimately that such person is not entitled to be indemnified under the DGCL or otherwise.

As permitted by the DGCL, we have entered into indemnification agreements with each of our directors and executive officers. These agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified.

We have an insurance policy covering our directors and executive officers with respect to certain liabilities, including liabilities arising under the Securities Act and otherwise.

The underwriting agreement to be filed as Exhibit 1.1 to this registration statement provides for indemnification by the underwriters of the registrant and its officers and directors for certain liabilities arising under the Securities Act and otherwise.

Item 15. Recent Sales of Unregistered Securities.

Since April 1, 2012, we have sold the following securities that were not registered under the Securities Act:

- On September 11, 2012, we issued an aggregate of 7,127,533 shares of our Series B-2 convertible preferred stock to eight accredited investors at a price per share of \$1.40301 for an aggregate purchase price of \$10 million.
- On November 26, 2013, we issued an aggregate of 6,077,119 shares of our Series B-3 convertible preferred stock to five accredited investors at a price per share of \$1.97462 for an aggregate purchase price of \$12 million.
- We granted to our directors, officers, employees, consultants and other service providers, under the 2007 Plan, options to purchase an aggregate of 4,272,575 shares of our common stock at an exercise price per share ranging from \$0.34 to \$1.41.
- We issued to our directors, officers, employees, consultants and other service providers, under the 2007 Plan, an aggregate of 1,197,000 shares of our common stock at a purchase price per share ranging from \$0.34 to \$1.41.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. These issuances were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) or Section 3(b) of the Securities Act, as transactions by an issuer not involving a public offering or transactions pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The purchasers of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to offer or sell, in connection with any distribution of the securities, and appropriate legends were affixed to the share certificates and instruments issued in such transactions. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this registration statement, which Exhibit Index is incorporated herein by reference.

(b) Financial Statement Schedules

No financial statement schedules are provided because the information called for is not required or is shown either in the registrant's consolidated financial statements or the related notes thereto.

Item 17. Undertakings.

The 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 underwriter 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 SEC, 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 Santa Barbara, California on _____, 2015.

APPFOLIO, INC.

By: _____
Brian Donahoo
President, Chief Executive Officer and Director

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below hereby constitutes and appoints Brian Donahoo and Ida Kane, and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments, including post-effective amendments, to this registration statement, and to sign any registration statement for the same offering covered by this registration statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933 increasing the number of shares for which registration is sought, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and all documents in connection therewith, making such changes in this registration statement as such attorney-in-fact and agent so acting deem appropriate, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done with respect to the offering of securities contemplated by this registration statement, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agent or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done or by virtue hereof.

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.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
_____ Brian Donahoo	President, Chief Executive Officer and Director (Principal Executive Officer)	, 2015
_____ Ida Kane	Chief Financial Officer (Principal Financial and Accounting Officer)	, 2015
_____ Andreas von Blottnitz	Chairman of the Board	, 2015
_____ Timothy Bliss	Director	, 2015
_____ Klaus Schauser	Chief Strategist and Director	, 2015

INDEX OF EXHIBITS

<u>Exhibit Number</u>	<u>Description of Document</u>
**1.1	Form of Underwriting Agreement.
3.1	Amended and Restated Certificate of Incorporation of the registrant, as currently in effect.
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the registrant.
3.3	Bylaws of the registrant, as currently in effect.
**3.4	Form of Amended and Restated Certificate of Incorporation of the registrant (to be effective immediately prior to the completion of this offering).
**3.5	Form of Amended and Restated Bylaws of the registrant (to be effective immediately prior to the completion of this offering).
**4.1	Specimen Certificate for Class A Common Stock.
4.2	Amended and Restated Investor Rights Agreement, by and among the registrant and the investors name therein, dated November 26, 2013.
**5.1	Opinion of Stradling Yocca Carlson & Rauth, P.C.
10.1	Multi-Tenant Industrial Lease, by and between the registrant and Nassau Land Company, L.P., dated April 1, 2011, as amended.
10.2	Multi-Tenant Industrial Lease, by and between the registrant and Nassau Land Company, L.P., dated February 17, 2015.
10.3#	2007 Stock Incentive Plan, as amended, and related form agreements.
**10.4#	2015 Stock Incentive Plan and related form agreements.
**10.5#	2015 Employee Stock Purchase Plan and related form agreements.
10.6	Form of Indemnification Agreement by and between the registrant and each of its executive officers and directors.
10.7	Credit Agreement, by and among the registrant, Wells Fargo Bank, N.A., as administrative agent, and the lenders that are parties thereto, dated as of March 16, 2015.
21.1	Subsidiaries of the registrant.
**23.1	Consent of independent registered public accounting firm.
**23.2	Consent of Stradling Yocca Carlson & Rauth, P.C. (included in Exhibit 5.1).
**24.1	Power of Attorney (included in signature page).

** To be submitted by amendment.
Management contract or compensatory plan or arrangement.

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
APPFOLIO, INC.

AppFolio, Inc., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the “General Corporation Law”),

DOES HEREBY CERTIFY:

1. That the name of this corporation is AppFolio, Inc., and that this corporation was originally formed as AppFolio, LLC on September 22, 2006. Pursuant to the General Corporation Law, AppFolio, LLC was converted to AppFolio, Inc. on February 14, 2007.

2. The Amended and Restated Certificate of Incorporation of AppFolio, Inc. in the form attached hereto as Exhibit A has been duly adopted in accordance with the provisions of Sections 242, 245, and 228 of the General Corporation Law of the State of Delaware by the directors and stockholders of the Corporation, and prompt written notice was duly given pursuant to Section 228 of the General Corporation Law of the State of Delaware to those stockholders who did not approve the Amended and Restated Certificate of Incorporation, as so amended and restated, by written consent.

3. The Amended and Restated Certificate of Incorporation, so adopted reads in full as set forth in Exhibit A attached hereto and is incorporated herein by this reference.

IN WITNESS WHEREOF, AppFolio, Inc. has caused this Certificate to be executed by a duly authorized officer of this corporation on this 26th day of November, 2013.

By: /s/ Brian Donahoo

Brian Donahoo
Chief Executive Officer

EXHIBIT A

**AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
APPFOLIO, INC.**

First: The name of this corporation is AppFolio, Inc. (the “**Corporation**”).

Second: The address of the registered office of the Corporation in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, County New Castle. The name of the Corporation’s registered agent at that address is Corporation Service Company.

Third: The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law.

Fourth: The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) 120,000,000 shares of Common Stock, \$0.0001 par value per share (“**Common Stock**”), and (ii) 68,026,659 shares of Preferred Stock, \$0.0001 par value per share (“**Preferred Stock**”). The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

A. COMMON STOCK

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock set forth herein.

2. Voting. The holders of the Common Stock are entitled to one vote for each share of Common Stock held at all meetings of stockholders (and written actions in lieu of meetings). No person entitled to vote at an election for directors may cumulate votes to which such person is entitled. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required by the terms of the Certificate of Incorporation) the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law.

B. PREFERRED STOCK

1. Issuance and Reissuance.

The Preferred Stock shall be divided into series. The first series shall consist of 16,130,000 shares and is designated “**Series A Preferred Stock**.” The second series shall consist of 30,268,827 shares and is designated “**Series B Preferred Stock**.” The third series shall consist of 8,423,180 shares and is designated “**Series B-1 Preferred Stock**.” The fourth series shall consist of 7,127,533 shares and is designated “**Series B-2 Preferred Stock**.” The fifth series shall consist of 6,077,119 shares and is designated “**Series B-3 Preferred Stock**.” Any shares of Preferred Stock that may be redeemed,

purchased or acquired by the Corporation may be reissued except as otherwise provided by law or by the terms of any series of Preferred Stock. The Series A Preferred Stock, Series B Preferred Stock, the Series B-1 Preferred Stock, Series B-2 Preferred Stock and the Series B-3 Preferred Stock shall have the following rights, preferences, powers, privileges, restrictions, qualifications and limitations. Unless otherwise indicated, references to "Sections" or "Subsections" in this Part B of this Article Fourth refer to sections and subsections of Part B of this Article Fourth.

2. Dividends.

The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than dividends on shares of Common Stock payable in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Certificate of Incorporation), the holders of Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Preferred Stock in an amount at least equal to (i) in the case of Series A Preferred Stock, \$0.024798512 per share of Series A Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock) per year from and after the date of the issuance of any shares of Series A Preferred Stock (to the extent not previously paid), (ii) in the case of Series B Preferred Stock, \$0.0661292 per share of Series B Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B Preferred Stock) per year from and after the date of the issuance of any shares of Series B Preferred Stock (to the extent not previously paid), (iii) in the case of Series B-1 Preferred Stock, \$0.094976 per share of Series B-1 Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B-1 Preferred Stock) per year from and after the date of the issuance of any shares of Series B-1 Preferred Stock (to the extent not previously paid), (iv) in the case of Series B-2 Preferred Stock, \$0.112240 per share of Series B-2 Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B-2 Preferred Stock) per year from and after the date of the issuance of any shares of Series B-2 Preferred Stock (to the extent not previously paid) and (v) in the case of Series B-3 Preferred Stock, \$0.15797 per share of Series B-3 Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B-3 Preferred Stock) per year from and after the date of the issuance of any shares of Series B-3 Preferred Stock (to the extent not previously paid).

In addition, in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, the Corporation will pay a dividend per share of Preferred Stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (2) the number of shares of Common Stock issuable upon conversion of a share of Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend; in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Preferred Stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such class or series) and (2) multiplying such fraction by an amount equal to, in the case of the Series A Preferred Stock, the Series A Original Issue Price, in the case of the Series B Preferred Stock, the Series B Original Issue

Price, in the case of Series B-1 Preferred Stock, the Series B-1 Original Issue Price, in the case of Series B-2 Preferred Stock, the Series B-2 Original Issue Price, and in the case of Series B-3 Preferred Stock, the Series B-3 Original Issue Price. The foregoing dividend shall not be cumulative.

The “**Series A Original Issue Price**” shall mean \$0.3099814 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock. The “**Series B Original Issue Price**” shall mean \$0.826615 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B Preferred Stock. The “**Series B-1 Original Issue Price**” shall mean \$1.1872 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B-1 Preferred Stock. The “**Series B-2 Original Issue Price**” shall mean \$1.40301 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B-2 Preferred Stock. The “**Series B-3 Original Issue Price**” shall mean \$1.97462 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B-3 Preferred Stock.

3. Liquidation, Dissolution or Winding Up; Certain Mergers, Consolidations and Asset Sales.

3.1 Payments to Holders of Preferred Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the holders of shares of Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to (i) in the case of the Series A Preferred Stock, the greater of (A) the Series A Original Issue Price, plus any dividends declared but unpaid thereon, or (B) such amount per share as would have been payable had all shares of Series A Preferred Stock been converted into Common Stock pursuant to Section 5 immediately prior to such liquidation, dissolution or winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the “**Series A Liquidation Amount**”), (ii) in the case of Series B Preferred Stock, the greater of (A) the Series B Original Issue Price, plus any dividends declared but unpaid thereon, or (B) such amount per share as would have been payable had all shares of Series B Preferred Stock been converted into Common Stock pursuant to Section 5 immediately prior to such liquidation, dissolution or winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the “**Series B Liquidation Amount**”), (iii) in the case of Series B-1 Preferred Stock, the greater of (A) the Series B-1 Original Issue Price, plus any dividends declared but unpaid thereon, or (B) such amount per share as would have been payable had all shares of Series B-1 Preferred Stock been converted into Common Stock pursuant to Section 5 immediately prior to such liquidation, dissolution or winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the “**Series B-1 Liquidation Amount**”), (iv) in the case of Series B-2 Preferred Stock, the greater of (A) the Series B-2 Original Issue Price, plus any dividends declared but unpaid thereon, or (B) such amount per share as would have been payable had all shares of Series B-2 Preferred Stock been converted into Common Stock pursuant to Section 5 immediately prior to such liquidation, dissolution or winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the “**Series B-2 Liquidation Amount**”), and (v) in the case of Series B-3 Preferred Stock, the greater of (A) the Series B-3 Original Issue Price, plus any dividends declared but unpaid thereon, or (B) such amount per share as would have

been payable had all shares of Series B-3 Preferred Stock been converted into Common Stock pursuant to Section 5 immediately prior to such liquidation, dissolution or winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the “**Series B-3 Liquidation Amount**”). Solely for purposes of determining the amount each holder of shares of any series of Preferred Stock is entitled to receive with respect to the foregoing sentence, the holder of each share of such series of Preferred Stock shall be treated as if such holder had converted such holder’s shares of such series of Preferred Stock into shares of Common Stock immediately prior to the liquidation, dissolution or winding up of the Corporation if, as a result of an actual conversion of such series of Preferred Stock, such holder of such series of Preferred Stock would receive (with respect to the shares of such series of Preferred Stock), in the aggregate, an amount greater than the amount that would be distributed to holders of such series of Preferred Stock if such holders had not converted such series of Preferred Stock into shares of Common Stock. If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Preferred Stock the full amount to which they shall be entitled under this Subsection 3.1, the holders of shares of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full, and no assets shall be distributed to the holders of Common Stock.

3.2 Payments to Holders of Common Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, after the payment of all preferential amounts required to be paid to the holders of shares of Preferred Stock, the remaining assets of the Corporation available for distribution to its stockholders shall be distributed among the holders of shares of Common Stock, pro rata based on the number of shares held by each such holder.

3.3 Deemed Liquidation Events.

3.3.1 Definition. Each of the following events shall be considered a “**Deemed Liquidation Event**” unless the holders of a majority of the outstanding shares of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock, voting together as a single class on an as converted to Common Stock basis, elect otherwise by written notice sent to the Corporation at least (5) business days prior to the effective date of any such event:

(a) a merger or consolidation in which

- (i) the Corporation is a constituent party or
- (ii) a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation,

except any such merger or consolidation involving the Corporation or a subsidiary in which the shares of capital stock of the Corporation outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock

that represent, immediately following such merger or consolidation, a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation (provided that, for the purpose of this Subsection 3.3.1, all shares of Common Stock issuable upon exercise of Options (as defined below) outstanding immediately prior to such merger or consolidation or upon conversion of Convertible Securities (as defined below) outstanding immediately prior to such merger or consolidation shall be deemed to be outstanding immediately prior to such merger or consolidation and, if applicable, converted or exchanged in such merger or consolidation on the same terms as the actual outstanding shares of Common Stock are converted or exchanged); or

(b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation.

3.3.2 Effecting a Deemed Liquidation Event.

(a) The Corporation shall not have the power to effect a Deemed Liquidation Event referred to in Subsection 3.3.1(a)(i) unless the agreement or plan of merger or consolidation for such transaction (the “**Merger Agreement**”) provides that the consideration payable to the stockholders of the Corporation shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 3.1 and 3.2.

(b) In the event of a Deemed Liquidation Event referred to in Subsection 3.3.1(a)(ii) or 3.3.1(b), if the Corporation does not effect a dissolution of the Corporation under the General Corporation Law within 60 days after such Deemed Liquidation Event, then (i) the Corporation shall send a written notice to each holder of Preferred Stock no later than the 60th day after the Deemed Liquidation Event advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause (ii) to require the redemption of such shares of Preferred Stock, and (ii) if the holders of a majority of the then outstanding shares of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock, voting together as a single class on an as converted to Common Stock basis, so request in a written instrument delivered to the Corporation not later than 75 days after such Deemed Liquidation Event, the Corporation shall use the consideration received by the Corporation for such Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors of the Corporation), together with any other assets of the Corporation available for distribution to its stockholders (the “**Available Proceeds**”), to the extent legally available therefor, on the 120th day after such Deemed Liquidation Event (the “**Liquidation Redemption Date**”), to redeem (i) all outstanding shares of Series A Preferred Stock at a price per share equal to the Series A Liquidation Amount (the “**Series A Redemption Price**”), (ii) all outstanding shares of Series B Preferred Stock at a price per share equal to the Series B Liquidation Amount (the “**Series B Redemption Price**”), (iii) all outstanding shares of Series B-1 Preferred Stock at a price per share equal to the Series B-1 Liquidation Amount (the “**Series B-1 Redemption Price**”), (iii) all outstanding shares of Series B-2 Preferred Stock at a price per share equal to the Series B-2 Liquidation Amount (the “**Series B-2**

Redemption Price") and (iv) all outstanding shares of Series B-3 Preferred Stock at a price per share equal to the Series B-3 Liquidation Amount (the "**Series B-3 Redemption Price**"). In the event of a redemption pursuant to the preceding sentence (the "**Liquidation Redemption**"), if the Available Proceeds are not sufficient to redeem all outstanding shares of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock, or if the Corporation does not have sufficient lawfully available funds to effect such redemption, the Corporation shall redeem the Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock on a pro rata basis in accordance with the priority and amounts of distributions as set forth in Section 3.1 above to the fullest extent of such Available Proceeds, or such lawfully available funds, as the case may be, and, where such redemption is limited by the amount of lawfully available funds, the Corporation shall redeem the remaining shares to have been redeemed as soon as practicable after the Corporation has funds legally available therefor. Written notice of the Liquidation Redemption (the "**Redemption Notice**") shall be sent to each holder of record of Preferred Stock not less than 20 days prior to Liquidation Redemption Date. The Redemption Notice shall state: (A) the number of shares and series of Preferred Stock held by the holder that the Corporation shall redeem on the Liquidation Redemption Date; (B) the Liquidation Redemption Date; (C) that the holder is to surrender to the Corporation, in the manner and the place designated, his, her or its certificate or certificates representing the shares of Preferred Stock to be redeemed. On or before the Liquidation Redemption Date, each holder of shares of Preferred Stock to be redeemed on such Liquidation Redemption Date shall surrender the certificate or certificates representing such shares (or if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation, in the manner and at the place designated in the Redemption Notice, and thereupon the Series A Redemption Price, Series B Redemption Price, Series B-1 Redemption Price, Series B-2 Redemption Price or Series B-3 Redemption Price, as the case may be, for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. In the event less than all of the shares of Preferred Stock represented by a certificate are redeemed, a new certificate representing the unredeemed shares of Preferred Stock shall promptly be issued to such holder. If the Redemption Notice shall have been duly given, and if on the Liquidation Redemption Date the Series A Redemption Price, Series B Redemption Price, Series B-1 Redemption Price, Series B-2 Redemption Price or Series B-3 Redemption Price, as the case may be, payable upon redemption of the shares of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock or Series B-3 Preferred Stock, as the case may be, to be redeemed on such Liquidation Redemption Date is paid or tendered for payment or deposited with an independent payment agent so as to be available therefor, then notwithstanding that the certificates evidencing any of the shares of Preferred Stock shall have not been surrendered, dividends with respect to such shares of Preferred Stock shall cease to accrue after such Liquidation Redemption Date and all rights with respect to such shares shall forthwith after the Liquidation Redemption Date terminate, except only the right of the holders to receive the Series A Redemption Price, Series B Redemption Price, Series B-1 Redemption Price, Series B-2 Redemption Price or Series B-3 Redemption Price as the case may be, without interest upon surrender of their certificate or certificates therefor. Prior to the distribution or redemption provided for in this Subsection 3.3.2(b), the Corporation shall not expend or dissipate the consideration received for such Deemed Liquidation Event, except to discharge expenses incurred in connection with such Deemed Liquidation Event or in the ordinary course of business.

3.3.3 Amount Deemed Paid or Distributed. The amount deemed paid or distributed to the holders of capital stock of the Corporation upon any such merger, consolidation, sale, transfer, exclusive license, other disposition or redemption shall be the cash or the value of the property, rights or securities paid or distributed to such holders by the Corporation or the acquiring person, firm or other entity. The value of such property, rights or securities shall be determined in good faith by the Board of Directors of the Corporation.

4. Voting.

4.1 General. On any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting), each holder of outstanding shares of Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Except as provided by law or by the other provisions of the Certificate of Incorporation, holders of Preferred Stock shall vote together with the holders of Common Stock as a single class.

4.2 Election of Directors. The Corporation shall have five (5) directors. The holders of record of the shares of Series A Preferred Stock, exclusively and as a separate class, shall be entitled to elect one (1) director of the Corporation (the “**Series A Director**”), the holders of record of the shares of Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock, and Series B-3 Preferred Stock exclusively and voting together as a single class on an as converted into Common Stock basis, shall be entitled to elect one (1) director of the Corporation (the “**Series B Director**”), the holders of record of the shares of Common Stock, exclusively and as a separate class, shall be entitled to elect two (2) directors of the Corporation (the “**Common Stock Directors**”). Any director elected as provided in the preceding sentence may be removed without cause by, and only by, the affirmative vote of the holders of the shares of the class or series of capital stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders. All elections of directors shall be by vote of the majority of the class or series entitled to elect such director (including the filling of any vacancy as provided below, either by vote at a meeting or by written consent in lieu of a meeting). If the holders of shares of the Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock, Series B-3 Preferred Stock or Common Stock, as the case may be, fail to elect a sufficient number of directors to fill all directorships for which they are entitled to elect directors, voting exclusively, pursuant to the second sentence of this Subsection 4.2, then any directorship not so filled shall remain vacant until such time as the holders of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock, Series B-3 Preferred Stock or Common Stock, as the case may be, elect a person to fill such directorship by vote or written consent in lieu of a meeting; and no such directorship may be filled by stockholders of the Corporation other than by the stockholders of the Corporation that are entitled to elect a person to fill such directorship, voting exclusively. The holders of record of the shares of Common Stock and Preferred Stock, each voting as a separate class, shall be entitled to elect the balance of the total number of directors of the Corporation. At any meeting held for the purpose of electing a director, the presence in person or by proxy of the holders of a majority of the outstanding shares of the class or classes or series entitled to elect such director shall constitute a quorum for the purpose of electing such director. Except as otherwise provided in this Subsection 4.2, a vacancy in any directorship filled by the holders of any class or series shall be filled only by vote or written consent in lieu of a meeting of the holders of such class or series or by any remaining director or directors elected by the

holders of such class or series pursuant to this Subsection 4.2. The rights of the holders of the Series A Preferred Stock under the second sentence of this Subsection 4.2 shall terminate on the first date following the Series B-2 Original Issue Date (as defined below) on which there are no issued and outstanding shares of Series A Preferred Stock. The rights of the holders of the Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and B-3 Preferred Stock under the second sentence of this Subsection 4.2 shall terminate on the first date following the Series B-2 Original Issue Date (as defined below) on which there are no issued and outstanding Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock or B-3 Preferred Stock. The rights of the holders of the Preferred Stock and the rights of the holders of the Common Stock under the second sentence of this Subsection 4.2 shall also terminate effective upon the closing of a Qualified Public Offering (as defined in Subsection 6.1(a)).

4.3 Preferred Stock Protective Provisions. At any time when shares of Preferred Stock are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of a majority of the then outstanding shares of Preferred Stock, voting together as a single class, on an as converted to Common Stock basis, given in writing or by vote at a meeting, consenting or voting (as the case may be) and any such act or transaction entered into without such consent or vote shall be null and void ab initio, and of no force or effect:

(a) alters or changes the rights, preferences or privileges of the Preferred Stock;

(b) liquidate, dissolve or wind-up the business and affairs of the Corporation, effect any Deemed Liquidation Event, or consent to any of the foregoing;

(c) amend, alter or repeal any provision of the Certificate of Incorporation or Bylaws of the Corporation in a manner that adversely affects the powers, preferences or rights of the Preferred Stock;

(d) create, or authorize the creation of, any additional class or series of capital stock unless the same ranks junior to the Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends and redemption rights, or increase the authorized number of shares of Preferred Stock or increase the authorized number of shares of any additional class or series of capital stock unless the same ranks junior to the Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends and redemption rights;

(e) purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares of capital stock of the Corporation other than (i) redemptions of or dividends or distributions on the Preferred Stock as expressly authorized herein, (ii) dividends or other distributions payable on the Common Stock solely in the form of additional shares of Common Stock and (iii) repurchases of stock from former employees, officers, directors, consultants or other persons who performed services for the Corporation or any subsidiary in connection with the cessation of such employment or service pursuant to the terms of restricted stock purchase agreements approved by the Board of Directors;

- (f) increase or decrease the authorized number of directors constituting the Board of Directors;
- (g) authorizes the payment of a dividend to any holders of any class or series of capital stock;
- (h) results in the transfer of material assets of the Corporation to any person other than a wholly owned subsidiary of the Corporation; or

- (i) file a petition under any bankruptcy or insolvency law.

5. Optional Conversion. The holders of the Preferred Stock shall have conversion rights as follows (the “**Conversion Rights**”):

5.1 Right to Convert.

5.1.1 Conversion Ratio. Each share of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing (i) in the case of Series A Preferred Stock, the Series A Original Issue Price by the Series A Conversion Price (as defined below) in effect at the time of conversion, (ii) in the case of Series B Preferred Stock, the Series B Original Issue Price by the Series B Conversion Price (as defined below) in effect at the time of conversion, (iii) in the case of Series B-1 Preferred Stock, the Series B-1 Original Issue Price by the Series B-1 Conversion Price (as defined below) in effect at the time of conversion, (iv) in the case of Series B-2 Preferred Stock, the Series B-2 Original Issue Price by the Series B-2 Conversion Price (as defined below) in effect at the time of conversion and (v) in the case of Series B-3 Preferred Stock, the Series B-3 Original Issue Price by the Series B-3 Conversion Price (as defined below) in effect at the time of conversion. The “**Series A Conversion Price**” shall initially be equal to \$0.3099814. The “**Series B Conversion Price**” shall be initially equal to \$0.826615. The “**Series B-1 Conversion Price**” shall be initially equal to \$1.1872. The “**Series B-2 Conversion Price**” shall be initially equal to \$1.40301. The “**Series B-3 Conversion Price**” shall be initially equal to \$1.97462. Such initial Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price and Series B-3 Conversion Price, and the rate at which shares of Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below.

5.1.2 Termination of Conversion Rights. In the event of a liquidation, dissolution or winding up of the Corporation or a Deemed Liquidation Event, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Preferred Stock.

5.2 Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the fair market value of a share of Common Stock as determined in good faith by the Board of Directors of the Corporation. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of shares of Preferred Stock the holder holds at the time converting into Common Stock and the aggregate number of shares of Common Stock issuable upon such conversion.

5.3 Mechanics of Conversion.

5.3.1 Notice of Conversion. In order for a holder of Preferred Stock to voluntarily convert shares of Preferred Stock into shares of Common Stock, such holder shall, if such holder's shares are certificated, surrender the certificate or certificates for such shares of Preferred Stock (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the shares of the Preferred Stock represented by such certificate or certificates and, if applicable, any event on which such conversion is contingent. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the shares of Common Stock to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) of such notice and if, applicable, certificates (or lost certificate affidavit and agreement) shall be the time of conversion (the "**Conversion Time**"), and the shares of Common Stock issuable upon conversion of the specified shares shall be deemed to be outstanding of record as of such date. The Corporation shall, as soon as practicable after the Conversion Time, issue and deliver to such holder of Preferred Stock, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion in accordance with the provisions hereof, a certificate for the number (if any) of the shares of Preferred Stock represented by the surrendered certificate that were not converted into Common Stock, and cash as provided in Subsection 5.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and payment of any declared but unpaid dividends on the shares of Preferred Stock converted.

5.3.2 Reservation of Shares. The Corporation shall at all times when the Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to the Certificate of Incorporation. Before taking any action which would cause an adjustment reducing the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as the case may be, below the then par value of the shares of Common Stock issuable upon conversion of the Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock or Series B-3 Preferred Stock, as the case may be, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price.

5.3.3 Effect of Conversion. All shares of Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor and to receive payment of any dividends declared but unpaid thereon. Any shares of Preferred Stock so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock accordingly.

5.3.4 No Further Adjustment. Upon any such conversion, no adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as the case may be, shall be made for any declared but unpaid dividends on the Preferred Stock surrendered for conversion or on the Common Stock delivered upon conversion.

5.3.5 Taxes. The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Preferred Stock pursuant to this Section 5. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

5.4 Adjustments to Conversion Price for Diluting Issues.

5.4.1 Special Definitions. For purposes of this Article Fourth, the following definitions shall apply:

- Securities.
- (a) “**Option**” shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.
 - (b) “**Series B-3 Original Issue Date**” shall mean the date on which the first share of Series B-3 Preferred Stock was issued.
 - (c) “**Convertible Securities**” shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.
 - (d) “**Additional Shares of Common Stock**” shall mean all shares of Common Stock issued (or, pursuant to Subsection 5.4.3 below, deemed to be issued) by the Corporation after the Series B-3 Original Issue Date, other than the following shares of Common Stock, and shares of Common Stock deemed issued pursuant to the following Options and Convertible Securities (collectively “**Exempted Securities**”):
 - (i) shares of Common Stock, Options or Convertible Securities issued as a dividend or distribution on Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock;
 - (ii) shares of Common Stock, Options or Convertible Securities issued by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that is covered by Subsection 5.5, 5.6, 5.7 or 5.8;
 - (iii) up to 14,335,931 shares of Common Stock or Options (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares) issued to employees or directors of, or consultants or advisors to, the Corporation or any of its subsidiaries pursuant to the Corporation’s 2007 Stock Incentive Plan unless approved by the Board of Directors of the Corporation, including approval by the Series A Director and the Series B Director;
 - (iv) shares of Common Stock or Convertible Securities actually issued upon the exercise of Options or shares of Common Stock actually issued upon the conversion or exchange of Convertible Securities, in each case provided such issuance is pursuant to the terms of such Option or Convertible Security;

- (v) shares of Common Stock, Options or Convertible Securities issued to banks, equipment lessors or other financial institutions, or to real property lessors, pursuant to a debt financing, equipment leasing or real property leasing transaction approved by the Board of Directors of the Corporation; and
- (vi) shares of Common Stock, Options or Convertible Securities issued in connection with sponsored research, collaboration, technology license, development, OEM, marketing or other similar agreements or strategic partnerships approved by the Board of Directors of the Corporation.

5.4.2 No Adjustment of Conversion Price. No adjustment in the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock if the Corporation receives written notice from the holders of a majority of the then outstanding shares of the applicable series of Preferred Stock, agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Shares of Common Stock.

5.4.3 Deemed Issue of Additional Shares of Common Stock.

(a) If the Corporation at any time or from time to time after the Series B-3 Original Issue Date shall issue any Options or Convertible Securities (excluding Options or Convertible Securities which are themselves Exempted Securities) or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto, assuming the satisfaction of any conditions to exercisability, convertibility or exchangeability but without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date.

(b) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price, or Series B-3 Conversion Price, as applicable (each a “**Conversion Price**”), pursuant to the terms of Subsection 5.4.4, are revised as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any such Option or Convertible Security or (2) any increase or

decrease in the consideration payable to the Corporation upon such exercise, conversion and/or exchange, then, effective upon such increase or decrease becoming effective, the Conversion Price computed upon the original issue of such Option or Convertible Security (or upon the occurrence of a record date with respect thereto) shall be readjusted to such Conversion Price as would have obtained had such revised terms been in effect upon the original date of issuance of such Option or Convertible Security. Notwithstanding the foregoing, no readjustment pursuant to this clause (b) shall have the effect of increasing the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, to an amount which exceeds the lower of (i) the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, in effect immediately prior to the original adjustment made as a result of the issuance of such Option or Convertible Security, or (ii) the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, that would have resulted from any issuances of Additional Shares of Common Stock (other than deemed issuances of Additional Shares of Common Stock as a result of the issuance of such Option or Convertible Security) between the original adjustment date and such readjustment date.

(c) If the terms of any Option or Convertible Security (excluding Options or Convertible Securities which are themselves Exempted Securities), the issuance of which did not result in an adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, pursuant to the terms of Subsection 5.4.4 (either because the consideration per share (determined pursuant to Subsection 5.4.5) of the Additional Shares of Common Stock subject thereto was equal to or greater than the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, then in effect, or because such Option or Convertible Security was issued before the Series B-3 Original Issue Date), are revised after the Series B-3 Original Issue Date as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security in effect prior to the Series B-3 Original Issue Date) to provide for either (1) any increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Option or Convertible Security or (2) any increase or decrease in the consideration payable to the Corporation upon such exercise, conversion or exchange, then such Option or Convertible Security, as so amended or adjusted, and the Additional Shares of Common Stock subject thereto (determined in the manner provided in Subsection 5.4.3(a)) shall be deemed to have been issued effective upon such increase or decrease becoming effective.

(d) Upon the expiration or termination of any unexercised Option or unconverted or unexchanged Convertible Security (or portion thereof) which resulted (either upon its original issuance or upon a revision of its terms) in an adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price as applicable, pursuant to the terms of Subsection 5.4.4, the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, shall be readjusted to such Conversion Price as would have obtained had such Option or Convertible Security (or portion thereof) never been issued.

(e) If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration

payable to the Corporation upon such exercise, conversion and/or exchange, is calculable at the time such Option or Convertible Security is issued or amended but is subject to adjustment based upon subsequent events, any adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, provided for in this Subsection 5.4.3 shall be effected at the time of such issuance or amendment based on such number of shares or amount of consideration without regard to any provisions for subsequent adjustments (and any subsequent adjustments shall be treated as provided in clauses (b) and (c) of this Subsection 5.4.3). If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, cannot be calculated at all at the time such Option or Convertible Security is issued or amended, any adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, that would result under the terms of this Subsection 5.4.3 at the time of such issuance or amendment shall instead be effected at the time such number of shares and/or amount of consideration is first calculable (even if subject to subsequent adjustments), assuming for purposes of calculating such adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, that such issuance or amendment took place at the time such calculation can first be made.

5.4.4 Adjustment of Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall at any time after the Series B-3 Original Issue Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Subsection 5.4.3), without consideration or for a consideration per share less than Conversion Price with respect to any series of Preferred Stock in effect immediately prior to such issue, then the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, shall be reduced, concurrently with such issue, to a price (calculated to the nearest one-hundredth of a cent) determined in accordance with the following formula:

$$CP_2 = CP_1 \times (A + B) \div (A + C).$$

For purposes of the foregoing formula, the following definitions shall apply:

(a) "CP₂" shall mean the Conversion Price in effect immediately after such issue of Additional Shares of Common Stock;

(b) "CP₁" shall mean the Conversion Price in effect immediately prior to such issue of Additional Shares of Common Stock;

(c) "A" shall mean the number of shares of Common Stock outstanding immediately prior to such issue of Additional Shares of Common Stock (treating for this purpose as outstanding all shares of Common Stock reserved for issuance under the Corporation's stock incentive plan, whether or not subject to outstanding Options, or upon conversion or exchange of Convertible Securities (including the Preferred Stock) outstanding (assuming exercise of any outstanding Options therefor) immediately prior to such issue);

(d) "B" shall mean the number of shares of Common Stock that would have been issued if such Additional Shares of Common Stock had been issued at a price per share equal to CP₁ (determined by dividing the aggregate consideration received by the Corporation in respect of such issue by CP₁); and

(e) "C" shall mean the number of such Additional Shares of Common Stock issued in such transaction.

5.4.5 Determination of Consideration. For purposes of this Subsection 5.4, the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(a) Cash and Property: Such consideration shall:

- (i) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation, excluding amounts paid or payable for accrued interest;
- (ii) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors of the Corporation; and
- (iii) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (i) and (ii) above, as determined in good faith by the Board of Directors of the Corporation.

(b) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Subsection 5.4.3, relating to Options and Convertible Securities, shall be determined by dividing:

- (i) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

- (ii) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities.

5.4.6 Multiple Closing Dates. In the event the Corporation shall issue on more than one date Additional Shares of Common Stock that are a part of one transaction or a series of related transactions and that would result in an adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, pursuant to the terms of Subsection 5.4.4 then, upon the final such issuance, such Conversion Price shall be readjusted to give effect to all such issuances as if they occurred on the date of the first such issuance (and without giving effect to any additional adjustments as a result of any such subsequent issuances within such period).

5.5 Adjustment for Stock Splits and Combinations. If the Corporation shall at any time or from time to time after the Series B-3 Original Issue Date effect a subdivision of the outstanding Common Stock, the Conversion Price for any series of Preferred Stock in effect immediately before that subdivision shall be proportionately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding. If the Corporation shall at any time or from time to time after the Series B-3 Original Issue Date combine the outstanding shares of Common Stock, the Conversion Price for any series of Preferred Stock in effect immediately before the combination shall be proportionately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in the aggregate number of shares of Common Stock outstanding. Any adjustment under this subsection shall become effective at the close of business on the date the subdivision or combination becomes effective.

5.6 Adjustment for Certain Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series B-3 Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable on the Common Stock in additional shares of Common Stock, then and in each such event the Conversion Price for any series of Preferred Stock in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Conversion Price then in effect by a fraction:

- (1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and

- (2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution.

Notwithstanding the foregoing, (a) if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Conversion Price shall be adjusted pursuant to this subsection as of the time of actual payment of such dividends or distributions; and (b) that no such adjustment shall be made if the holders of Preferred Stock simultaneously receive a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of Preferred Stock had been converted into Common Stock on the date of such event.

5.7 Adjustments for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series B-3 Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than a distribution of shares of Common Stock in respect of outstanding shares of Common Stock) or in other property and the provisions of Section 2 do not apply to such dividend or distribution, then and in each such event the holders of Preferred Stock shall receive, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of Preferred Stock had been converted into Common Stock on the date of such event.

5.8 Adjustment for Merger or Reorganization, etc. Subject to the provisions of Subsection 3.3, if there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Stock (but not the Preferred Stock) is converted into or exchanged for securities, cash or other property (other than a transaction covered by Subsections 5.4, 5.6 or 5.7), then, following any such reorganization, recapitalization, reclassification, consolidation or merger, each share of Preferred Stock shall thereafter be convertible in lieu of the Common Stock into which it was convertible prior to such event into the kind and amount of securities, cash or other property which a holder of the number of shares of Common Stock of the Corporation issuable upon conversion of one share of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock or Series B-3 Preferred Stock, as applicable, immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors of the Corporation) shall be made in the application of the provisions in this Section 5 with respect to the rights and interests thereafter of the holders of the Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock, as applicable, to the end that the provisions set forth in this Section 5 (including provisions with respect to changes in and other adjustments of the Series A Conversion Price, Series B Conversion Price,

Series B-1 Conversion Price, Series B-2 Conversion Price and Series B-3 Conversion Price, as applicable) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of the Preferred Stock.

5.9 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, pursuant to this Section 5, the Corporation at its expense shall, as promptly as reasonably practicable but in any event not later than ten (10) business days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock, as applicable, a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which the Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock as applicable, is convertible) and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably practicable after the written request at any time of any holder of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock (but in any event not later than ten (10) business days thereafter), furnish or cause to be furnished to such holder a certificate setting forth (i) the applicable Conversion Price then in effect, and (ii) the number of shares of Common Stock and the amount, if any, of other securities, cash or property which then would be received upon the conversion of Preferred Stock.

5.10 Notice of Record Date. In the event:

(a) the Corporation shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon conversion of the Preferred Stock) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security; or

(b) of any capital reorganization of the Corporation, any reclassification of the Common Stock of the Corporation, or any Deemed Liquidation Event; or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Corporation,

then, and in each such case, the Corporation will send or cause to be sent to the holders of the Preferred Stock a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other capital stock or securities at the time issuable upon the conversion of the Preferred Stock) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Preferred Stock and the Common Stock. Such notice shall be sent at least ten (10) business days prior to the record date or effective date for the event specified in such notice.

6. Mandatory Conversion.

6.1 Trigger Events. Upon either (a) the closing of the sale of shares of Common Stock to the public at a price of at least \$4.207 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Common Stock), in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least \$40,000,000 of gross proceeds to the Corporation (a “**Qualified Public Offering**”) or (b) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of a majority of the then outstanding shares of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock voting together as a single class on an as converted to Common Stock basis (the time of such closing or the date and time specified or the time of the event specified in such vote or written consent is referred to herein as the “**Mandatory Conversion Time**”), (i) all outstanding shares of Preferred Stock shall automatically be converted into shares of Common Stock, at the then effective conversion rate and (ii) such shares may not be reissued by the Corporation, provided however, if the Mandatory Conversion Time is not being exercised in connection with or anticipation of an initial public offering of Common Stock of the Corporation (including, but not limited to, a Qualified Public Offering), the Series B-3 Preferred Stock shall not be converted into Common Stock without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of a majority of the then outstanding shares of Series B-3 Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class.

6.2 Procedural Requirements. All holders of record of shares of Preferred Stock shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Preferred Stock pursuant to this Section 6. Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Preferred Stock in certificated form shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, any certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Preferred Stock converted pursuant to Section 6.1, including the rights, if any, to receive notices and vote (other than as a holder of Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender the certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Subsection 6.2. As soon as practicable after the Mandatory Conversion Time, and if applicable, the surrender of the certificate or certificates (or lost certificate affidavit and agreement) for Preferred Stock, the Corporation shall (a) issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, and (b) pay cash as provided in Subsection 5.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and the payment of any declared but unpaid dividends on the shares of Preferred Stock converted. Such converted Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock accordingly.

7. Redemption. The Preferred Stock is not redeemable except in accordance with the Deemed Liquidation provisions of Subsection 4.3.2(b).

8. Waiver.

Any of the rights, powers, preferences and other terms of the Series A Preferred Stock set forth herein may be waived on behalf of all holders of Series A Preferred Stock by the affirmative written consent or vote in writing of the holders of a majority of the shares of Series A Preferred Stock then outstanding.

Except for the rights, powers, preferences of the holders of Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock as set forth in Sections 5.4.2, 5.4.4 and 6.1(b), any of the rights, powers, preferences and other terms of the Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock or Series B-3 Preferred Stock set forth herein may be waived on behalf of all holders of Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock by the affirmative written consent or vote in writing of the holders of a majority of the shares of Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock then outstanding, voting together as a single class on an as converted into Common Stock basis.

Any of the rights, powers, preferences and other terms of the Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock or Series B-3 Preferred Stock set forth in Sections 5.4.2 or 5.4.4 may only be waived on behalf of all holders of the applicable series of Preferred Stock by the affirmative written consent or vote in writing of the holders of a majority of the shares of Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock or Series B-3 Preferred Stock, as applicable, then outstanding.

Any of the rights, powers, preferences and other terms of the Series B-3 Preferred Stock set forth in Section 6.1(b) may only be waived on behalf of all holders of Series B-3 Preferred Stock by the affirmative written consent or vote in writing of the holders of a majority of the shares of Series B-3 Preferred Stock then outstanding.

9. Notices. Any notice required or permitted by the provisions of this Article Fourth to be given to a holder of shares of Preferred Stock shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of the General Corporation Law, and shall be deemed sent upon such mailing or electronic transmission.

Fifth: Subject to any additional vote required by the Certificate of Incorporation or Bylaws, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of the Corporation.

Sixth: Subject to any additional vote required by the Certificate of Incorporation, the number of directors of the Corporation shall be determined in the manner set forth in the Bylaws of the Corporation.

Seventh: Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

Eighth: Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

Ninth: To the fullest extent permitted by law, 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. If the General Corporation Law or any other law of the State of Delaware is amended after approval by the stockholders of this Article Ninth to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law as so amended.

Any repeal or modification of the foregoing provisions of this Article Ninth by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

Tenth: To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of (and advancement of expenses to) directors, officers and agents of the

Corporation (and any other persons to which General Corporation Law permits the Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the General Corporation Law.

Any amendment, repeal or modification of the foregoing provisions of this Article Tenth shall not adversely affect any right or protection of any director, officer or other agent of the Corporation existing at the time of such amendment, repeal or modification.

Eleventh: For purposes of Section 500 of the California Corporations Code (to the extent applicable), in connection with any repurchase of shares of Common Stock permitted under this Certificate of Incorporation from employees, officers, directors or consultants of the Company in connection with a termination of employment or services pursuant to agreements or arrangements approved by the Board of Directors (in addition to any other consent required under this Certificate of Incorporation), such repurchase may be made without regard to any “preferential dividends arrear amount” or “preferential rights amount” (as those terms are defined in Section 500 of the California Corporations Code). Accordingly, for purposes of making any calculation under California Corporations Code Section 500 in connection with such repurchase, the amount of any “preferential dividends arrear amount” or “preferential rights amount” (as those terms are defined therein) shall be deemed to be zero (0).

**CERTIFICATE OF AMENDMENT
TO
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
APPFOLIO, INC.**

The undersigned does hereby certify on behalf of AppFolio, Inc., a corporation organized and existing under the laws of the State of Delaware (the “**Corporation**”), as follows:

1. The undersigned is the duly elected and acting President and Chief Executive Officer of the Corporation.
2. The Amended and Restated Certificate of Incorporation was originally filed with the Secretary of State of the State of Delaware on November 26, 2013.
3. This Certificate of Amendment to Amended and Restated Certificate of Incorporation was duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware and further amends the provisions of the Corporation’s Amended and Restated Certificate of Incorporation, as currently in effect.
4. The first paragraph of ARTICLE 4 of the Corporation’s Amended and Restated Certificate of Incorporation is to be amended and restated in its entirety as follows:

“The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) 123,000,000 shares of Common Stock, \$0.0001 par value per share (“**Common Stock**”), and (ii) 68,026,659 shares of Preferred Stock, \$0.0001 par value per share (“**Preferred Stock**”). The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation”
5. The holders of the necessary number of shares of capital stock of the Corporation gave their written consent in favor of the foregoing amendment in accordance with the provisions of Section 228 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, AppFolio, Inc. has caused this Certificate of Amendment to Amended and Restated Certificate of Incorporation to be signed by the undersigned, a duly authorized officer of the Corporation, on September 5, 2014.

/s/ Brian Donahoo

Brian Donahoo

President & Chief Executive Officer

BYLAWS

OF

APPFOLIO, INC.
a Delaware corporation

As adopted February 14, 2007

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I – OFFICES	1
Section 1. Registered Office	1
Section 2. Other Offices	1
Section 3. Books	1
ARTICLE II – MEETINGS OF STOCKHOLDERS	1
Section 1. Place of Meetings	1
Section 2. Annual Meetings	1
Section 3. Special Meetings	1
Section 4. Notification of Business to be Transacted at Meeting	1
Section 5. Notice; Waiver of Notice	2
Section 6. Quorum; Adjournment	2
Section 7. Voting	2
Section 8. Stockholder Action by Written Consent Without a Meeting	2
Section 9. List of Stockholders Entitled to Vote	3
Section 10. Stock Ledger	3
Section 11. Inspectors of Election	3
Section 12. Organization	3
Section 13. Order of Business	3
ARTICLE III – DIRECTORS	4
Section 1. Powers	4
Section 2. Number and Election of Directors	4
Section 3. Vacancies	4
Section 4. Time and Place of Meetings	4
Section 5. Annual Meeting	4

Section 6. Regular Meetings	4
Section 7. Special Meetings	4
Section 8. Quorum; Vote Required for Action; Adjournment	5
Section 9. Action by Written Consent	5
Section 10. Telephone Meetings	5
Section 11. Committees	5
Section 12. Compensation	6
Section 13. Interested Directors	6
ARTICLE IV – OFFICERS	6
Section 1. Officers	6
Section 2. Appointment of Officers	6
Section 3. Subordinate Officers	6
Section 4. Removal and Resignation of Officers	7
Section 5. Vacancies in Offices	7
Section 6. Chairman of the Board	7
Section 7. Vice Chairman of the Board	7
Section 8. Chief Executive Officer	7
Section 9. President	7
Section 10. Vice President	7
Section 11. Secretary	8
Section 12. Chief Financial Officer	8
ARTICLE V – STOCK	8
Section 1. Form of Certificates	8
Section 2. Signatures	8
Section 3. Lost Certificates	8
Section 4. Transfers	9
Section 5. Record Holders	9

ARTICLE VI – INDEMNIFICATION	9
Section 1. Right to Indemnification	9
Section 2. Right of Indemnatee to Bring Suit	10
Section 3. Non-Exclusivity of Rights	10
Section 4. Insurance	10
Section 5. Indemnification of Employees or Agents of the Corporation	10
Section 6. Indemnification Contracts	10
Section 7. Effect of Amendment	11
ARTICLE VII – GENERAL PROVISIONS	11
Section 1. Dividends	11
Section 2. Disbursements	11
Section 3. Fiscal Year	11
Section 4. Corporate Seal	11
Section 5. Record Date	11
Section 6. Voting of Stock Owned by the Corporation	11
Section 7. Construction and Definitions	11
Section 8. Amendments	12

**BYLAWS
OF
APPFOLIO, INC.
a Delaware corporation**

**ARTICLE I
OFFICES**

Section 1. Registered Office. The registered office of the Corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and outside of the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

Section 3. Books. The books of the Corporation may be kept within or outside of the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

**ARTICLE II
MEETINGS OF STOCKHOLDERS**

Section 1. Place of Meetings. All meetings of stockholders for the election of directors shall be held at such place either within or outside of the State of Delaware as may be fixed from time to time by the Board of Directors, or at such other place either within or outside of the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or outside of the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. Annual meetings of stockholders shall be held at a time and date designated by the Board of Directors for the purpose of electing directors and transacting such other business as may properly be brought before the meeting.

Section 3. Special Meetings. Special meetings of stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of a stockholder or stockholders owning stock of the Corporation possessing ten percent (10%) of the voting power possessed by all of the then outstanding capital stock of any class of the Corporation entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 4. Notification of Business to be Transacted at Meeting. To be properly brought before a meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder entitled to vote at the meeting.

Section 5. Notice; Waiver of Notice. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise required by law, such notice shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. A written waiver of any such notice signed by the person entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends the 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.

Section 6. Quorum; Adjournment. Except as otherwise required by law, or provided by the Certificate of Incorporation or these Bylaws, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of enough votes to leave less than a quorum, if any action taken is approved by at least a majority of the required quorum to conduct that meeting. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

Section 7. Voting. Except as otherwise required by law, or provided by the Certificate of Incorporation or these Bylaws, any question brought before any meeting of stockholders at which a quorum is present shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat. Unless otherwise provided in the Certificate of Incorporation, each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy, but no proxy shall be voted on or after three (3) years from its date, unless such proxy provides for a longer period. Elections of directors need not be by ballot unless the Chairman of the meeting so directs or unless a stockholder demands election by ballot at the meeting and before the voting begins.

Section 8. Stockholder Action by Written Consent Without a Meeting. Except as otherwise provided in the Certificate of Incorporation, any action which may be taken at any annual or special meeting of stockholders, may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. All such

consents shall be filed with the Secretary of the Corporation and shall be maintained in the corporate records. Prompt notice of the taking of corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Section 9. List of Stockholders Entitled to Vote. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, 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, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. 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 of the Corporation who is present.

Section 10. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 9 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 11. Inspectors of Election. In advance of any meeting of stockholders, the Board of Directors may appoint one or more persons (who shall not be candidates for office) as inspectors of election to act at the meeting or any adjournment thereof. If an inspector or inspectors are not so appointed, or if an appointed inspector fails to appear or fails or refuses to act at a meeting, the Chairman of any meeting of stockholders may, and on the request of any stockholder or his proxy shall, appoint an inspector or inspectors of election at the meeting. The duties of such inspector(s) shall include: determining the number of shares outstanding and the voting power of each; the shares represented at the meeting; the existence of a quorum; the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; determining the result; and such acts as may be proper to conduct the election or vote with fairness to all stockholders. In the event of any dispute between or among the inspectors, the determination of the majority of the inspectors shall be binding.

Section 12. Organization. At each meeting of stockholders the Chairman of the Board of Directors, if one shall have been elected, (or in his absence or if one shall not have been elected, the President) shall act as Chairman of the meeting. The Secretary (or in his absence or inability to act, the person whom the Chairman of the meeting shall appoint secretary of the meeting) shall act as secretary of the meeting and keep the minutes thereof.

Section 13. Order of Business. The order and manner of transacting business at all meetings of stockholders shall be determined by the Chairman of the meeting.

**ARTICLE III
DIRECTORS**

Section 1. Powers. Except as otherwise required by law or provided by the Certificate of Incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

Section 2. Number and Election of Directors. The Board shall consist of one or more members, each of whom shall be a natural person. Unless the certificate of incorporation fixes the number of directors, the number of directors shall be determined from time to time by resolution of the Board. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires. Directors shall be elected at each annual meeting of stockholders to replace directors whose terms then expire, and each director elected shall hold office until his successor is duly elected and qualified, or until his earlier death, resignation or removal. Any director may resign at any time effective upon giving written notice to the Board of Directors, unless the notice specifies a later time for such resignation to become effective. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor prior to such effective time to take office when such resignation becomes effective. Directors need not be stockholders.

Section 3. Vacancies. Subject to the limitations in the Certificate of Incorporation, vacancies in the Board of Directors resulting from death, resignation, removal or otherwise and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Each director so selected shall hold office for the remainder of the full term of office of the former director which such director replaces and until his successor is duly elected and qualified, or until his earlier death, resignation or removal. No decrease in the authorized number of directors constituting the Board of Directors shall shorten the term of any incumbent directors.

Section 4. Time and Place of Meetings. The Board of Director shall hold its meetings at such place, either within or outside of the State of Delaware, and at such time as may be determined from time to time by the Board of Directors.

Section 5. Annual Meeting. The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable after each annual meeting of stockholders, on the same day and at the same place where such annual meeting shall be held. Notice of such meeting need not be given. In the event such annual meeting is not so held, the annual meeting of the Board of Directors may be held at such place, either within or outside of the State of Delaware, on such date and at such time as shall be specified in a notice thereof given as hereinafter provided in Section 7 of this Article III or in a waiver of notice thereof.

Section 6. Regular Meetings. Regular meetings of the Board of Directors may be held at such places within or outside of the State of Delaware at such date and time as the Board of Directors may from time to time determine and, if so determined by the Board of Directors, notices thereof need not be given.

Section 7. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, the President, the Secretary or by any director. Notice of the date, time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at the director's address as it is shown on the records of the Corporation. In case the notice is mailed, it shall be

deposited in the United States mail at least four (4) days before the time of the holding of the meeting. In case the notice is delivered personally or by telephone or telegram, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. The notice need not specify the purpose of the meeting. A written waiver of any such notice signed by the person entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends the 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.

Section 8. Quorum; Vote Required for Action; Adjournment. Except as otherwise required by law, or provided in the Certificate of Incorporation or these Bylaws, a majority of the directors shall constitute a quorum for the transaction of business at all meetings of the Board of Directors and the affirmative vote of not less than a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting, from time to time, without notice other than announcement at the meeting, until a quorum shall be present. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum to conduct that meeting. When a meeting is adjourned to another time or place (whether or not a quorum is present), notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Board of Directors may transact any business which might have been transacted at the original meeting.

Section 9. Action by Written Consent. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 10. Telephone Meetings. Unless otherwise restricted by the Certificate of Incorporation, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee, as the case may be, by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section 10 shall constitute presence in person at such meeting.

Section 11. Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any such committee, who may replace any absent or disqualified member at any meeting of the committee. In the event of absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the committee member or members present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member. Any committee, to the extent allowed by law and as provided in the resolution establishing such committee, shall have and may exercise all the power and authority of the Board of Directors in the management of the business and affairs of the Corporation, but no such committee shall have the power

or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending the Bylaws of the Corporation; and, unless the resolution or the Certificate of Incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Each committee shall keep regular minutes of its meetings and report to the Board of Directors when required.

Section 12. Compensation. The directors may be paid such compensation for their services as the Board of Directors shall from time to time determine.

Section 13. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or the committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if: (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV OFFICERS

Section 1. Officers. The officers of the Corporation shall be a Chief Executive Officer, President, and a Secretary. The Corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board, a Vice Chairman of the Board, a Chief Financial Officer, one or more Vice Presidents, one or more Assistant Financial Officers and Treasurers, one or more Assistant Secretaries and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article IV.

Section 2. Appointment of Officers. The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article IV, shall be appointed by the Board of Directors, and each shall serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment.

Section 3. Subordinate Officers. The Board of Directors may appoint, and may empower the Chief Executive Officer or President to appoint, such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

Section 4. Removal and Resignation of Officers. Subject to the rights of an officer under any contract, any officer may be removed at any time, with or without cause, by the Board of Directors or, except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights of the Corporation under any contract to which the officer is a party.

Section 5. Vacancies in Offices. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

Section 6. Chairman of the Board. The Chairman of the Board, if such an officer is elected, shall, if present, preside at meetings of the stockholders and of the Board of Directors. He shall, in addition, perform such other functions (if any) as may be prescribed by the Bylaws or the Board of Directors.

Section 7. Vice Chairman of the Board. The Vice Chairman of the Board, if such an officer is elected, shall, in the absence or disability of the Chairman of the Board, perform all duties of the Chairman of the Board and when so acting shall have all the powers of and be subject to all of the restrictions upon the Chairman of the Board. The Vice Chairman of the Board shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

Section 8. Chief Executive Officer. The Chief Executive Officer of the Corporation shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and the officers of the Corporation. He shall exercise the duties usually vested in the chief executive officer of a corporation and perform such other powers and duties as may be assigned to him from time to time by the Board of Directors or prescribed by the Bylaws. In the absence of the Chairman of the Board and any Vice Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the stockholders and of the Board of Directors.

Section 9. President. The President of the Corporation shall, subject to the control of the Board of Directors and the Chief Executive Officer of the Corporation, if there be such an officer, have general powers and duties of management usually vested in the office of president of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws or the Chief Executive Officer of the Corporation. In the absence of the Chairman of the Board, Vice Chairman of the Board and Chief Executive Officer, the President shall preside at all meetings of the Board of Directors and stockholders.

Section 10. Vice President. In the absence or disability of the President, the Vice Presidents, if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a Vice President designated by the Board of Directors, shall perform all the duties of the President, and when so acting shall have all the powers of, and subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or the Bylaws, and the President, or the Chairman of the Board.

Section 11. Secretary. The Secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of Directors, committees of Directors, and stockholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at Directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and a summary of the proceedings.

The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the Corporation's transfer agent or registrar, as determined by resolution of the Board of Directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required by the Bylaws or by law to be given, and he shall keep or cause to be kept the seal of the Corporation if one be adopted, in safe custody, and shall have such powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

Section 12. Chief Financial Officer. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation. The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all of his transactions as Chief Financial Officer and of the financial condition of the Corporation. The Chief Financial Officer shall also have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

ARTICLE V STOCK

Section 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed by, or in the name of the Corporation (i) by the Chairman of the Board of Directors, or the Chief Executive Officer or the President or a Vice President and (ii) by the Chief Financial Officer or the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by such stockholder in the Corporation.

Section 2. Signatures. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Corporation may issue a new certificate to be issued in place of any certificate theretofore issued by the Corporation, alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or

destroyed. The Corporation may, in the discretion of the Board of Directors and as a condition precedent to the issuance of such new certificate, require the owner of such lost, stolen, or destroyed certificate, or his legal representative, to give the Corporation a bond (or other security) sufficient to indemnify it against any claim that may be made against the Corporation (including any expense or liability) on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws or in any agreement with the stockholder making the transfer. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be canceled before a new certificate shall be issued.

Section 5. Record Holders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the record holder of shares to receive dividends, and to vote as such record holder, and to hold liable for calls and assessments a person registered on its books as the record holder of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

ARTICLE VI INDEMNIFICATION

Section 1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a “proceeding”), by reason of the fact that he or she is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans (hereinafter an “indemnatee”), whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys’ fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnatee in connection therewith and such indemnification shall continue as to an indemnatee who has ceased to be a director or officer and shall inure to the benefit of the indemnatee’s heirs, executors and administrators; provided, however, that, except as provided in Section 2 of this Article VI with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnatee in connection with a proceeding (or part thereof) initiated by such indemnatee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an “advancement of expenses”); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnatee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnatee, including without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnatee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnatee is not entitled to be indemnified for such expenses under this Article VI or otherwise (hereinafter an “undertaking”).

Section 2. Right of Indemnitee to Bring Suit. If a claim under Section 1 of this Article VI is not paid in full by the Corporation within forty-five (45) days after a written claim has been received by the Corporation, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or part in any such suit or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified or to such advancement of expenses under this Article VI or otherwise shall be on the Corporation.

Section 3. Non-Exclusivity of Rights. The rights of indemnification and to the advancement of expenses conferred in this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

Section 4. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 5. Indemnification of Employees or Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VI with respect to the indemnification and advancement of expenses of directors or officers of the Corporation.

Section 6. Indemnification Contracts. The Board of Directors is authorized to enter into a contract with any director, officer, employee or agent of the Corporation, or any person serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, providing for indemnification rights equivalent to or, if the Board of Directors so determines, greater than, those provided for in this Article VI.

Section 7. Effect of Amendment. Any amendment, repeal or modification of any provision of this Article VI by the stockholders or the directors of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such amendment, repeal or modification.

ARTICLE VII GENERAL PROVISIONS

Section 1. Dividends. Subject to limitations contained in the General Corporation Law of the State of Delaware and the Certificate of Incorporation, the Board of Directors may declare and pay dividends upon the shares of capital stock of the Corporation, which dividends may be paid either in cash, securities of the Corporation or other property.

Section 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. Corporate Seal. The Corporation shall have a corporate seal in such form as shall be prescribed by the Board of Directors.

Section 5. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or 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 of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. 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 of Directors may fix a new record date for the adjourned meeting. Stockholders on the record date are entitled to notice and to vote or to receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date, except as otherwise provided by agreement or by applicable law.

Section 6. Voting of Stock Owned by the Corporation. The Chairman of the Board, the Chief Executive Officer, the President and any other officer of the Corporation authorized by the Board of Directors shall have power, on behalf of the Corporation, to attend, vote and grant proxies to be used at any meeting of stockholders of any corporation (except this Corporation) in which the Corporation may hold stock.

Section 7. Construction and Definitions. Unless the context requires otherwise, the general provisions, rules of construction and definitions in the General Corporation Law of the State of Delaware shall govern the construction of these Bylaws.

Section 8. Amendments. Subject to the General Corporation Law of the State of Delaware, the Certificate of Incorporation and these Bylaws, the Board of Directors may by the affirmative vote of a majority of the entire Board of Directors amend or repeal these Bylaws, or adopt other Bylaws as in their judgment may be advisable for the regulation of the conduct of the affairs of the Corporation. Unless otherwise restricted by the Certificate of Incorporation, these Bylaws may be altered, amended or repealed, and new Bylaws may be adopted, at any annual meeting of the stockholders (or at any special meeting thereof duly called for that purpose) by a majority of the combined voting power of the then outstanding shares of capital stock of all classes and series of the Corporation entitled to vote generally in the election of directors, voting as a single class, provided that, in the notice of any such special meeting, notice of such purpose shall be given.

APPFOLIO, INC.

AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

TABLE OF CONTENTS

	<u>Page</u>
1. Definitions	1
2. Registration Rights	4
2.1 Demand Registration	4
2.2 Company Registration	5
2.3 Underwriting Requirements	6
2.4 Obligations of the Company	7
2.5 Furnish Information	8
2.6 Expenses of Registration	8
2.7 Delay of Registration	9
2.8 Indemnification	9
2.9 Reports Under Exchange Act	11
2.10 Limitations on Subsequent Registration Rights	12
2.11 "Market Stand-off" Agreement	12
2.12 Restrictions on Transfer	12
2.13 Termination of Registration Rights	14
3. Information and Observer Rights	14
3.1 Delivery of Financial Statements	14
3.2 Inspection	15
3.3 Observer Rights	15
3.4 Termination of Information, Inspection Rights and Observer Rights	16
3.5 Confidentiality	16
4. Rights to Future Stock Issuances	16
4.1 Right of First Offer	16
4.2 Termination	17
5. Additional Covenants	17
5.1 Insurance	17
5.2 Employee Agreements	17
5.3 Employee Vesting	18
5.4 Successor Indemnification	18
5.5 Termination of Covenants	18
6. Miscellaneous	18
6.1 Successors and Assigns	18
6.2 Governing Law	19
6.3 Counterparts	19
6.4 Titles and Subtitles	19
6.5 Notices	19
6.6 Amendments and Waivers	19
6.7 Severability	20
6.8 Aggregation of Stock	20
6.9 Additional Investors	20

6.10	Entire Agreement	20
6.11	Delays or Omissions	20
6.12	Acknowledgment	21

SCHEDULES

Schedule A – Schedule of Investors

APPFOLIO, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

THIS AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT ("**Agreement**") is made as of the 26th day of November, 2013, by and among AppFolio, Inc., a Delaware corporation (the "**Company**"), and each of the investors listed on Schedule A hereto, each of which is referred to in this Agreement as an "**Investor**," and any Additional Purchaser (as defined in the Purchase Agreement) that becomes a party to this Agreement in accordance with Section 6.9 hereof.

RECITALS

WHEREAS, certain of the Investors (the "**Existing Investors**") hold shares of the Company's Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and/or shares of Common Stock issued upon conversion thereof and possess registration rights, information rights, rights of first offer, and other rights pursuant to an Amended and Restated Investors' Rights Agreement dated as of September 11, 2012 between the Company and such Investors (the "**Prior Agreement**");

WHEREAS, the Existing Investors are holders of a majority of the Registrable Securities of the Company then outstanding (as defined in the Prior Agreement), and desire to amend and restate the Prior Agreement in its entirety and to accept the rights created pursuant to this Agreement in lieu of the rights granted to them under the Prior Agreement; and

WHEREAS, certain of the Investors are parties to that certain Series B-3 Preferred Stock Purchase Agreement of even date herewith between the Company and certain of the Investors (the "**Purchase Agreement**"), under which certain of the Company's and such Investors' obligations are conditioned upon the execution and delivery of this Agreement by such Investors, Existing Investors holding a majority of the Registrable Securities then outstanding, and the Company;

NOW, THEREFORE, the Existing Investors hereby agree that the Prior Agreement shall be amended and restated, and the parties to this Agreement further agree as follows:

1. Definitions. For purposes of this Agreement:

1.1 "**Affiliate**" means, with respect to any specified Person, any other Person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified Person, including without limitation any general partner, limited partner, member, officer, director or manager of such Person and any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

1.2 "**Common Stock**" means shares of the Company's common stock, par value \$0.0001 per share.

1.3 "**Damages**" means any loss, damage, claim, or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, or other federal or state law, insofar as such loss, damage, claim or liability (or any action in respect thereof) arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement of the Company, including any preliminary prospectus or

final prospectus contained therein or any amendments or supplements thereto; (ii) an 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 indemnifying party (or any of its agents or Affiliates) 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.

1.4 “**Derivative Securities**” means any securities or rights convertible into, or exercisable or exchangeable for (in each case, directly or indirectly), Common Stock, including options and warrants.

1.5 “**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

1.6 “**Excluded Registration**” means (i) a registration relating to the sale of securities to employees of the Company or a subsidiary pursuant to a stock option, stock purchase, or similar plan; (ii) a registration relating to an SEC Rule 145 transaction; (iii) a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities; or (iv) a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered.

1.7 “**Form S-1**” means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC.

1.8 “**Form S-2**” means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC.

1.9 “**Form S-3**” means 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 SEC that permits incorporation of substantial information by reference to other documents filed by the Company with the SEC.

1.10 “**GAAP**” means generally accepted accounting principles in the United States.

1.11 “**Holder**” means any holder of Registrable Securities who is a party to this Agreement.

1.12 “**Immediate Family Member**” means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of a natural person referred to herein.

1.13 “**Initiating Holders**” means, collectively, Holders who properly initiate a registration request under this Agreement.

1.14 “**IPO**” means the Company’s first underwritten public offering of its Common Stock under the Securities Act.

1.15 “**Major Investor**” means any Investor that, individually or together with such Investor’s Affiliates, holds at least 2,500,000 shares of Registrable Securities (as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification effected after the date hereof).

1.16 “**New Securities**” means, collectively, equity securities of the Company, whether or not currently authorized, as well as rights, options, or warrants to purchase such equity securities, or securities of any type whatsoever that are, or may become, convertible or exchangeable into or exercisable for such equity securities.

1.17 “**Person**” means any individual, corporation, partnership, trust, limited liability company, association or other entity.

1.18 “**Preferred Stock**” means, collectively, shares of the Company’s Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock.

1.19 “**Registrable Securities**” means (i) the Common Stock issuable or issued upon conversion of the Preferred Stock; and (ii) any Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right, or other security that is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares referenced in clause (i) above; excluding in all cases, however, any Registrable Securities sold by a Person in a transaction in which the applicable rights under this Agreement are not assigned pursuant to Section 6.1, and excluding for purposes of Section 2 any shares for which registration rights have terminated pursuant to Section 2.13 of this Agreement.

1.20 “**Registrable Securities then outstanding**” means the number of shares determined by adding the number of shares of outstanding Common Stock that are Registrable Securities and the number of shares of Common Stock issuable (directly or indirectly) pursuant to then exercisable and/or convertible securities that are Registrable Securities.

1.21 “**Restricted Securities**” means the securities of the Company required to bear or notated with the legend set forth in Section 2.12(b) hereof.

1.22 “**SEC**” means the Securities and Exchange Commission.

1.23 “**SEC Rule 144**” means Rule 144 promulgated by the SEC under the Securities Act.

1.24 “**SEC Rule 145**” means Rule 145 promulgated by the SEC under the Securities Act.

1.25 “**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.26 “**Selling Expenses**” means all underwriting discounts, selling commissions, and stock transfer taxes applicable to the sale of Registrable Securities, and fees and disbursements of counsel for any Holder, except for the fees and disbursements of the Selling Holder Counsel borne and paid by the Company as provided in Section 2.6.

- 1.27 “**Series A Preferred Stock**” means shares of the Company’s Series A Preferred Stock, par value \$0.0001 per share.
- 1.28 “**Series B Preferred Stock**” means shares of the Company’s Series B Preferred Stock, par value \$0.0001 per share.
- 1.29 “**Series B-1 Preferred Stock**” means shares of the Company’s Series B-1 Preferred Stock, par value \$0.0001 per share.
- 1.30 “**Series B-2 Preferred Stock**” means shares of the Company’s Series B-2 Preferred Stock, par value \$0.0001 per share.
- 1.31 “**Series B-3 Preferred Stock**” means shares of the Company’s Series B-3 Preferred Stock, par value \$0.0001 per share.

2. Registration Rights. The Company covenants and agrees as follows:

2.1 Demand Registration.

(a) Form S-1 Demand. If at any time after the earlier of (i) three (3) years after the date of this Agreement or (ii) one hundred eighty (180) days after the effective date of the registration statement for the IPO, the Company receives a request from Holders of forty percent (40%) of the Registrable Securities then outstanding that the Company file a Form S-1 registration statement with respect to at least forty percent (40%) of the Registrable Securities then outstanding, then the Company shall (i) within ten (10) days after the date such request is given, give notice thereof (the “**Demand Notice**”) to all Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within sixty (60) days after the date such request is given by the Initiating Holders, file a Form S-1 registration statement under the Securities Act covering all Registrable Securities that the Initiating Holders requested to be registered and any additional Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within thirty (30) days of the date the Demand Notice is given, and in each case, subject to the limitations of Section 2.1(c) and Section 2.3.

(b) Form S-3 Demand. If at any time when it is eligible to use a Form S-3 registration statement, the Company receives a request from Holders of the Registrable Securities then outstanding that the Company file a Form S-3 registration statement with respect to outstanding Registrable Securities of such Holders having an anticipated aggregate offering price, net of Selling Expenses, of at least \$500,000.00, then the Company shall (i) within ten (10) days after the date such request is given, give a Demand Notice to all Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within sixty (60) days after the date such request is given by the Initiating Holders, file a Form S-3 registration statement under the Securities Act covering all Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within thirty (30) days of the date the Demand Notice is given, and in each case, subject to the limitations of Section 2.1(c) and Section 2.3.

(c) Notwithstanding the foregoing obligations, if the Company furnishes to Holders requesting a registration pursuant to this Section 2.1 a certificate signed by the Company's chief executive officer stating that in the good faith judgment of the Company's Board of Directors it would be materially detrimental to the Company and its stockholders for such registration statement to either become effective or remain effective for as long as such registration statement otherwise would be required to remain effective, because such action would be materially detrimental to the Company and its stockholders for such registration statement to be filed, it is therefore necessary to defer the filing of such registration statement, then the Company shall have the right to defer taking action with respect to such filing for a period of not more than ninety (90) days after the request of the Initiating Holders is given; provided, however, that the Company may not invoke this right more than once in any twelve (12) month period.

(d) The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(a) (i) during the period that is ninety (90) days before the Company's good faith estimate of the date of filing of, and ending on a date that is one hundred eighty (180) days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; (ii) after the Company has effected two registrations pursuant to Section 2.1(a); or (iii) if the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 2.1(b). The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(b) (i) during the period that is ninety (90) days before the Company's good faith estimate of the date of filing of, and ending on a date that is one hundred eighty (180) days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; or (ii) if the Company has effected two registrations pursuant to Section 2.1(b) within the twelve (12) month period immediately preceding the date of such request. A registration shall not be counted as "effected" for purposes of this Section 2.1(d) until such time as the applicable registration statement has been declared effective by the SEC, unless the Initiating Holders withdraw their request for such registration, elect not to pay the registration expenses therefor, and forfeit their right to one demand registration statement pursuant to Section 2.6, in which case such withdrawn registration statement shall be counted as "effected" for purposes of this Section 2.1(d), unless the withdrawal was caused by a material adverse change in the Company's business, finances or results of operations arising after the date of the request of registration, in which case such withdrawn registration statement will not be counted as "effected" under this Section 2.1(d).

2.2 Company Registration. If the Company proposes to register (including, for this purpose, a registration effected by the Company for stockholders other than the Holders) any of its securities under the Securities Act in connection with the public offering of such securities solely for cash (other than in an Excluded Registration), the Company shall, at such time, promptly give each Holder notice of such registration. Upon the request of each Holder given within twenty (20) days after such notice is given by the Company, the Company shall, subject to the provisions of Section 2.3, cause to be registered all of the Registrable Securities that each such Holder has requested to be included in such registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.2 before the effective date of such registration, whether or not any Holder has elected to include Registrable Securities in such registration. The expenses (other than Selling Expenses) of such withdrawn registration shall be borne by the Company in accordance with Section 2.6.

2.3 Underwriting Requirements.

(a) If, pursuant to Section 2.1, 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 Section 2.1, and the Company shall include such information in the Demand Notice. The underwriter(s) will be selected by the Company and shall be reasonably acceptable to a majority in interest of the Initiating Holders. 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 to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Section 2.4(e)) enter into an underwriting agreement in customary form with the underwriter(s) selected for such underwriting. Notwithstanding any other provision of this Section 2.3, if the underwriter(s) advise(s) the Initiating Holders in writing that marketing factors require a limitation on the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities that otherwise would be underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be allocated among such Holders of Registrable Securities, including the Initiating Holders, in proportion (as nearly as practicable) to the number of Registrable Securities owned by each Holder or in such other proportion as shall mutually be agreed to by all such selling Holders (except those selling Holders all of whose Registrable Securities are being included in the underwriting); provided, however, that the number of Registrable Securities held by the Holders to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest 100 shares.

(b) In connection with any offering involving an underwriting of shares of the Company's capital stock pursuant to Section 2.2, the Company shall not be required to include any of the Holders' Registrable Securities in such underwriting unless the Holders accept the terms of the underwriting as agreed upon between the Company and its underwriters, and then only in such quantity as the underwriters in their sole discretion determine will not jeopardize the success of the offering by the Company. If the total number of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the number of securities to be sold (other than by the Company) that the underwriters in their reasonable discretion determine is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters and the Company in their sole discretion determine will not jeopardize the success of the offering. If the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be allocated among the selling Holders in proportion (as nearly as practicable) to the number of Registrable Securities owned by each selling Holder or in such other proportions as shall mutually be agreed to by all such selling Holders. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest 100 shares. Notwithstanding the foregoing, in no event shall (i) the number of Registrable Securities included in the offering be reduced unless all other securities (other than securities to be sold by the Company) are first entirely excluded from the offering, or (ii) the number of Registrable Securities included in the offering be reduced below twenty-five percent (25%) of the total number of securities included in such offering, unless such offering is the IPO, in which case the selling Holders may be excluded further if the underwriters make the determination described above

and no other stockholder's securities are included in such offering. For purposes of the provision in this Section 2.3(b) concerning apportionment, for any selling Holder that is a partnership, limited liability company, or corporation, the partners, members, retired partners, retired members, stockholders, and Affiliates of such Holder, or the estates and Immediate Family Members of any such partners, retired partners, members, and retired members and any trusts for the benefit of any of the foregoing Persons, shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate number of Registrable Securities owned by all Persons included in such "selling Holder," as defined in this sentence.

2.4 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 commercially reasonable 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 a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the registration statement has been completed; provided, however, that (i) such one hundred twenty (120) day period shall be extended for a period of time equal to the period the Holder refrains, at the request of an underwriter of Common Stock (or other securities) of the Company, from selling any securities included in such registration, and (ii) in the case of any registration of Registrable Securities on Form S-3 that are intended to be offered on a continuous or delayed basis, subject to compliance with applicable SEC rules, such one hundred twenty (120) day period shall be extended for up to thirty (30) days, if necessary, to keep the registration statement effective until all such Registrable Securities are sold;

(b) prepare and file with the SEC such amendments and supplements to such registration statement, and the prospectus used in connection with such registration statement, as may be necessary to comply with the Securities Act in order to enable the disposition of all securities covered by such registration statement;

(c) furnish to the selling Holders such numbers of copies of a prospectus, including a preliminary prospectus, as required by the Securities Act, and such other documents as the Holders may reasonably request in order to facilitate their disposition of their Registrable Securities;

(d) use its commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or blue-sky laws of such jurisdictions as shall be reasonably requested by the selling Holders; provided that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(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 underwriter(s) of such offering;

(f) use its commercially reasonable efforts to cause all such Registrable Securities covered by such registration statement to be listed on a national securities exchange or trading system and each securities exchange and trading system (if any) on which similar securities issued by the Company are then listed;

(g) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and provide a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(h) promptly make available for inspection by the selling Holders, by any underwriter(s) participating in any disposition pursuant to such registration statement, and by any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders, all financial and other records, pertinent corporate documents, and properties of the Company, and cause the Company's officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent, in each case, as necessary or advisable to verify the accuracy of the information in such registration statement and to conduct appropriate due diligence in connection therewith;

(i) notify each selling Holder, promptly after the Company receives notice thereof, of the time when such registration statement has been declared effective or a supplement to any prospectus forming a part of such registration statement has been filed; and

(j) after such registration statement becomes effective, notify each selling Holder of any request by the SEC that the Company amend or supplement such registration statement or prospectus.

2.5 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 is reasonably required to effect the registration of such Holder's Registrable Securities.

2.6 Expenses of Registration. All expenses (other than Selling Expenses) incurred in connection with registrations, filings, or qualifications pursuant to Section 2, including all registration, filing, and qualification fees; printers' and accounting fees; fees and disbursements of counsel for the Company; and the reasonable fees and disbursements of one counsel for the selling Holders ("**Selling Holder Counsel**"), shall be borne and paid by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 2.1 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all selling Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn registration), unless (i) the Holders of a majority of the Registrable Securities agree to forfeit their right to one registration pursuant to Section 2.1(a) or Section 2.1(b), as the case may be, or (ii) the withdrawal was caused by a material adverse change in the Company's business, finances, or results of operations arising after the date of the request for registration. All Selling Expenses relating to Registrable Securities registered pursuant to this Section 2 shall be borne and paid by the Holders pro rata on the basis of the number of Registrable Securities registered on their behalf.

2.7 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration pursuant to this Agreement as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2, provided that any Holder will have the right, until the registration statement is declared effected by the SEC, to withdraw from the underwriting and have the information about such Holder selling such Holder's securities pursuant to such registration statement deleted from such registration statement.

2.8 Indemnification. If any Registrable Securities are included in a registration statement under this Section 2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder, and the partners, members, officers, directors, and stockholders of each such Holder; legal counsel and accountants for each such Holder; any underwriter (as defined in the Securities Act) for each 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 Damages, and the Company will pay to each such Holder, underwriter, controlling Person, or other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(a) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable to any particular Holder, underwriter, controlling Person or other aforementioned Person for any Damages to the extent that they arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of any such Holder, underwriter, controlling Person, or other aforementioned Person expressly for use in connection with such registration.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, and 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, legal counsel and accountants for the Company, any underwriter (as defined in the Securities Act), any other Holder selling securities in such registration statement, and any controlling Person of any such underwriter or other Holder, against any Damages, in each case only to the extent that such Damages arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of such selling Holder expressly for use in connection with such registration; and each such selling Holder will pay to the Company and each other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(b), shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided further that in no event shall any indemnity under this Section 2.8(b), when combined with the amounts paid or payable by such Holder pursuant to Section 2.8(e), exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of fraud or willful misconduct 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) for which a party may be entitled to indemnification hereunder, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.8, give the indemnifying party notice of the commencement thereof. The indemnifying party shall have the right to participate in such action and, to the extent the indemnifying party so desires, participate jointly with any other indemnifying party to which notice has been given, and to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate 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 action. The failure to give notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.8, to the extent that such failure materially prejudices the indemnifying party's ability to defend such action. The failure to give 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) Notwithstanding anything else herein to the contrary, the foregoing indemnity agreements of the Company and the selling Holders are subject to the condition that, insofar as they relate to any Damages arising from any untrue statement or alleged untrue statement of a material fact contained in, or omission or alleged omission of a material fact from, a preliminary prospectus (or necessary to make the statements therein not misleading) that has been corrected in the form of prospectus included in the registration statement at the time it becomes effective, or any amendment or supplement thereto filed with the SEC pursuant to Rule 424(b) under the Securities Act (the "**Final Prospectus**"), such indemnity agreement shall not inure to the benefit of any Person if a copy of the Final Prospectus was furnished to the indemnified party and such indemnified party was legally obligated to deliver but failed to deliver, at or before the confirmation of the sale of the shares registered in such offering, a copy of the Final Prospectus to the Person asserting the loss, liability, claim, or damage in any case in which such delivery was required by the Securities Act.

(e) To provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any party otherwise entitled to indemnification hereunder makes a claim for indemnification pursuant to this Section 2.8 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case, notwithstanding the fact that this Section 2.8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any party hereto for which indemnification is provided under this Section 2.8, then, and in each such case, such parties will contribute to the aggregate losses, claims, damages, liabilities, or expenses to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of each of the indemnifying party and the indemnified party in connection with the statements, omissions, or other actions that resulted in such loss, claim, damage, liability, or expense, as well as to reflect any other relevant equitable considerations. 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 allegedly untrue statement of a material fact, or the omission or alleged omission of 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; provided, however, that, in any such case, (x) no Holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement, and (y) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation; and provided further that in no event shall a Holder's liability pursuant to this Section 2.8(e), when combined with the amounts paid or payable by such Holder pursuant to Section 2.8(b), exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of willful misconduct or fraud by such Holder.

(f) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into by the parties hereto in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement entered into by the parties hereto shall control.

(g) Unless otherwise superseded by an underwriting agreement entered into in connection with the underwritten public offering, 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 under this Section 2, and otherwise shall survive the termination of this Agreement.

2.9 Reports Under Exchange Act. With a view to making available to the Holders the benefits of SEC Rule 144 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 shall:

(a) make and keep available adequate current public information, as those terms are understood and defined in SEC Rule 144, at all times after the effective date of the registration statement filed by the Company for the IPO;

(b) use commercially reasonable efforts to 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 (at any time after the Company has become subject to such reporting requirements); and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) to the extent accurate, 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 registration statement filed by the Company for the IPO), the Securities Act, and the Exchange Act (at any time after the Company 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 the Company 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 that permits the selling of any such securities without registration (at any time after the Company has become subject to the reporting requirements under the Exchange Act) or pursuant to Form S-3 (at any time after the Company so qualifies to use such form).

2.10 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the Registrable Securities then outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder (i) to include such securities in any registration unless, under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the number of the Registrable Securities of the Holders that are included or (ii) to demand registration of any securities held by such holder or prospective holder; provided that this limitation shall not apply to any additional Investor who becomes a party to this Agreement in accordance with Section 6.9.

2.11 "Market Stand-off" Agreement. Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the IPO and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (180) days, which period may be extended upon the request of the managing underwriter for an additional period of up to fifteen (15) days if the Company issues or proposes to issue an earnings or other public release within fifteen (15) days of the expiration of the 180-day lockup period), (i) lend; 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 convertible into or exercisable or exchangeable (directly or indirectly) for Common Stock (whether such shares or any such securities are then owned by the Holder or are thereafter acquired) or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash, or otherwise. The foregoing provisions of this Section 2.11 shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall be applicable to the Holders only if all officers, directors, and stockholders individually owning more than one percent (1%) of the Company's outstanding Common Stock (after giving effect to conversion into Common Stock of all outstanding Preferred Stock) are subject to the same restrictions. The underwriters in connection with such registration are intended third-party beneficiaries of this Section 2.11 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto. Each Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this Section 2.11 or that are necessary to give effect thereto.

2.12 Restrictions on Transfer.

(a) The Preferred Stock and the Registrable Securities shall not be sold, pledged, or otherwise transferred, and the Company shall not recognize and shall issue stop-transfer instructions to its transfer agent with respect to any such sale, pledge, or transfer, except upon the conditions specified in this Agreement, which conditions are intended to ensure compliance with the provisions of the Securities Act. A transferring Holder will cause any proposed purchaser, pledgee, or transferee of the Preferred Stock and the Registrable Securities held by such Holder to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Agreement.

(b) Each certificate, book entry or instrument representing (i) the Preferred Stock, (ii) the Registrable Securities, and (iii) any other securities issued in respect of the securities referenced in clauses (i) and (ii), upon any stock split, stock dividend, recapitalization, merger, consolidation, or similar event, shall (unless otherwise permitted by the provisions of Section 2.12(c)) be stamped, notated or otherwise imprinted with a legend substantially in the following form:

THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SHARES MAY NOT BE SOLD, PLEDGED, OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR A VALID EXEMPTION FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT.

THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

The Holders consent to the Company making a notation in its records and giving instructions to any transfer agent of the Restricted Securities in order to implement the restrictions on transfer set forth in this Section 2.12.

(c) The holder of each certificate representing Restricted Securities, by acceptance thereof, agrees to comply in all respects with the provisions of this Section 2. Before any proposed sale, pledge, or transfer of any Restricted Securities, unless there is in effect a registration statement under the Securities Act covering the proposed transaction, the Holder thereof shall give notice to the Company of such Holder's intention to effect such sale, pledge, or transfer. Each such notice shall describe the manner and circumstances of the proposed sale, pledge, or transfer in sufficient detail and, if reasonably requested by the Company, shall be accompanied at such Holder's expense by either (i) a written opinion of legal counsel who shall, and whose legal opinion shall, be reasonably satisfactory to the Company, addressed to the Company, to the effect that the proposed transaction may be effected without registration under the Securities Act; (ii) a "no action" letter from the SEC to the effect that the proposed sale, pledge, or transfer of such Restricted Securities without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto; or (iii) any other evidence reasonably satisfactory to counsel to the Company to the effect that the proposed sale, pledge, or transfer of the Restricted Securities may be effected without registration under the Securities Act, whereupon the Holder of such Restricted Securities shall be entitled to sell, pledge, or transfer such Restricted Securities in accordance with the terms of the notice given by the Holder to the Company. The Company will not require such a legal opinion or "no action" letter (x) in any transaction in compliance with SEC Rule 144 or (y) in any transaction in which such Holder distributes Restricted Securities to an Affiliate of such Holder for no consideration; provided that each transferee agrees in writing to be subject to the terms of this Section 2.12. Each certificate, instrument or book entry representing the Restricted Securities transferred as above provided shall be notated with, except if such transfer is made pursuant to SEC Rule 144, the appropriate restrictive legend set forth in Section 2.12(b), except that such certificate, instrument or book entry shall not be notated with such restrictive legend if, in the opinion of counsel for such Holder and the Company, such legend is not required in order to establish compliance with any provisions of the Securities Act.

2.13 Termination of Registration Rights. The right of any Holder to request registration or inclusion of Registrable Securities in any registration pursuant to Section 2.1 or Section 2.2 shall terminate upon the earliest to occur of:

(a) the closing of a Deemed Liquidation Event, as such term is defined in the Company's Amended and Restated Certificate of Incorporation ("**Certificate**");

(b) such time as Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such Holder's Registrable Securities without limitation during a three month period without registration; and

(c) the fifth anniversary of the IPO.

3. Information and Observer Rights.

3.1 Delivery of Financial Statements. The Company shall deliver to each Major Investor, provided that the Board of Directors has not reasonably determined that such Major Investor is a competitor of the Company:

(a) as soon as practicable, but in any event within one hundred twenty (120) days after the end of each fiscal year of the Company, (i) a balance sheet as of the end of such year, (ii) statements of income and of cash flows for such year, and (iii) a statement of stockholders' equity as of the end of such year, all such financial statements audited and certified by independent public accountants selected by the Company; and

(b) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, unaudited statements of income and of cash flows for such fiscal quarter, and an unaudited balance sheet as of the end of such fiscal quarter, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments and (ii) not contain all notes thereto that may be required in accordance with GAAP).

(c) Upon the reasonable request of any Major Investor (provided that the Board of Directors has not reasonably determined that such Major Investor is a competitor of the Company) the Company shall deliver:

(i) within thirty (30) days before the end of each fiscal year, a budget and business plan for the next fiscal year (collectively, the "**Budget**"), prepared on a monthly basis, including balance sheets, income statements, and statements of cash flow for such months and, promptly after prepared, any other budgets or revised budgets prepared by the Company;

(ii) within fifteen (15) days of the end of each month, an unaudited income statement for such month and an unaudited balance sheet as of the end of such month, and a comparison between the actual amounts as of and for such period and the comparable amounts included in the Budget for such year, with an explanation of any material differences between such amounts.

Notwithstanding anything else in this Section 3.1 to the contrary, the Company shall not be obligated under this Section 3.1 to provide information (i) that the Company reasonably determines in good faith to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in a form acceptable to the Company) or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

If, for any period, the Company has any subsidiary whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the foregoing sections shall be the consolidated and consolidating financial statements of the Company and all such consolidated subsidiaries.

Notwithstanding anything else in this Section 3.1 to the contrary, the Company may cease providing the information set forth in this Section 3.1 during the period starting with the date sixty (60) days before the Company's good-faith estimate of the date of filing of a registration statement if it reasonably concludes it must do so to comply with the SEC rules applicable to such registration statement and related offering; provided that the Company's covenants under this Section 3.1 shall be reinstated at such time as the Company is no longer actively employing its commercially reasonable efforts to cause such registration statement to become effective.

3.2 Inspection. The Company shall permit each Major Investor (provided that the Board of Directors has not reasonably determined that such Major Investor is a competitor of the Company), at such Major Investor's expense, to visit and inspect the Company's properties; examine its books of account and records; and discuss the Company's affairs, finances, and accounts with its officers, during normal business hours of the Company as may be reasonably requested by the Major Investor; provided, however, that the Company shall not be obligated pursuant to this Section 3.2 to provide access to any information that it reasonably considers to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

3.3 Observer Rights. As long as Dragoneer Apartment, LLC or its affiliates ("**Dragoneer**") owns not less than twenty-five percent (25%) of the shares of the Series B-3 Preferred Stock it is purchasing under the Purchase Agreement (or an equivalent amount of Common Stock issued upon conversion thereof), one representative of Dragoneer shall be able to attend meetings of the Company's Board of Directors in a nonvoting observer capacity and quarterly scheduled off-premises meetings of the executive team with reasonable advance notification of the Board of Directors and executive team, as applicable, in this respect, Company shall give such representative copies of all notices, minutes, consents, and other materials that it provides to its directors; provided, however, that such representative shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all information so provided; and provided further, that the Company reserves the right, in its sole discretion, to (a) withhold any information and to exclude such representative from any meeting or portion thereof if access to such information or attendance at such meeting could adversely affect the attorney-client privilege between the Company and its counsel or result in disclosure of trade secrets or a conflict of interest, or if such Investor or its representative is a competitor of the Company, and (b) call a meeting of the Company's Board of Directors or hold an off-premises meeting of the executive team without notifying or inviting Dragoneer to attend.

3.4 **Termination of Information, Inspection Rights and Observer Rights.** The covenants set forth in [Section 3.1](#), [Section 3.2](#) and [Section 3.3](#) shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) upon a Deemed Liquidation Event, as such term is defined in the Company's Certificate, or (iii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, whichever event occurs first.

3.5 **Confidentiality.** Each Investor agrees that such Investor will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this [Section 3.5](#) by such Investor), (b) is or has been independently developed or conceived by the Investor without use of the Company's confidential information, or (c) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company; provided, however, that an Investor may disclose confidential information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company; (ii) to any prospective purchaser of any Registrable Securities from such Investor, if such prospective purchaser agrees to be bound by the provisions of this [Section 3.5](#) and so long as the prospective purchaser is not a competitor of the Company; (iii) to any Affiliate, partner, member, stockholder, or wholly owned subsidiary of such Investor in the ordinary course of business, provided that such Investor informs such Person that such information is confidential and directs such Person to maintain the confidentiality of such information; or (iv) as may otherwise be required by law, provided that the Investor promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any such required disclosure.

4. Rights to Future Stock Issuances.

4.1 **Right of First Offer.** Subject to the terms and conditions of this [Section 4.1](#) and applicable securities laws, if the Company proposes to offer or sell any New Securities, the Company shall first offer such New Securities to each Major Investor. A Major Investor shall be entitled to apportion the right of first offer hereby granted to it among itself and its Affiliates in such proportions as it deems appropriate.

(a) The Company shall give notice (the "**Offer Notice**") to each Major Investor, stating (i) its bona fide intention to offer such New Securities, (ii) the number of such New Securities to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such New Securities.

(b) By notification to the Company within twenty (20) days after the Offer Notice is given, each Major Investor may elect to purchase or otherwise acquire, at the price and on the terms specified in the Offer Notice, up to that portion of such New Securities which equals the proportion that the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Stock and any other Derivative Securities then held, by such Major Investor bears to the total Common Stock of the Company then outstanding (assuming full conversion and/or exercise, as applicable, of all Preferred Stock and other Derivative Securities). At the expiration of such twenty (20) day period, the Company shall promptly notify each Major Investor that elects to purchase or acquire all the shares available to it

(each, a “**Fully Exercising Investor**”) of any other Major Investor’s failure to do likewise. During the ten (10) day period commencing after the Company has given such notice, each Fully Exercising Investor may, by giving notice to the Company, elect to purchase or acquire, in addition to the number of shares specified above, up to that portion of the New Securities for which Major Investors were entitled to subscribe but that were not subscribed for by the Major Investors which is equal to the proportion that the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of Preferred Stock and any other Derivative Securities then held, by such Fully Exercising Investor bears to the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Stock and any other Derivative Securities then held, by all Fully Exercising Investors who wish to purchase such unsubscribed shares. The closing of any sale pursuant to this Section 4.1(b) shall occur within the later of one hundred twenty (120) days of the date that the Offer Notice is given and the date of initial sale of New Securities pursuant to Section 4.1(c).

(c) If all New Securities referred to in the Offer Notice are not elected to be purchased or acquired as provided in Section 4.1(b), the Company may, during the ninety (90) day period following the expiration of the periods provided in Section 4.1(b), offer and sell the remaining unsubscribed portion of such New Securities to any Person or Persons at a price not less than, and upon terms no more favorable to the offeree than, those specified in the Offer Notice. If the Company does not enter into an agreement for the sale of the New Securities within such period, or if such agreement is not consummated within thirty (30) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such New Securities shall not be offered unless first reoffered to the Major Investors in accordance with this Section 4.1.

(d) The right of first offer in this Section 4.1 shall not be applicable to (i) Exempted Securities (as defined in the Company’s Certificate); (ii) shares of Common Stock issued in the IPO; and (iii) the issuance of shares of Series B-3 Preferred Stock to Additional Purchasers pursuant to Section 1.3 of the Purchase Agreement.

4.2 Termination. The covenants set forth in Section 4.1 shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon a Deemed Liquidation Event, as such term is defined in the Company’s Certificate, whichever event occurs first.

5. Additional Covenants.

5.1 Insurance. If not already purchased, the Company shall use its best efforts to obtain from financially sound and reputable insurers Directors and Officers Errors and Omissions insurance, in an amount not less than one million dollars (\$1,000,000), if said coverage is available at commercially reasonable rates, and the Company will use its best efforts to cause such insurance policy to be maintained, unless the Board of Directors determines that such insurance should be discontinued.

5.2 Employee Agreements. The Company will cause each person now or hereafter employed by it or by any subsidiary (or engaged by the Company or any subsidiary as a consultant/independent contractor) with access to confidential information and/or trade secrets to enter into a nondisclosure and proprietary rights assignment agreement. In addition, the Company shall not amend, modify, terminate, waive, or otherwise alter, in whole or in part, any of the above-referenced agreements or any restricted stock agreement between the Company and any employee, without the approval of the Board of Directors.

5.3 Employee Vesting. Unless otherwise approved by the Board of Directors, all future employees and consultants of the Company who purchase, receive options to purchase, or receive awards of shares of the Company's capital stock after the date hereof shall be required to execute restricted stock or option agreements, as applicable, providing for (i) vesting of shares over a four (4) year period, with the first twenty-five percent (25%) of such shares vesting following twelve (12) months of continued employment or service, and the remaining shares vesting in equal monthly installments over the following thirty-six (36) months, and (ii) a market stand-off provision substantially similar to that in Section 2.11. In addition, unless otherwise approved by the Board of Directors, the Company shall retain a "right of first refusal" on employee transfers until the Company's IPO and shall have the right to repurchase unvested shares at cost upon termination of employment of a holder of restricted stock.

5.4 Successor Indemnification. If the Company or any of its successors or assignees consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger, then to the extent necessary, proper provision shall be made so that the successors and assignees of the Company assume the obligations of the Company with respect to indemnification of members of the Board of Directors as in effect immediately before such transaction, whether such obligations are contained in the Company's Bylaws, its Certificate, or elsewhere, as the case may be.

5.5 Termination of Covenants. The covenants set forth in this Section 5, except for Section 5.4, shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon a Deemed Liquidation Event, as such term is defined in the Company's Certificate, whichever event occurs first.

6. Miscellaneous.

6.1 Successors and Assigns. The rights under this Agreement may be assigned (but only with all related obligations) by a Holder to a transferee of Registrable Securities that (i) is an Affiliate, partner, member, limited partner, retired partner, retired member, or stockholder of a Holder; (ii) is a Holder's Immediate Family Member or trust for the benefit of an individual Holder or one or more of such Holder's Immediate Family Members; or (iii) after such transfer, holds at least 1,000,000 shares of Registrable Securities (subject to appropriate adjustment for stock splits, stock dividends, combinations, and other recapitalizations); provided, however, that (x) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee and the Registrable Securities with respect to which such rights are being transferred; and (y) such transferee agrees in a written instrument delivered to the Company to be bound by and subject to the terms and conditions of this Agreement, including the provisions of Section 2.11. For the purposes of determining the number of shares of Registrable Securities held by a transferee, the holdings of a transferee (1) that is an Affiliate, limited partner, retired partner, member, retired member, or stockholder of a Holder; (2) who is a Holder's Immediate Family Member; or (3) that is a trust for the benefit of an individual Holder or such Holder's Immediate Family Member shall be aggregated together and with those of the transferring Holder; provided further that all transferees who would not qualify individually for assignment of rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices, or taking any action under this Agreement.

The terms and conditions of this Agreement inure to the benefit of and are binding upon the respective successors and permitted assignees of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assignees any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

6.2 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of law.

6.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

6.4 Titles and Subtitles. The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

6.5 Notices. All notices, requests, and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given, delivered and received (i) upon personal delivery to the party to be notified; (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day; (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one (1) business day after the business day of deposit with a nationally recognized overnight courier, specifying next-day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their addresses as set forth on Schedule A hereto, or to such email address, facsimile number, or address as subsequently modified by written notice given in accordance with this Section 6.5. If notice is given to the Company, it shall be sent to 50 Castilian Dr., Goleta, CA 93117, Attention: Chief Executive Officer; and a copy (which shall not constitute notice) shall also be sent to Stradling Yocca Carlson & Rauth, 800 Anacapa Street, Suite A, Santa Barbara, CA 93101, Attention: David Lafitte.

6.6 Amendments and Waivers. 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 a majority of the Registrable Securities then outstanding; provided (i) that the Company may in its sole discretion waive compliance with Section 2.12(c) (and the Company's failure to object promptly in writing after notification of a proposed assignment allegedly in violation of Section 2.12(c) shall be deemed to be a waiver) and (ii) as long as Dragoneer owns not less than twenty-five percent (25%) of the shares of the Series B-3 Preferred Stock it is purchasing under the Purchase Agreement (or an equivalent amount of Common Stock issued upon conversion thereof), Section 3.3 of this Agreement shall not be amended or waived without the written consent of Dragoneer; and provided further that any provision hereof may be waived by any waiving party on such party's own behalf, without the consent of any other party. Notwithstanding the foregoing, this Agreement may not be amended or terminated and the observance of any term hereof may not be waived with respect to any Investor without the written consent of such Investor, unless such amendment, termination, or waiver applies to all Investors in the same fashion (it being agreed that a waiver of the provisions of Section 4 with respect to a particular transaction shall be deemed to apply

to all Investors in the same fashion if such waiver does so by its terms, notwithstanding the fact that certain Investors may nonetheless, by agreement with the Company, purchase securities in such transaction). The Company shall give prompt notice of any amendment or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, termination, or waiver. Any amendment, termination, or waiver effected in accordance with this Section 6.6 shall be binding on all parties hereto, regardless of whether any such party has consented thereto. No waivers of or exceptions to any term, condition, or provision of this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, condition, or provision.

6.7 Severability. In case any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

6.8 Aggregation of Stock. All shares of Registrable Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement, and such Affiliated persons may apportion such rights as among themselves in any manner they deem appropriate.

6.9 Additional Investors. Notwithstanding anything to the contrary contained herein, if the Company issues additional shares of the Preferred Stock after the date hereof, whether pursuant to the Purchase Agreement or otherwise, any purchaser of such shares of Preferred Stock may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement, and thereafter shall be deemed an "Investor" for all purposes hereunder. No action or consent by the Investors shall be required for such joinder to this Agreement by such additional Investor, so long as such additional Investor has agreed in writing to be bound by all of the obligations as an "Investor" hereunder.

6.10 Entire Agreement. This Agreement (including any Schedules hereto) constitutes the full and entire understanding and agreement among the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled. Upon the effectiveness of this Agreement, the Prior Agreement shall be deemed amended and restated and superseded and replaced in its entirety by this Agreement, and shall be of no further force or effect.

6.11 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power, or remedy of such nonbreaching or nondefaulting party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

6.12 Acknowledgment. The Company acknowledges that some of the Investors regularly invest in a variety of different companies and therefore review the business plans and related proprietary information of many enterprises, including enterprises which may have products or services which compete directly or indirectly with those of the Company. Nothing in this Agreement shall preclude or in any way restrict such Investors from investing or participating in any particular enterprise whether or not such enterprise has products or services which compete with those of the Company.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

COMPANY:

APPFOLIO, INC.,
a Delaware corporation

By: /s/ Brian Donahoo
Brian Donahoo
Chief Executive Officer

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **BRIAN DONAHOO**

Signature: /s/ Brian Donahoo

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **Dragoneer Apartment, LLC** _____

By: Dragoneer Global GP, LLC, its Manager

By: /s/ Pat Robertson _____

Name: Pat Robertson

Title: Chief Operating Officer

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **BV Capital GmbH & Co Beteiligungs KG No. 1**

Signature: /s/ Mathias Schilling

Print Name: Mathias Schilling

Title: Managing Director of the General Partner

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **BV Capital Fund II LP**

Signature: /s/ Mathias Schilling

Print Name: Mathias Schilling

Title: Managing Director of the General Partner

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **BV Capital Fund II A LP**

Signature: /s/ Mathias Schilling

Print Name: Mathias Schilling

Title: Managing Director of the General Partner

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

GOOD FORTUNE CAPITAL II, LLC

By: /s/ Clive Bode

Name: Clive Bode

Title: President

Dated: December 2, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

IGSB INTERNAL VENTURE FUND II, LLC

By: /s/ Timothy K. Bliss

Name: Timothy K. Bliss

Title: _____

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

IGSB INTERNAL VENTURE FUND III, LLC

BY: INVESTMENT GROUP OF SANTA BARBARA, LLC

By: /s/ Timothy K. Bliss

Name: _____

Title: _____

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

IGSB IVP II, LLC

By: /s/ Timothy K. Bliss

Name: Timothy K. Bliss

Title: _____

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

IGSB IVP III, LLC

BY: INVESTMENT GROUP OF SANTA BARBARA, LLC

By: /s/ Timothy K. Bliss

Name: _____

Title: _____

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **The 1206 Family Trust**

Signature: /s/ Klaus Schauer

Print Name: Klaus Schauer

Title: Trustee

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

MARC STAD

Signature: /s/ Marc Stad

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **OATEN-DAVIS LIVING TRUST**

Signature: /s/ Albert Oaten

Print Name: Albert Oaten

Title: VP Market Development

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **OCEANLINK INVESTMENTS LIMITED**

Signature: /s/ Andrew Fortune, /s/ Julie Kleis

Print Name:: _____

Title: _____

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **UNION BANK, N.A., CUSTODIAN FBO
TIMOTHY K. BLISS ROTH IRA**

Signature: /s/ Beatrice M. Kollinzas

Print Name: Beatrice M. Kollinzas

Title: Vice President – Trust Officer

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

**UNION BANK, N.A., CUSTODIAN FBO TIMOTHY K.
BLISS ROTH IRA #3**

By: /s/ Beatrice M. Kollinzas

Name: Beatrice M. Kollinzas

Title: Vice President – Trust Officer

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **Union Bank, N.A., Custodian FBO Charles J.
Keenan IV Roth IRA #4**

Signature: /s/ Beatrice M. Kollinzas

Print Name: Beatrice M. Kollinzas

Title: Vice President – Trust Officer

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

UNION BANK, N.A., AS NOMINEE

By: /s/ Beatrice M. Kollinzas

Name: Beatrice M. Kollinzas

Title: Vice President – Trust Officer

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **THE CHRISTINE PERRY REVOCABLE
TRUST**

Signature: /s/ Christine Perry

Print Name: _____

Title: _____

Dated: November 26, 2013

SCHEDULE A

INVESTORS

BRIAN DONAHOO

BV CAPITAL GMBH & Co BETEILIGUNGS KG No. 1

BV CAPITAL FUND II LP

BV CAPITAL FUND II A LP

CHAD STEWART

COMRON SATTARI

CULLER-MAYENO 1999 FAMILY TRUST U/D/T DATED MARCH 24, 1999

DRAGONEER APARTMENT, LLC

EIRIK HOLM

FRANK A. ROBINSON, TTEE, FRANK H. ROBINSON & Co., INC. PROFIT SHARING TRUST UAD 9/29/03

FREDERIK VALEUR

GERALD AIGNER

GOOD FORTUNE CAPITAL II, LLC

LISA NORDQUIST LIVING TRUST

GOODHOMBRE FAMILY TRUST

GREGOR FREUND

GREGORY J AND CAROLYN M BURIE JTWROS

GUPTA-IWASAKI FAMILY TRUST

HEIDI HELFAND

HOWARD HARVEY

IGSB INTERNAL VENTURE FUND II, LLC

IGSB INTERNAL VENTURE FUND III, LLC

IGSB IVP II, LLC

IGSB IVP III, LLC

JAMES STEVEN HERZBERG, AS TRUSTEE OF THE JAMES STEVEN HERZBERG LIVING TRUST

JAMES G. SEMICK

JOHN PETOTE

KEVIN MILDEN

THE 1206 FAMILY TRUST

MARC STAD

MARK B. TEMPLETON REVOCABLE TRUST U/T/A DTD 6/04/2004

MICHAEL PAYNE AND JENNIFER PAYNE, TRUSTEES OF THE PAYNE FAMILY TRUST DATED OCTOBER 5, 2011

MICHAEL PAYNE AND JENNIFER PAYNE, TRUSTEES

MAXIMILIAN IBEL

MICHAEL & LYNN PIERCE, HUSBAND & WIFE AS COMMUNITY PROPERTY

MICHAEL RANDOLPH

OATEN-DAVIS LIVING TRUST

OCEANLINK INVESTMENTS LIMITED

OMID RAHMAT

UNION BANK, N.A., CUSTODIAN FBO TIMOTHY K. BLISS ROTH IRA

PAIGE K. KAYE TRUST

PAUL KMIEC

R. MICHAEL CRILL

RADICAL TRUST

SAEED SATTARI

UNION BANK, N.A., CUSTODIAN FBO TIMOTHY K. BLISS ROTH IRA #3

UNION BANK, N.A., CUSTODIAN FBO CHARLES J. KEENAN IV ROTH IRA #4

UNION BANK, N.A., AS NOMINEE

SEMENZATO-SELLERS TRUST 10-15-2004

SUSAN M. CAINE AND BRETT M. CAINE TRUST

THE CANTLEY-PAPADOPOULOS TRUST

THE CHARLES AND ALLISON KEENAN FAMILY TRUST DATED 6/15/09

THE CHRISTINE PERRY REVOCABLE TRUST

THE JERRY QI ZHENG AND XIAONING DUAN AB LIVING TRUST

THE KEENAN FAMILY TRUST DATED 12/20/1988, AS AMENDED

THE PLATT FAMILY TRUST DATED JULY 28, 2000

THE POURZANJANI FAMILY TRUST

TIMOTHY BLISS & VIRGINIA BLISS FAMILY TRUST DATED 4/2/82

WILLIAM J. REYNOLDS

ZHU WEI FAMILY TRUST

NASSAU LAND COMPANY, L.P.
MULTI-TENANT INDUSTRIAL LEASE

THIS MULTI-TENANT INDUSTRIAL LEASE ("Lease") dated April 1, 2011 for reference purposes only, is made and entered into by and between the Landlord and the Tenant identified in the Basic Provisions set forth below. This Lease consists of the Basic Provisions together with the Attachments and Exhibits listed in Paragraph I of the Basic Provisions.

BASIC PROVISIONS

These Basic Provisions set forth certain information relevant and fundamental to the Standard Terms and Conditions upon which this Lease is made, and all information set forth in these Basic Provisions is subject to the provisions of the Standard Terms and Conditions of this Lease.

A. Landlord

- (1) Name of Landlord: NASSAU LAND COMPANY, L.P.
a California limited partnership
- (2) Landlord's Trade Name: Castilian Technical Center
- (3) Landlord's Address: c/o The Towbes Group, Inc.
21 E. Victoria Street, Suite 200
Santa Barbara, California 93101
- (4) Landlord's Remit Address: P.O. Box 20130
Santa Barbara, California 93120

B. Tenant

- (1) Name of Tenant(s): APPFOLIO, INC., a Delaware corporation
- (2) Tenant's Trade Name: AppFolio
- (3) Tenant's Mailing Address: 50 Castilian Drive, Suite 100
Goleta, CA 93117
- (4) Tenant's Billing Address: Same as Mailing Address
- (5) Tenant's address if Tenant is no longer in Building: Stradling Yocca Carlson & Rauth, 800 Anacapa Street, Suite A, Santa Barbara, CA 93101, Attn: David Lafitte, Esq.

C. Leased Premises (Article 1)

(1) Description of Premises (Section 1.1)

(a) The office space or other unit or area outlined on the Site Plan attached as Exhibit A known as 50 Castilian Drive, Suite 102 (herein, the "Premises"), located in the Castilian Technical Center situated at 50 Castilian Drive, in the City of Goleta, County of Santa Barbara, State of California (herein the "Project").

(b) Landlord and Tenant mutually agree that the square footage of the Premises is 14,527 square feet of leasable space. The Project initially consists of approximately 43,277 square feet of leasable space.

(c) The Building in which the Premises are situated initially consists of 43,277 square feet of leasable space.

(d) Tenant's proportionate share of Building Operating Expenses initially shall be thirty-three and 57/100 percent (33.57%).

(e) Tenant's proportionate share of Project Operating Expenses initially shall be thirty-three and 57/100 percent (33.57%).

(2) Parking (Section 1.3)

(a) Tenant shall have the right to (check each applicable item):

- (i) Exclusive use of spaces
- (ii) Non-exclusive use of the common area parking lot not to exceed forty-seven (47) spaces.
- (iii) Assigned space number(s) .

(b) Tenant's employees (may) (may not) use any common area parking spaces situated on the Premises (in addition to) (other than) those assigned to Tenant pursuant to subparagraph (a), above.

g
Ernst

(3) Preparation of Premises; Occupancy (Section 1.4)

(a) No work shall be required by Landlord to prepare the Premises for occupancy by Tenant.

(b) The Anticipated Completion Date for the majority of the work to be done by Landlord, as reflected on Exhibit B is the 1st day of August, 2011.

(c) The Anticipated Completion Date for any work to be done by Landlord, as reflected on Exhibit B is () weeks from Landlord's receipt of Tenant's "approved final construction plan."

D. Term of Lease (Article 2)

(1) Effective Date

Upon Lease execution.

(2) Commencement Date

(a) October 1, 2011.

(b) The day upon which Landlord has notified Tenant in writing that any work required of Landlord, as reflected on Exhibit B, is substantially completed, or the day on which Tenant first opens for business if sooner.

(3) Term. A period of three (3) years measured from the Commencement Date; the last day of the Initial Term of this Lease shall be September 30, 2014.

E. Rent (Article 3)

(1) Minimum Monthly Rent. The sum of \$1.40 per square foot per month payable in equal monthly installments of \$20,337.80 due on or before the first day of each month (Section 3.1) commencing on the Commencement Date (the "Rent Commencement Date"). The Minimum Monthly Rent and reimbursement for Landlord's Common Area and Total Operating Costs shall commence upon the Rent Commencement Date.

(2) Adjustment to Minimum Monthly Rent (Section 3.1)

(a) To be made at one (1)-year intervals in accordance with the provisions of Exhibit C. For the purpose of such adjustments, the Base Period shall be the month of July, 2011, the Base Period index shall be as determined herein, and the Comparison Period shall be the month of July preceding the Adjustment Date. The Adjustment Date shall be:

(i) October 1, 2012 and October 1, 2013.

(ii) Other (specify):

(b) Notwithstanding the above, the Minimum Monthly Rent shall have a minimum annual adjustment of two percent (2%) and a maximum annual adjustment of five percent (5%).

(c) To be increased to the sum of \$ on the day , 20 , and thereafter to be increased as follows:

(d) Not applicable.

(3) Late Processing Charge. (Section 3.3) The sum of five percent (5%) of each delinquent payment.

(4) Prepaid Rent. (Section 3.4) \$26,729.68 (\$20,337.80 for Minimum Monthly Rent, plus \$6,391.88 for Total Operating Costs), all of which shall be for the first full month of the Term.

(5) Security Deposit. (Section 3.5) \$20,337.80.

F. Landlord's Common Area and Operating Costs (Article 7) (Continued on Exhibit K attached hereto.)

Tenant shall reimburse Landlord for Tenant's proportionate share of Landlord's Total Operating Costs in the manner and to the extent provided in Article 7 of the Standard Terms and Conditions.

G. Use by Tenant (Article 8)

Tenant shall use and occupy the Premises for general office and for no other purpose.

H. Insurance (Article 13)

(1) Liability Insurance Required of Tenant. Tenant to provide its own liability insurance for bodily injury and property damage with single limit coverage in the amount of:

- \$2,000,000
- \$











(2) Endorsements. Tenant shall procure and maintain throughout the term of the Lease the following policy endorsements with initial limits not less than those indicated below:

	<u>YES</u>	<u>NO</u>	<u>AMOUNT</u>
(a) Automobile Liability:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$1,000,000
(b) Plate Glass Insurance:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	100% replacement cost. Up to \$20,000 with a \$1,000 deductible.
(c) Boiler and Machinery Insurance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	100% replacement cost.
(d) Rent Continuation:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	In the amount of the Minimum Monthly Rent due hereunder for no less than three (3) months.
(e) Vandalism:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	100% replacement cost.
(f) Tenant Fire Insurance:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	100% replacement cost.

(3) Subrogation. Landlord and Tenant intend that their respective property loss risks shall be borne by reasonable insurance carriers to the extent above as provided herein, and Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against each other to the extent of such losses, and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right of the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that the waiver of subrogation shall not affect the right of the insured to recover thereunder, so long as no material additional premium is charged therefor.

I. Attachments and Exhibits: Tenant's Financial Statement(s)

Landlord has delivered to Tenant, and Tenant hereby acknowledges receipt of, each of the following, which are incorporated into this Lease by reference (Landlord and Tenant to initial in applicable blank spaces):

<u>Landlord</u>	<u>Tenant</u>	
		Standard Terms and Conditions
		Attachment 1: Rules and Regulations
		Exhibit A: Site Plan
		Exhibit B: Preparation of Premises Landlord's Work
		Exhibit C: Adjustment to Minimum Monthly Rent
_____	_____	Exhibit D:
_____	_____	Exhibit E:



<u>g</u>	<u>KAP</u>	Exhibit F: Real Estate Commissions
<u>g</u>	<u>KAP</u>	Exhibit G: Option to Renew
<u>g</u>	<u>KAP</u>	Exhibit H: Additional Governmental Conditions & Requirements
<u>g</u>	<u>KAP</u>	Exhibit I: Sign Plan
<u>g</u>	<u>KAP</u>	Exhibit J:
<u>g</u>	<u>KAP</u>	Exhibit K: Supplemental Terms and Conditions
<u>g</u>	<u>KAP</u>	Exhibit L: Form of Estoppel Certificate
<u>g</u>	<u>KAP</u>	Exhibit M: Commencement Memorandum
<u>g</u>	<u>KAP</u>	Exhibit N: Prohibited Uses
<u>g</u>	<u>KAP</u>	Exhibit O:
<u>g</u>	<u>KAP</u>	Exhibit P: Nondisturbance Agreement

Tenant has delivered to Landlord Tenant's current financial statement (consisting of a Profit and Loss Statement and Balance Sheet) dated December 31, 2010; Tenant agrees to provide Landlord annually, within six (6) months after the end of Tenant's fiscal year (12/31), with a financial statement (consisting of a Profit and Loss Statement and Balance Sheet) for said fiscal year certified by Tenant to be true and correct.

IN WITNESS WHEREOF, the parties hereto have executed this Lease on the date set forth opposite their respective names and respectively warrant that the persons executing this Lease are duly authorized and empowered to do so.

LANDLORD AND TENANT HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LANDLORD AND TENANT WITH RESPECT TO THE PREMISES.

LANDLORD:

Date: April 13, 2011

NASSAU LAND COMPANY, L.P., a California limited partnership

By: Michael Towbes Construction & Development, Inc., a California corporation, General Partner



By: _____

Michael Towbes, President
Craig Zimmerman, Vice President

Federal ID#

TENANT:

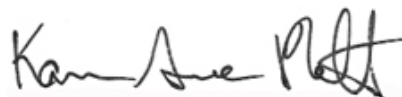
Date: April 12, 2011

APPFOLIO, INC., a Delaware corporation



By: _____

Brian Donahoo, its President



By: _____

Karen Anne Platt, its CFO

Federal ID#

NASSAU LAND COMPANY, L.P.
MULTI-TENANT INDUSTRIAL LEASE
STANDARD TERMS AND CONDITIONS

Table of Contents

<u>Article</u>	<u>Title</u>	<u>Page</u>
1.	<u>LEASED PREMISES</u>	1
	1.1 Description of Premises	1
	1.2 Common Areas	1
	1.3 Parking Facilities	1
	1.4 Preparation of Premises; Occupancy	2
	1.5 Reserved Rights	2
2.	<u>TERM OF LEASE</u>	2
	2.1 Initial Term	2
	2.2 Possession	2
	2.3 Rent Commencement Date	2
3.	<u>RENT</u>	3
	3.1 Minimum Monthly Rent	3
	3.2 Additional Rent	3
	3.3 Time and Manner of Payment	3
	3.4 Prepaid Rent	3
	3.5 Security Deposit	4
4.	<u>INTENTION OF PARTIES</u>	4
	4.1 Negation of Partnership	4
	4.2 Real Estate Commissions	4
5.	<u>PROPERTY TAXES AND ASSESSMENTS</u>	4
	5.1 Personal Property Taxes	4
	5.2 Real Property Taxes	4
	5.3 Definition of Real Property Taxes	5
6.	<u>LANDLORD'S MANAGEMENT OF PROJECT</u>	5
	6.1 Management of Common Area and Project	5
	6.2 Tenant's Share	6
	6.3 Rules and Regulations	6
7.	<u>COMMON AREA EXPENSE AND OPERATING COSTS</u>	6
	7.1 Common Area Expenses	6
	7.2 Definition of Operating Expenses	6
	7.3 Payments by Tenant	9
	7.4 Books and Records	9
8.	<u>USE; LIMITATIONS ON USE</u>	9
	8.1 Tenant's Use of Premises	9
	8.2 Additional Limitation on Use	10
	8.3 Intentionally omitted	11
	8.4 No Representations by Landlord	11
9.	<u>ALTERATIONS</u>	11
	9.1 Trade Fixtures; Alterations	11
	9.2 Damage; Removal	12
	9.3 Liens	12
	9.4 Standard of Work	12
10.	<u>UTILITIES; ESSENTIAL SERVICES; ACCESS</u>	12
	10.1 Utilities	12
	10.2 Essential Services	13
	10.3 Access to the Premises	13
11.	<u>TENANT'S PERSONAL PROPERTY</u>	13
	11.1 Installation of Property	13
	11.2 Removal of Personal Property	13

<u>Article</u>	<u>Title</u>	<u>Page</u>
12.	<u>REPAIRS AND MAINTENANCE</u>	13
	12.1 Tenant	13
	12.2 Landlord	14
13.	<u>INDEMNITY AND INSURANCE</u>	15
	13.1 Indemnification	15
	13.2 Exemption of Landlord from Liability	16
	13.3 Public Liability and Property Damage	16
	13.4 Tenant's Property Insurance	16
	13.5 Proof of Insurance	16
	13.6 Casualty Insurance	16
	13.7 Subrogation	17
14.	<u>DAMAGE AND DESTRUCTION</u>	17
	14.1 Casualty	17
	14.2 Tenant's Fault	17
	14.3 Uninsured Casualty	18
	14.4 Waiver	18
	14.5 Force Majeure	18
	14.6 Substantial Damage During Last Six (6) Months	18
15.	<u>CONDEMNATION</u>	18
	15.1 Entire Leased Premises	18
	15.2 Partial Taking	18
	15.3 Transfer Under Threat of Condemnation	19
	15.4 Awards and Damages	19
	15.5 Arbitration	19
16.	<u>ASSIGNING, SUBLETTING AND HYPOTHECATING</u>	19
	16.1 Landlord's Consent Required	19
	16.2 Tenant's Application	19
	16.3 Additional Terms Regarding Subletting	20
	16.4 Recapture	20
	16.5 Fees for Review	21
	16.6 Collection	21
	16.7 Waiver	21
	16.8 Assumption of Obligations	21
	16.9 No Release	21
	16.10 Implied Assignment	21
	16.11 Remedies Against Landlord	22
17.	<u>DEFAULT</u>	22
	17.1 Events of Default	22
	17.2 Remedies	22
	17.3 Cumulative	23
18.	<u>INTENTIONALLY OMITTED</u>	23
19.	<u>LANDLORD'S AND TENANT'S RIGHT TO CURE DEFAULTS</u>	23
20.	<u>WAIVER OF BREACH; ACCORD AND SATISFACTION</u>	24
21.	<u>SUBORDINATION; ESTOPPEL</u>	24
	21.1 Subordination and Attornment	24
	21.2 Assignment	24
	21.3 Conditions for Tenant's Termination	24
	21.4 Estoppel Certificates	25
22.	<u>SIGNS AND ADVERTISING</u>	25
23.	<u>RIGHTS RESERVED TO LANDLORD</u>	25
	23.1 Right of Entry	25
	23.2 Additional Rights of Landlord	26

<u>Article</u>	<u>Title</u>	<u>Page</u>
24.	<u>SALE OR TRANSFER OF PREMISES; LANDLORD’S RIGHT TO MORTGAGE</u>	26
	24.1 Sale or Transfer by Landlord	26
	24.2 Landlord’s Right to Mortgage	26
25.	<u>SURRENDER; WAIVER OR REDEMPTION; HOLDING OVER</u>	26
	25.1 Surrender of Premises	26
	25.2 Holding Over	27
26.	<u>HAZARDOUS MATERIALS</u>	27
	26.1 Definitions	27
	26.2 Prohibited Uses	28
	26.3 Obligation to Indemnify, Defend and Hold Harmless	28
	26.4 Obligation to Remediate	29
	26.5 Notification	29
	26.6 Termination of Lease	29
	26.7 Toxic Substances Disclosure	30
	26.8 Landlord’s Warranty	30
27.	<u>INTENTIONALLY OMITTED</u>	30
28.	<u>WRITTEN NOTICES</u>	30
29.	<u>JOINT AND SEVERAL LIABILITY</u>	30
30.	<u>BINDING ON SUCCESSORS, ETC.</u>	30
31.	<u>ATTORNEYS’ FEES</u>	30
32.	<u>FURTHER ASSURANCES</u>	31
33.	<u>CONSTRUCTION OF LEASE</u>	31
34.	<u>PARTIAL INVALIDITY</u>	31
35.	<u>RECORDING</u>	31
36.	<u>COMPLETE AGREEMENT</u>	31
37.	<u>NO IMPLICATION OF EXCLUSIVE USE</u>	32
38.	<u>TENANT A CORPORATION OR LIMITED LIABILITY COMPANY</u>	32
39.	<u>SUBMISSION OF DOCUMENT</u>	32
40.	<u>NO PERSONAL OBLIGATION OF LANDLORD</u>	32
41.	<u>EXCAVATION</u>	32
42.	<u>ARBITRATION</u>	32

THE SUBMISSION OF THIS DOCUMENT FOR EXAMINATION AND NEGOTIATION DOES NOT CONSTITUTE AN OFFER TO LEASE, OR A RESERVATION OF, OR OPTION FOR, THE PREMISES; THIS DOCUMENT BECOMES EFFECTIVE AND BINDING ONLY UPON EXECUTION AND DELIVERY HEREOF BY LANDLORD. NO ACT OR OMISSION OF ANY EMPLOYEE OR AGENT OF LANDLORD OR OF LANDLORD’S BROKER SHALL ALTER, CHANGE OR MODIFY ANY OF THE PROVISIONS HEREOF.

NASSAU LAND COMPANY, L.P.
MULTI-TENANT INDUSTRIAL LEASE
STANDARD TERMS AND CONDITIONS

THESE STANDARD TERMS AND CONDITIONS constitute an integral part of this Multi-Tenant Industrial Lease. Each reference in the Standard Terms and Conditions to information set forth in the Basic Provisions of this Lease shall be construed to incorporate all of the information to which reference is made. Any conflict between these Standard Terms and Conditions and the information set forth in the Basic Provisions shall be controlled by the terms of these Standard Terms and Conditions.

1. LEASED PREMISES

1.1 Description of Premises. As used herein, the term "Premises" shall mean the office space or other unit as are described in the Basic Provisions, the boundaries and location of which are designated on the attached Site Plan (Exhibit A), which said Premises are now existing or will be part of the building containing the Premises (the "Building") and are more fully described in Section C of the Basic Provisions. Unless the context otherwise requires, the Premises shall include that portion of the Building and other improvements presently situated or to be constructed in the location so outlined on said Site Plan, and all fixtures heretofore or hereafter to be installed by Landlord therein, but shall exclude the roof and the exterior surface of all exterior walls of such Building and improvements, except as specifically allowed hereunder. The Premises, the Building, the Common Areas (as defined below), the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "Project."

1.2 Common Areas. Subject to Article 6 of this Lease, Landlord shall make available at all times during the term of this Lease, such automobile parking and other common areas within the exterior boundaries of the land and Building of which the Premises are a part. The term "Common Area(s)" shall mean all the portions of the Building which are not specifically leased or specifically available for lease to tenants and which have at the time in question been designated and improved for common use by or for the benefit of more than one tenant or concessionaire of the Building, including any of the following (the specific recitation of which shall not be deemed to limit the definition of "Common Area"): the land and facilities utilized as parking areas; access and perimeter roads; truck passageways (which may be in whole or in part subsurface); arcades; landscaped areas; exterior walks; stairways; stairs; directory equipment; ramps; drinking fountains; toilets and other public facilities; and bus stations and taxi stands; but excluding any portion thereof when designated by Landlord for a noncommon use, provided any portion of the Building which was not included within the Common Area shall be so included when so designated and improved for common use. All of the Common Area shall be subject to the exclusive control and management of Landlord or such other persons or nominees as Landlord may have delegated or assigned to exercise such management or control, in whole or in part, in Landlord's place and stead. Tenant acknowledges that Landlord makes no representation or warranty whatsoever concerning the safety of the Common Area or the adequacy of any security system which is or may be instituted for the Common Area. In no event shall Tenant have the right to sell or solicit in any manner in the Common Area. As long as Tenant is not in default under this Lease, Tenant shall have the non-exclusive right to use in common with other Tenants of the Building the common areas and facilities included in the Building together with such easements for ingress and egress as are necessary for Tenant's use and occupancy of the Premises.

1.3 Parking Facilities. Tenant acknowledges and agrees that any parking spaces provided by Landlord in and around the Building or Premises are solely for the convenience of the customers of Tenant and of other tenants of the Building, and that no portion of any such parking facilities is reserved for Tenant, its employees or its customers unless otherwise specifically designated by Landlord in the Basic Provisions. Landlord expressly reserves the right to establish and enforce reasonable rules and regulations throughout the Term of this Lease concerning the use of the parking area, and Landlord shall be entitled to tow away vehicles parked in violation of such rules. Tenant agrees that Tenant and its employees will not park in the parking area serving the Building except in that area, if any, specifically designated in writing by Landlord for that purpose. Upon the request of Landlord, Tenant shall provide Landlord on a periodic basis with a current list of Tenant's employees and their respective vehicle license numbers, and shall promptly notify Landlord of any changes in such list.

Landlord's Initials g

Tenant's Initials JMS

1.4 Preparation of Premises: Occupancy.

1.4.1 If so provided in the Basic Provisions, Landlord agrees to perform any work identified in Exhibit B as Landlord's work, and to cause the Premises to be ready for occupancy by Tenant on or before the Commencement Date set forth in the Basic Provisions. In the event Landlord is required to perform any work prior to Tenant's occupancy, the Premises shall be deemed ready for occupancy as of the date Landlord has notified Tenant in writing that Landlord has substantially completed all of the work required to be done by Landlord as reflected in Exhibit B, and the initial Term of this Lease shall commence on the date of such notice unless a different date is specified in the Basic Provisions.

1.4.2 If for any reason Landlord cannot deliver possession of the Premises to Tenant on the Commencement Date, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, but the Term of this Lease shall be extended until the Premises are ready for occupancy by Tenant; provided, however, that if Landlord is unable to deliver possession of the Premises to Tenant within sixty (60) days after the Commencement Date, Tenant may terminate this Lease by giving written notice to Landlord and thereupon both parties hereto shall be relieved and discharged of all liability hereunder. In the event Tenant elects not to terminate the Lease and incurs a holdover penalty at its existing space, Landlord shall reimburse Tenant for such expense.

1.5 Reserved Rights. After providing Tenant with twenty-four (24) hours prior notice, unless in the case of an emergency, Landlord reserves the right to enter the Premises during normal business hours for any reason upon reasonable notice to Tenant and/or to undertake the following, all without abatement of rent or liability to Tenant:

1.5.1 Inspect the Premises and/or the performance by Tenant of the terms and conditions hereof;

1.5.2 Make such alterations, repairs, improvements or additions to the Premises as required hereunder; change boundary lines of the Common Areas;

1.5.3 Install, use, maintain, repair, alter, relocate or replace any pipes, ducts, conduits, wires, equipment and other facilities in the Building;

1.5.4 Grant easements on the Project (with thirty (30) days prior notice);

1.5.5 Dedicate for public use portions thereof and record covenants, conditions and restrictions ("CC&Rs") affecting the Project and/or amendments to existing CC&Rs which do not unreasonably interfere with Tenant's use of the Premises or impose additional material monetary obligations on Tenant;

1.5.6 Change the name of the Project;

1.5.7 Affix reasonable signs and displays as well as post and maintain any notice deemed necessary by Landlord for the protection of its interest (including, without limitation, notices of nonresponsibility);

1.5.8 Show the Premises to prospective tenants during the last six (6) months of the Term.

2. TERM OF LEASE

2.1 Initial Term. The initial term of the Lease (the "Term") shall begin on the Commencement Date specified in the Basic Provisions. Subject to extension or sooner termination as hereinafter provided, this Lease shall continue for the Term specified in the Basic Provisions. If the Term of this Lease begins on a day other than the first day of a calendar month, the initial Term of this Lease shall be adjusted to commence on the first day of the first full calendar month after the Commencement Date.

2.2 Possession. Tenant's possession of the Premises prior to the Commencement, if any, shall be subject to all the provisions of this Lease (except for the payment of Rent) and shall not advance the expiration date. Tenant shall upon demand acknowledge in writing the Possession Date in the form attached hereto as Exhibit M.

2.3 Rent Commencement Date. Unless otherwise specified in the Basic Provisions, the "Rent Commencement Date" shall be the same date as the Commencement Date. In the event the Commencement Date does not fall on the first (1st) day of a calendar month, Rent during any partial month shall be prorated on the basis of a thirty (30) day month, and shall be due and payable on or before the Commencement Date.

Landlord's Initials

ly

Tenant's Initials

lms

3. **RENT**

3.1 Minimum Monthly Rent.

3.1.1 Tenant agrees to pay to Landlord a Minimum Monthly Rent, initially in the amount set forth in the Basic Provisions, during each month of the Term of this Lease. Minimum Monthly Rent for a period constituting less than a full month shall be prorated on the basis of a thirty (30)-day month.

3.1.2 If so provided in the Basic Provisions, the Minimum Monthly Rent shall be adjusted at the times specified and in the manner provided in the Basic Provisions, and Tenant agrees to pay Landlord the Minimum Monthly Rent, as so adjusted, at the times and in the manner provided by this Lease.

3.1.3 Landlord shall have no obligation to notify Tenant of any increase in Minimum Monthly Rent, and Tenant's obligation to pay all Minimum Monthly Rent (and any increases) when due shall not be modified or altered by such lack of notice from Landlord. Acceptance of a payment of Rent that is less than the amount then due shall not be a waiver of Landlord's rights to the balance of such Rent, regardless of Landlord's endorsement of or deposit of any check so stating.

3.2 Additional Rent. All sums other than Minimum Monthly Rent which Tenant is obligated to pay under this Lease, including late charges and interest as set forth in Section 3.3 below, shall be deemed to be additional rent due hereunder, whether or not such sums are designated "additional rent." The term "Rent" means the Minimum Monthly Rent and all additional amounts payable by Tenant under the Lease (including, but not limited to, late charges and interest). Acceptance of a payment of Rent that is less than the amount then due shall not be a waiver of Landlord's rights to the balance of such Rent, regardless of Landlord's endorsement of or deposit of any check so stating.

3.3 Time and Manner of Payment.

3.3.1 Tenant agrees that all Rent payable by Tenant hereunder shall be paid by Tenant to Landlord by check or certified funds not later than the close of business on the day on which first due, without any deduction, setoff, prior notice or demand, except as expressly set forth in this Lease. All Rents shall be paid in lawful money of the United States at such place as Landlord shall designate to Tenant from time to time in writing. Landlord agrees that Tenant may, at Tenant's risk, use United States mail for delivery of Rent. Landlord's receipt and deposit of any check shall not constitute satisfaction of Tenant's rental payment obligations until said check is paid in full by the bank upon which it is drawn.

3.3.2 Should Tenant fail to make any payment of Rent within five (5) business days of the date when such payment first becomes due, or should any check tendered in payment of Rent be returned to Landlord by Tenant's bank for any reason, then Tenant shall pay to Landlord, in addition to such Rental payment, a late processing charge in the amount specified in the Basic Provisions, which the parties agree is a reasonable estimate of the amount necessary to reimburse Landlord for the damages and additional costs not contemplated by this Lease that Landlord will incur as a result of the delinquent payment or returned check, including processing and accounting charges and late charges that may be imposed on Landlord by its lender. If Tenant fails to make payment within said five (5)- business day period, the entire amount then due, including said late charge, shall thereafter bear interest at the then-current federal discount rate in San Francisco plus two percent (2%). Should Tenant fail to make payment of any Rental payment(s) due hereunder within five (5) business days of the date when such payment(s) first become due on three (3) occasions in any twelve (12) month period, Landlord, at its option, may require Tenant to prepay Rent on a quarterly basis thereafter. Moreover, in the event any of Tenant's checks are returned for insufficient funds or other reasons not the fault of Landlord, Tenant agrees to pay Landlord the sum of twenty-five dollars (\$25.00) in addition to any Late Charge and Landlord shall have the right any time thereafter to require that all future payments due from Tenant under this Lease for the next one (1)-year period be made by money order or by certified or cashier's check.

3.3.3 Landlord will apply Tenant's payments first to accrued late charges and attorney's fees, second to accrued interest, then to Minimum Monthly Rent and Common Area Expenses, and any remaining amount to any other outstanding charges or costs.

3.4 Prepaid Rent. Tenant shall pay to Landlord upon execution of this Lease Prepaid Rent, if any, in the amount specified in the Basic Provisions, which shall be allocated toward the payment of rent for the months specified in the Basic Provisions. If Tenant is not in default of any of the provisions of this Lease, the Rent prepaid by Tenant for the last month of the term of this Lease, if any, shall be reduced by the amount so allocated in the Basic Provisions.

Landlord's Initials

ly

Tenant's Initials

PLD

3.5 Security Deposit. Tenant shall deposit with Landlord upon execution of this Lease the amount specified in the Basic Provisions as a Security Deposit for the performance by Tenant of its obligation under this Lease. Tenant agrees that if Tenant defaults in its performance of this Lease, or in the payment of any sums owing to Landlord, or in the payment of any other sums required from Tenant under the provisions of this Lease, then Landlord may, but shall not be obligated to, use the Security Deposit, or any portion thereof, to cure such default or to compensate Landlord for any damage, including late charges and costs of enforcement, sustained by Landlord resulting from Tenant's default or nonpayment. If Landlord does so apply any portion of the Security Deposit, Tenant shall immediately pay Landlord sufficient cash to restore the Security Deposit to the amount of the then current Minimum Monthly Rent. If Tenant is not in default at the expiration or termination of this Lease, Landlord shall return the unexpended portion of the Security Deposit to Tenant within sixty (60) days following expiration or termination of this Lease, without interest. Landlord's obligations with respect to the Security Deposit shall be those of debtor, and not of a trustee, and Landlord shall be entitled to commingle the Security Deposit with the general funds of Landlord.

4. INTENTION OF PARTIES

4.1 Negation of Partnership. Nothing in this Lease is intended, and no provision of this Lease shall be construed, to make Landlord a partner of or a joint venturer with Tenant, or associated in any other way with Tenant in the Tenant's operation of the Premises (other than the relationship of landlord and tenant), or to subject Landlord to any obligation, loss, charge or expense resulting from or attributable to Tenant's operation or use of the Premises.

4.2 Real Estate Commissions. Each party represents and warrants to the other that it has not utilized the services of any real estate broker or other person who could claim any fee or commission from the other (other than the person(s) identified on Exhibit F attached hereto) in connection with Tenant entering into this Lease. Tenant warrants to Landlord that Tenant's sole contact with Landlord or with the Premises in connection with this transaction has been directly with Landlord, Landlord's Broker and Tenant's Broker specified in Exhibit F, and that no other broker or finder can properly claim a right to a commission or a finder's fee based upon contacts between the claimant and Tenant. Subject to the foregoing, Tenant agrees to indemnify and hold Landlord harmless from any claims or liability, including reasonable attorneys' fees, in connection with a claim by any person for a real estate broker's commission, finder's fee or other compensation based upon any statement, representation or agreement of Tenant, and Landlord agrees to indemnify and hold Tenant harmless from any such claims or liability, including reasonable attorneys' fees, based upon any statement, representation or agreement of Landlord.

5. PROPERTY TAXES AND ASSESSMENTS

5.1 Personal Property Taxes. Tenant shall pay before delinquency all taxes assessed against any personal property and/or leasehold improvements of Tenant installed or located in or upon the Premises and that become payable during the Term of this Lease. Tenant agrees to cooperate with Landlord to identify to the Assessor all Tenant improvements to the Premises.

5.2 Real Property Taxes. (Continue on Exhibit K attached hereto)

5.2.1 In addition to all other Rent payable by Tenant hereunder, Tenant agrees to pay as additional Rent its proportionate share of Real Property Taxes levied and assessed against the Project. Real Property Taxes for any fractional portion of a calendar year included in the Lease Term shall be prorated on the basis of a 360-day year.

5.2.2 Each year, Landlord shall notify Tenant of its proportionate share of the Real Property Taxes payable by Tenant hereunder and Tenant shall pay Landlord the amount payable by Tenant at the time and in the manner provided by Article 7 of this Lease.

5.2.3 Tenant's proportionate share of Real Property Taxes shall be the ratio that the square footage of the Premises bears to the total leasable square footage of the Building and other improvements of which the Premises are a part, or if such Building and improvements are not separately assessed, the total leasable square footage of the buildings and improvements constituting the Project. Tenant's proportionate share on the Commencement Date is set forth in the Basic Provisions; said proportionate share is subject to adjustment periodically as of the time each installment of Real Property Taxes is due. Increases in Real Property Taxes resulting under Proposition 13 changes in ownership of the Premises are waived for the initial three (3) years of the Lease in accordance with Exhibit K, Supplemental Terms and Conditions.

Landlord's Initials y

Tenant's Initials KAP

5.2.4 Tenant shall pay to Landlord Tenant's proportionate share of the Real Property Taxes in each calendar year; provided, however, Landlord may, at its election, require that Tenant pay any increase in the assessed value of the Project based upon the value of the Tenant Improvements (as defined in the Exhibit B), if any, relative to the value of the other improvements on or to the other buildings in the Project, as reasonably determined by Landlord. Upon Tenant's request, Landlord shall endeavor to provide Tenant with a breakdown of Landlord's determination of Tenant's increased share of Real Property Taxes resulting from the Tenant Improvements.

5.3 Definition of Real Property Taxes. "Real Property Taxes" shall be the sum of the following: all real property taxes; possessory interest taxes; business or license taxes or fees; present or future Mello-Roos assessments; service payments in lieu of such taxes or fees; annual or periodic license or use fees; excise, transit and traffic charges; housing fund assessments, open space charges, childcare fees, school, sewer and parking fees or any other assessments, levies, fees, exactions or charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen (including fees "in-lieu" of any such tax or assessment) which are assessed, levied, charged, conferred or imposed by any public authority upon the Project (or any real property comprising any portion thereof) or its operations, together with all taxes, assessments or other fees imposed by any public authority upon or measured by any rent or other charges payable hereunder, including any gross receipts tax or excise tax levied by any governmental authority with respect to receipt of rental income, or, with respect to or by reason of the development, possession, any tax or assessment levied in connection with the leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion thereof; any documentary transfer taxes upon this transaction or any document to which Tenant is a party creating or transferring an interest in the Premises; together with any tax imposed in substitution, partially or totally, of any tax previously included within the aforesaid definition or any additional tax the nature of which was previously included within the aforesaid definition; together with any and all costs and expenses (including, without limitation, attorneys', administrative and expert witness fees and costs) of challenging any of the foregoing or seeking the reduction in or abatement, redemption or return of any of the foregoing, but only to the extent of any such reduction, abatement, redemption or return. All references to Real Property Taxes during a particular year shall be deemed to refer to taxes accrued during such year, including supplemental tax bills, regardless of when they are actually assessed and without regard to when such taxes are payable. The obligation of Tenant to pay for supplemental taxes effective during the Term shall survive the expiration or early termination of this Lease. Nothing contained in this Lease shall require Tenant to pay any franchise, corporate, estate or inheritance tax of Landlord, or any income, profits or revenue tax or charge upon the net income of Landlord or any documentary transfer tax.

6. LANDLORD'S MANAGEMENT OF PROJECT

6.1 Management of Common Area and Project. Provided that Tenant's access to and use of the Premises is not unreasonably hindered or prevented (except for changes, alterations or modifications required by any federal, state, or local governmental or quasi-governmental body, or by law), the number of parking spaces available to Tenant is not unreasonably hindered or reduced (except for changes, reductions, alterations or modifications required by any federal, state, or local governmental or quasi-governmental body, or by law), and Tenant's proportionate share of Building Operating Expenses and Project Operating Expenses do not increase (except as provided in Section 6.2 below), Landlord shall have the right, in Landlord's sole discretion and expense, from time to time, to do any of the following:

6.1.1 Make changes to the Common Area, including, without limitation, changes in the location, size, shape and number of driveways, entrances, exits, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscape areas, and walkways;

6.1.2 Close the Common Areas when and to the extent necessary for maintenance or renovation purposes or to prevent a dedication of any part thereof or the accrual of any rights therein in favor of the public or any third person;

6.1.3 Designate other land outside the boundaries of the Project to be part of the Common Area;

6.1.4 Install, use, maintain, repair, alter, relocate or replace any Common Area or to add additional buildings and improvements to the Common Area;

Landlord's Initials g

Tenant's Initials KAP

6.1.5 Use the Common Area while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof;

6.1.6 Remodel or renovate the buildings and improvements constituting the Project, and, in connection therewith, to install pipes, conduits, ducts and similar fixtures beneath or through the Premises, provided that such remodeling or renovation does not substantially change the size, dimension, configuration or nature of the Premises; and/or

6.1.7 Do and perform other such acts and make other such changes in, to or with respect to the Common Area and the Project as Landlord may, in the exercise of sound business judgment, deem to be appropriate or prudent.

6.2 Tenant's Share. Landlord reserves the right to adjust Tenant's stated proportionate share ("Tenant Share") of Project Operating Expenses and/or Building Operating Expenses provided at least one of the following conditions are met:

6.2.1 Where alterations to the Project or the Building result in changes in the Common Areas, the Building or the Project;

6.2.2 Tenant leases additional space within the Building or the Project.

6.3 Rules and Regulations. Landlord shall have the right from time to time to promulgate, amend and enforce against Tenant and all persons upon the Premises, reasonable rules and regulations for the safety, care and cleanliness of the Common Area, Premises and the Project or for the preservation of good order; provided, however, that all such rules and regulations shall apply substantially equally and without discrimination to all tenants of Landlord in the Project. Tenant agrees to conform to and abide by such rules and regulations, and a violation of any of them shall constitute a default by Tenant under this Lease. The current Rules and Regulations are attached to this Lease as Attachment 1.

7. COMMON AREA EXPENSE AND OPERATING COSTS

7.1 Common Area Expenses. Tenant shall pay monthly to Landlord Tenant's Share of the Building Operating Expenses and Tenant's Share of Project Operating Expenses in each calendar year.

7.2 Definition of Operating Expenses. "Common Area Expenses" shall mean collectively the "Building Operating Expenses" and the "Project Operating Expenses".

7.2.1 Building Operating Expenses. "Building Operating Expenses" shall include all reasonable and necessary expenses incurred by Landlord in the ownership, operation, maintenance, repair and management of the Building in which the Premises are located, including, but not limited to the following:

- (i) Non-structural repairs to and maintenance of the roof (and roof membrane), skylights and exterior walls of the Building (including painting);
- (ii) The costs relating to the insurance maintained by Landlord with respect to the Building, except for any deductible amounts in excess of \$50,000 in the aggregate, and earthquake insurance unless required by Landlord's lender;
- (iii) Maintenance contracts for heating, ventilation and air-conditioning (HVAC) systems and elevators, if any;
- (iv) Maintenance, monitoring and operation of the fire/life safety and sprinkler system;
- (v) Capital improvements made to or capital assets acquired for the Building after the Commencement Date that are intended to reduce Building Operating Expenses or are reasonably necessary for the health and safety of the occupants of the Building or are required under any governmental law or regulation, which capital costs, or an allocable portion thereof, shall be amortized at eight percent (8%) per annum over its useful life as commercially reasonable determined by Landlord; and
- (vi) Any other commercially reasonable maintenance costs incurred by Landlord related to the Building and not related to the Project as a whole.

Landlord's Initials g

Tenant's Initials bnp

7.2.2 Exclusions from Building Operating Expenses. Building Operating Expenses shall not include the following expenses:

- (i) Replacement of or structural repairs to the roof or the exterior walls;
- (ii) Repairs to the extent covered by insurance proceeds or warranties, or paid by Tenant or other third parties; and
- (iii) Alterations solely attributable to tenants of the Project other than Tenant.
- (iv) Earthquake Insurance (unless required by Landlord's lender);
- (v) Any insurance deductible amounts in excess of \$50,000 in the aggregate.

7.2.3 Project Operating Expenses. "Project Operating Expenses" shall include all reasonable and necessary expenses incurred by Landlord in the ownership, operation, maintenance, repair and management of the Project and/or the Common Area, including, but not limited to the following:

- (i) Repair, maintenance, utility costs and landscaping of the Common Area, including, but not limited to, any and all costs of maintenance, repair and replacement of all parking areas (including bumpers, sweeping, and striping), loading and unloading areas, trash areas, common driveways, sidewalks, outdoor lighting, signs, directories, walkways, parkways, landscaping, irrigation systems, fences and gates and other costs which are allocable to the real property of which the Premises are a part;
- (ii) The costs relating to the insurance maintained by Landlord with respect to the Project, except for any deductible amounts in excess of \$50,000 in the aggregate and earthquake insurance (unless required by Landlord's lender);
- (iii) Trash collection, security services;
- (iv) Capital improvements made to or capital assets acquired for the Project after the Commencement Date that are intended to reduce Project Operating Expenses or are reasonably necessary for the health and safety of the occupants of the Project or are required under any governmental law or regulation, which capital costs, or an allocable portion thereof, shall be amortized eight percent (8%) per annum over its useful life as commercially reasonable determined by Landlord;
- (v) Real Property Taxes;
- (vi) All costs and fees incurred by Landlord in connection with the management of this Lease and the Premises, including the cost of those services which are customarily performed by a property management services company, together with a management fee to Landlord for accounting and project management services relating to the Building(s) and the Project in an amount equal to four percent (4%) of the sum of the gross rents received by Landlord from all of the tenants in the Project; and
- (vii) Any other commercially reasonable maintenance costs incurred by Landlord related to the Project as a whole and not related solely to the Tenant or the Building in which the Premises are located.

7.2.4 Exclusions from Common Area Expenses. Notwithstanding anything in the definition of Common Area Expenses in the Lease to the contrary, Common Area Expenses shall not include the following, except to the extent specifically permitted by a specific exception to the following:

- (i) Any ground lease rental;
- (ii) Costs incurred by Landlord for the repair of damage to the Project, to the extent that Landlord is reimbursed by insurance proceeds;
- (iii) Costs, including permit, license and inspection costs, incurred with respect to the installation of tenant or other occupants' improvements in the Project or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Project;
- (iv) Depreciation, amortization and interest payments, except as provided herein and except on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party,

Landlord's Initials

gy

Tenant's Initials

kat

where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services;

- (v) Marketing costs, leasing commissions, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Project;
- (vi) Costs incurred by Landlord due to the violation by Landlord or any other tenant of the terms and conditions of any lease of space in the Project;
- (vii) Interest, principal, points and fees on debts or amortization on any mortgage or mortgages or any other debt instrument encumbering the Building or the Project (except as specifically permitted above);
- (viii) Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord;
- (ix) Advertising and promotional expenditures and costs of signs in or on the Building or Project identifying the owner of the Building or Project or other tenants' signs;
- (x) Costs arising from Landlord's charitable or political contributions;
- (xi) Costs for sculpture, paintings or other objects of art;
- (xii) Costs associated with the operation of the business of the entity which constitutes Landlord as the same are distinguished from the costs of operation of the Project, including accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Project, costs of any disputes between Landlord and its employees (if any) not engaged in Project operation, disputes of Landlord with Project management, or outside fees paid in connection with disputes with other tenants;
- (xiii) Costs of any "tap fees" or any sewer or water connection fees for the benefit of any particular tenant in the Project;
- (xiv) Any expenses incurred by Landlord for use of any portions of the Project to accommodate events including, but not limited to shows, promotions, kiosks, displays, filming, photography, private events or parties, ceremonies, and advertising beyond the normal expenses otherwise attributable to providing Project services;
- (xv) Any entertainment, dining or travel expenses for any purpose;
- (xvi) Any flowers, gifts, balloons, etc. provided to any entity whatsoever, including, but not limited to, Tenant, other tenants, employees, vendors, contractors, prospective tenants and agents;
- (xvii) Any "finders fees", brokerage commissions, job placement costs or job advertising costs;
- (xviii) Any "above-standard" cleaning, including, but not limited to construction cleanup or special cleanings associated with parties/events and specific tenant requirements in excess of service provided to Tenant, including related trash collection, removal, hauling and dumping;
- (xix) The cost of any magazine, newspaper, trade or other subscriptions;
- (xx) The cost of any training or incentive programs, other than for tenant life safety information services;
- (xxi) The cost of any "tenant relations" parties, events or promotion not consented to by an authorized representative of Tenant in writing;
- (xxii) "In-house" legal fees;
- (xxiii) Earthquake Insurance (unless required by Landlord's lender); and
- (xxiv) Any insurance deductible amounts in excess of \$50,000 in the aggregate.

Landlord's Initials



Tenant's Initials



7.3 Payments by Tenant.

7.3.1 Tenant shall pay to Landlord as additional Rent on the first day of each full calendar month of the Term of this Lease. Tenant’s monthly proportionate share of Landlord’s Estimated Expenses (as defined below). If the Term of this Lease begins on a day other than the first day of a month, Tenant shall pay, in advance, its prorated share of the Landlord’s Estimated Common Area Expenses for such partial month.

7.3.2 Estimated Common Area Expenses. “Estimated Expenses” for any particular year shall mean Landlord’s estimate of Common Area Expenses and Real Property Taxes for a calendar year. Tenant shall pay Tenant’s Share (as set forth in the Basic Provisions) of the Estimated Expenses with installments of Minimum Monthly Rent in monthly installments of one-twelfth (1/12th) thereof on the first day of each calendar month during such year. If at any time, but limited to once per year, Landlord determines that Common Area Expenses and Real Property Taxes are projected to vary from the then Estimated Expenses, Landlord may, by notice to Tenant, revise such Estimated Expenses, and Tenant’s monthly installments for the remainder of such year shall be adjusted so that by the end of such calendar year Tenant has paid to Landlord Tenant’s Share of the revised Estimated Expenses for such year.

7.3.3 Adjustment. “Common Area Expenses and Real Property Taxes Adjustment” (or “Adjustment”) shall mean the difference between Tenant’s Share of Estimated Expenses and Tenant’s Share of Common Area Expenses and Real Property Taxes for any calendar year. Total Common Area Costs for any portion of an accounting period not included within the term of this Lease shall be prorated on the basis of a 360-day year. After the end of each calendar year, Landlord shall deliver to Tenant a statement of Tenant’s Share of Common Area Expenses and Real Property Taxes for such calendar year, accompanied by a computation of the Adjustment. If Tenant’s Estimated Expense payments are less than Tenant’s Share, then Tenant shall pay the difference within thirty (30) days after receipt of such statement. Tenant’s obligation to pay such amount effective during the Term shall survive the termination of this Lease. If Tenant’s payments exceed Tenant’s Share, then Landlord shall credit such excess amount to the subsequent Rents due; provided, however, if Tenant is in default, Landlord may, but shall not be required to, credit such amount to Rent arrearages.

7.3.4 Accounting Period. The accounting period for determining Landlord’s Total Operating Costs shall be the calendar year, except that the first accounting period may be prorated and shall commence on the date the Lease term commences and the last accounting period may also be prorated and shall end on the date the Lease term expires or terminates.

7.4 Books and Records. Landlord shall keep full and accurate books of account, records and other pertinent data regarding Common Area Expenses. Such books, records and other pertinent data regarding such expenses shall be kept for a period of one (1) year after the close of each calendar year. Provided Tenant is not in default under this Lease, Tenant shall have the right to review, audit, and copy all documents and information pertaining to Common Area Expenses for a period of one (1) year following the receipt of Landlord’s Common Area Expense statement. Tenant shall give Landlord no less than twenty (20) business days notice prior to commencing an audit, which audit shall take place during Landlord’s normal business hours, and all documents shall remain at Landlord’s place of business at all times. In no event, however, will Landlord or its property manager be required to keep separate accounting records for the components of Common Area Expenses or to create any ledgers or schedules not already in existence. Tenant shall have an auditor acceptable to Landlord to conduct such audit at Tenant’s sole cost and expense, but in no event shall said auditor be compensated based on savings generated to Tenant as a result of such audit. In the event the audit reveals that there are amount due either Landlord or Tenant, then any amounts due shall be immediately paid by the appropriate party. Tenant shall pay for all costs of the audit unless Tenant’s share of Operating Expenses, as determined by the audit, differs by more than five percent (5%) in favor of the Tenant, in which case Landlord shall bear the cost of the audit up to a maximum cost of \$1,000.00 per year. In the event Landlord disputes the findings of such audit, Landlord and Tenant shall have thirty (30) days to resolve such dispute. If, however, Landlord and Tenant have not reached a consensus during such thirty (30) day period, Landlord and Tenant shall submit the dispute for resolution in accordance with the provisions of Article 42, below.

8. USE; LIMITATIONS ON USE

8.1 Tenant’s Use of Premises. Tenant agrees that the Premises shall be used and occupied only for the Permitted Uses specified in the Basic Provisions, and for no other use. Tenant shall not use or permit the Premises to be used for any other purpose or purposes or under any other trade name whatsoever without the prior written consent of Landlord, which consent may be withheld or granted at Landlord’s sole and absolute discretion. Tenant’s use of the Premises shall be in compliance with and subject to all applicable governmental laws,

Landlord’s Initials y

Tenant’s Initials KAP

ordinances, statutes, orders and regulations and any CC&R's (including payments thereunder, if any) or any supplement thereto recorded in any official or public records with respect to the Project or any portion thereof. In the event Landlord desires to record CC&R's against the Project after the date of full execution of this Lease, Landlord shall, at its option, either (i) obtain Tenant's consent thereto, which consent shall not be unreasonably withheld (provided Tenant's material rights and obligations under the Lease are not impaired, but provided that any provisions of such CC&R's which require Tenant to pay reasonable assessments such as for common area maintenance and landscaping shall not be deemed to impair Tenant's material rights and obligations under this Lease), conditioned or delayed or (ii) elect not to obtain Tenant's consent thereto, in which event the provisions of this Lease shall prevail over any conflicting provisions of the CC&R's. Tenant further covenants and agrees that it will not use or suffer or permit any person or persons to use the Premises or any part thereof for conducting therein a second-hand store, auction, distress or fire sale or bankruptcy or going-out-of-business sale, or for any use or purpose in violation of the laws of the United States of America or the laws, ordinances, regulations and requirements of the State, County and City wherein the Premises are situated, including in violation of any of the permitted use restrictions outlined in Exhibit N. Tenant, at Tenant's sole cost and expense, shall comply with the rules and regulations attached hereto as Attachment 1, together with such additional rules and regulations as Landlord may from time to time prescribe. Tenant shall not commit waste; overload the floors or structure of the Building in which the Premises are located; subject the Premises, the Building, the Common Area or the Project to any use which would damage the same or increase the risk of loss or violate any insurance coverage; permit any unreasonable odors, smoke, dust, gas, substances, noise or vibrations to emanate from the Premises, take any action which would constitute a nuisance or would disturb, obstruct or endanger any other tenants, take any action which would abrogate any warranties; or use or allow the Premises to be used for any unlawful purpose. Tenant shall promptly comply with the reasonable requirements of any board of fire insurance underwriters or other similar body now or hereafter constituted. Tenant shall not do any act which shall in any way encumber the title of Landlord in and to the Premises, the Building or the Project. Tenant further covenants and agrees that during the term hereof the Premises, and every part thereof, shall be kept by Tenant in a first-class, clean and wholesome condition, free of any objectionable noises, odors or nuisances, and that all fire, safety, health and police regulations shall, in all respects and at all times, be fully complied with by Tenant.

8.2. Additional Limitation on Use. Tenant's use of the Premises shall be in accordance with the following requirements:

8.2.1 Insurance Hazards. Tenant shall neither engage in nor give permission to others to engage in any activity or conduct that will cause the cancellation of or an increase in the premium for any fire or liability insurance maintained by Landlord, and will pay any increase in the fire or liability insurance premiums attributable to Tenant's use of the Premises. Tenant shall, at Tenant's sole cost, comply with all recommendations of any insurance organization or company pertaining to Tenant's specific use of the Premises necessary for the maintenance of reasonable fire and public liability insurance covering the Project.

8.2.2 Compliance with Law. Tenant shall, at Tenant's sole cost and expense, comply with all of the requirements, ordinances and statutes of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the Premises and the use and occupancy thereof, including any local rules or requirements limiting the hours of Tenant's operations. The judgment of any arbitrator or court of competent jurisdiction, or the admission of Tenant in any action or proceeding against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any such ordinances or statutes in the use of the Premises shall be conclusive of that fact as between Landlord and Tenant.

8.2.3 Waste; Nuisance. Tenant may not display, store or sell merchandise or allow carts, construction debris, trash, portable signs, devices or merchandise of any kind or any other objects to be stored or to remain outside of the Premises. Tenant shall not use, or suffer or permit any person or persons to use the Premises in any manner that will tend to create waste or a nuisance or tend to disturb other tenants of the Project. Tenant shall not place or authorize to have placed or affixed handbills or other advertising materials on automobiles or buildings within the Project, nor shall Tenant place or cause to be placed newspaper racks, advertisements or displays in the Common Area.

8.2.4 Trash and Rubbish Removal. Tenant agrees that all trash and rubbish of Tenant shall be deposited within the appropriate receptacles therefor and that there shall be no trash receptacles permitted on the Premises except such trash receptacles as may be provided or designated by Landlord. If applicable to Tenant's business, Tenant shall be responsible to purchase and maintain its own grease rendering drums (of a design approved by Landlord) and place them in an area designated therefor by Landlord. Tenant shall be solely responsible for clean up costs as a result of any leaking or spillage of its rendering drum or grease collection

Landlord's Initials g

Tenant's Initials KAP

equipment, whether or not due to vandalism, and shall be solely responsible to arrange and pay for disposal of its grease by a licensed rendering service. Tenant shall, on its own behalf, provide and pay for as a portion of Common Area Expenses the regular removal and disposal of trash and rubbish located in its approved trash receptacles, the location of which shall be reasonably approved by Landlord. In the event Tenant fails to comply with Landlord's trash and rubbish removal procedures set forth above, Tenant shall be liable to Landlord for all costs or damage incurred by Landlord in facilitating trash removal and maintenance of a neat and clean Project. The foregoing notwithstanding, Tenant shall provide and pay for any special or additional trash disposal facilities, equipment or services necessitated by the nature of Tenant's business, including trash receptacles for disposal of perishable food items.

8.3 Intentionally omitted.

8.4 No Representations by Landlord. Tenant agrees that neither Landlord nor any agent of Landlord has made any representation or warranty as to the conduct of Tenant's business or the suitability of the Premises for Tenant's intended purpose. Tenant further agrees that no rights, easements or licenses are acquired by Tenant by implication or otherwise except as expressly set forth in the provisions of this Lease. Tenant will, prior to the delivery of possession of the Premises, inspect the Premises and the Project and become thoroughly acquainted with their condition, and Tenant agrees to take the same "as is", and acknowledges that the taking of possession of the Premises by Tenant shall be conclusive evidence that the Premises and the Project were in good and satisfactory condition at the time such possession was so taken. Tenant acknowledges that: (a) it has been advised by Landlord and/or its brokers to satisfy itself with respect to the condition of the Premises (including the electrical, HVAC and fire sprinkler systems, security, environmental aspects, compliance with laws and regulations, including the Americans with Disabilities Act, and zoning) and the suitability of the Premises for Tenant's permitted use, and (b) Tenant has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to Tenant's occupancy of the Premises. All understandings and agreements heretofore made between the parties hereto are merged in this Lease. Notwithstanding the foregoing, except as otherwise expressly set forth in the Lease, Landlord represents and warrants to Tenant that to Landlord's actual present knowledge, without duty of investigation or inquiry, all of the utilities and building systems (including water, sewer, gas electrical, plumbing, lighting, data and communications drops and HVAC) serving the Premises and all of the Landlord's Work shall be complete, operational and in good working condition on the Commencement Date. Landlord shall, at its sole cost, be responsible for correcting or repairing any defect or deficiency in such utilities and building systems and the Landlord's Work that occurs within one (1) year after the Commencement Date, provided such repairs are not required as a result of the gross negligence or willful misconduct of Tenant or Tenant's agents, subcontractors, or assigns. Landlord shall perform to Tenant's reasonable satisfaction the initial balancing of the HVAC system. Landlord warrants on and as of the Commencement Date that the Building and the Premises (including all of Landlord's Work) shall comply with all applicable laws, regulations and codes, including the Americans with Disabilities Act, and that Landlord shall promptly upon written notice, at its sole cost, correct any noncompliance with such warranty; provided however, and without limiting the provisions of Section 9.1 below, it is expressly acknowledged by Tenant that said warranty shall not apply to: (1) any changes, modifications, amendments, or enactments of any law after the Commencement Date, or (2) any specific or unique use of the Premises by Tenant, or (3) any changes, alterations, modifications or improvements to the Premises conducted by Tenant after the Commencement Date.

In addition, Landlord represents to Tenant, that: (a) Landlord is the sole fee owner of the Building, the Premises and the Project; (b) to Landlord's actual present knowledge, without duty of investigation or inquiry, there are no encumbrances, liens, agreements, covenants in effect that would materially or unreasonably limit Tenant's rights hereunder; (c) to Landlord's actual present knowledge, without duty of investigation or inquiry, Landlord is unaware of any impending condemnation plans, proposed assessments or other adverse conditions relating to the Premises or the Project; and (d) to Landlord's actual present knowledge, without duty of investigation or inquiry, and except as described in that certain Phase I Environmental Site Assessment Report, prepared by EMG, dated August 27, 2001, there are no Hazardous Materials in or about the Building or the Premises, and (e) the Building and Premises shall be compliant with all applicable laws, including, but not limited to, the Americans With Disabilities Act as of the Commencement Date.

9. ALTERATIONS.

9.1 Trade Fixtures; Alterations. Tenant may install necessary trade fixtures, equipment and furniture in the Premises, provided that such items are installed and are removable without structural or material damage to the Premises, the Building in which the

Landlord's Initials g

Tenant's Initials KAP

Premises are located, the Common Area or the Project, with the exception for cosmetic alterations under \$10,000 per occurrence. Tenant shall not construct, nor allow to be constructed, any alterations or physical additions in, about or to the Premises without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed but which, however may be conditioned upon Tenant's compliance with Landlord's reasonable requirements regarding construction of improvements and alterations. Tenant shall submit plans and specifications to Landlord with Tenant's request for approval and shall reimburse Landlord for any commercially reasonable costs which Landlord may incur in connection with granting approval to Tenant for any such alterations and additions, including any commercially reasonable costs or expenses which Landlord may incur in electing to have outside architects and engineers review said matters, but in no event will Tenant be liable for costs in excess of \$1,000.00. If Landlord does not respond to a written request from Tenant within ten (10) business days, then Landlord shall be deemed to disapprove such request. In the event Tenant makes any alterations to the Premises that trigger or give rise to a requirement that the Building or the Premises come into compliance with any governmental laws, ordinances, statutes, orders and/or regulations (such as ADA requirements), Tenant shall be fully responsible for complying, at its sole cost and expense, with same. Tenant shall file a notice of completion after completion of such work and provide Landlord with a copy thereof. Tenant shall provide Landlord with a set of "as-built" drawings for any such work. Tenant shall not commence any alterations to the Premises without first providing Landlord five (5) business days notice of the date Tenant intends to commence such work. Notwithstanding the foregoing, the terms outlined in Exhibit B, shall be observed as it pertains to Tenant's Alterations.

9.2 Damage; Removal. Tenant shall repair all damage to the Project, the Premises and/or the Building caused by the installation or removal of Tenant's fixtures, equipment, furniture and alterations. Landlord shall have the right upon providing Tenant with sixty (60) days prior written notice from the termination of this Lease, to require tenant to remove any or all trade fixtures, alterations, additions, improvements and partitions made or installed by Tenant after the Commencement Date and restore the Premises to its condition existing prior to the construction of any such items less normal wear and tear; provided, however, Landlord has the absolute right to require Tenant to have all or any portion of such items designated by Landlord to remain on the Premises, in which event they shall be and become the property of Landlord upon the termination of this Lease. All such removals and restoration shall be accomplished in a good and workmanlike manner and so as not to cause any damage to the Premises, the Building, the Common Area or the Project whatsoever.

9.3 Liens. Tenant shall promptly pay and discharge all claims for labor performed, supplies furnished and services rendered at the request of Tenant and shall keep the Premises free of all mechanics' and materialmen's liens in connection therewith. Tenant shall provide at least thirty (30) days prior written notice to Landlord before any labor is performed, supplies furnished or services rendered on or at the Premises, and Landlord shall have the right to post on the Premises notices of non-responsibility. If any lien is filed, Tenant shall cause such lien to be released and removed within ten (10) days after the date of filing, and if Tenant fails to do so, Landlord may take such action as may be necessary to remove such lien and Tenant shall pay Landlord such amounts expended by Landlord, together with interest thereon at the Applicable Interest Rate from the date of expenditure.

9.4 Standard of Work. All work to be performed by or for Tenant pursuant hereto shall be performed diligently and in a first class, workmanlike manner, and in compliance with all applicable laws, ordinances, regulations and rules of any public authority having jurisdiction over the Premises and/or Tenant and Landlord's insurance carriers. Landlord shall have the right, but not the obligation, to inspect periodically the work on the Premises, and Landlord may require changes in the method or quality of the work.

10. UTILITIES; ESSENTIAL SERVICES; ACCESS

10.1 Utilities.

10.1.1 Tenant's Responsibilities. Tenant shall make all arrangements for and shall pay the charges when due for all water, gas and heat, light, power, telephone service, trash collection and all other services and utilities supplied to the Premises during the entire Term of this Lease, and shall promptly pay all connection and termination charges therefor. In the event the Premises is not separately metered, Tenant shall have the option, subject to Landlord's prior written consent and the terms of this Lease, to cause the Premises to be separately metered at Tenant's sole cost and expense. If Tenant does not elect to cause the Premises to be separately metered, Tenant shall pay a reasonable proration of utilities, as determined by Landlord. If Landlord determines that Tenant's usage of utility service to the Building is excessive, compared with the usage of other tenants of the Building, Landlord may charge Tenant separately for such excessive usage.

Landlord's Initials g

Tenant's Initials KAP

10.1.2 Extent of Landlord's Liability. The suspension or interruption in utility services to the Premises for reasons beyond the ability of Landlord to control shall not constitute a default by Landlord or entitle Tenant to any reduction or abatement of rent nor shall Landlord have any liability to Tenant therefore.

10.2 Essential Services. "Essential Services" shall mean and include such services provided by either Landlord, Landlord's agents, or a third party that is an integral part of Tenant's operations within the Premises, such that Tenant shall not be capable of conducting business therein without such service. Landlord shall not be liable to Tenant for interruption in or curtailment of Essential Services unless such interruption or curtailment is solely attributable to the negligence of Landlord. Notwithstanding the foregoing, no interruption or curtailment of Essential Services shall constitute constructive eviction or grounds for rental abatement, unless such interruption or curtailment is continuous and attributable solely to the gross negligence of Landlord or Landlord's agents.

10.3 Access to the Premises. Tenant shall have access to the Premises twenty four (24) hours per day, three hundred sixty five (365) days per year, including normal business holidays. Access to the Premises shall be deemed available if a willing and able employee of Tenant can gain entrance to the Premises through a legal entryway.

11. TENANT'S PERSONAL PROPERTY

11.1 Installation of Property. Landlord shall have no interest in any removable equipment, furniture or trade fixtures owned by Tenant or installed in or upon the Premises solely at the cost and expense of Tenant (the "Tenant's Property"). Prior to creating or permitting the creation of any lien or security or reversionary interest in any removable personal property to be placed in or upon the Premises, Tenant shall obtain for the benefit of Landlord and shall deliver to Landlord the written agreement of the party holding such interest to make such repairs necessitated by the removal of such property and any damage resulting therefrom as may be necessary to restore the Premises to good condition and repair, excepting only reasonable wear and tear, in the event said property is thereafter removed from the Premises by said party, or by any agent or representative thereof or purchaser therefrom, pursuant to the exercise or enforcement of any rights incident to the interest so created, all without any cost or expense to Landlord.

11.2 Removal of Personal Property. (Continued on Exhibit K attached hereto) Tenant shall have the right to remove at its own cost and expense upon the expiration of this Lease Tenant's Property. Prior to the close of business on the last day of the Lease Term, all such personal property shall be removed, and Tenant shall make such repairs necessitated by the removal of said property and any damage resulting therefrom as may be necessary to restore the Premises to good condition and repair, excepting only reasonable wear and tear. Any such property not so removed shall be deemed to have been abandoned or, at the option of Landlord, shall be removed and placed in storage for the account and at the cost and expense of Tenant.

12. REPAIRS AND MAINTENANCE

12.1 Tenant

12.1.1 Tenant, at Tenant's sole cost and expense, shall keep and maintain the Premises, including all improvements constructed by Tenant therein, in good order, condition and repair including, but not limited to, the following:

- i) Interior surfaces of walls and wall coverings;
- ii) Intentionally omitted;
- iii) Floors, subfloors, carpeting and other floor coverings;
- iv) Doors, door frames, and door closures and locks;
- v) Interior windows, glass, and plate glass, excluding exterior glass cleaning or windows that break from the outside through no fault of Tenant, Tenant's agents, employees, or invitees;
- vi) Ceilings and ceiling systems;
- vii) Thermostats within the Premises;

Landlord's Initials

g

Tenant's Initials

KSP

- viii) Interior electrical distribution and equipment, including lighting systems, switches and electrical panels;
- ix) Interior plumbing, and sprinkler systems, if any, installed therein;
- x) Interior electrical and mechanical systems and wiring;
- xi) Appliances and devices using or containing refrigerants;
- xii) Fixtures and equipment in good repair and in a clean and safe condition;
- xiii) Decorative wall, paint, signs and lighting equipment within the Premises; and
- xiv) Repair and/or replace any and all of the foregoing in a clean and safe condition, in good order, condition and repair.

12.1.2 Tenant shall keep any parking area adjacent to Premises clean and neat at all times, and shall remove immediately therefrom any litter, debris or other unsightly or offensive matter placed or deposited thereon by the agents or customers of Tenant.

12.1.3 Tenant shall as necessary, or when required by governmental authority, make modifications or replacements to the foregoing.

12.1.4 Prior to making any repairs required hereunder (except in the case of an emergency), Tenant shall notify Landlord in writing as to the nature and extent of such damage, and shall provide Landlord with an estimate of the cost and time required to complete such repairs. Without limiting the foregoing, Tenant shall, at Tenant's sole expense (i) immediately replace all broken glass in the Premises with glass equal to or in excess of the specification and quality of the original glass; (ii) repair any area damaged by Tenant, Tenant's agents, employees, invitees and visitors, including any damage caused by any roof penetration, whether or not such roof penetration was approved by Landlord; and (iii) unless otherwise specified in this Lease, provide janitorial services for the interior of the Premises.

12.1.5 In the event Tenant fails, in the reasonable judgment of Landlord, to maintain the Premises in accordance with the obligations under the Lease, which failure continues at the end of ten (10) days following Tenant's receipt of written notice from Landlord (except with respect to an emergency in which case Landlord may act immediately) stating with particularity the nature of the failure, Landlord shall have the right, but shall not be obligated, to enter the Premises and perform such maintenance, repairs or refurbishing at Tenant's sole cost and expense (including a sum for overhead to Landlord).

12.1.6 Tenant shall maintain written records of maintenance and repairs, as required by any applicable law, ordinance or regulation, and shall use certified technicians to perform such maintenance and repairs, as so required.

12.1.7 Provided Landlord notifies Tenant in writing Tenant shall be required to deliver full and complete copies of all service or maintenance contracts entered into by Tenant for the Premises to Landlord within sixty (60) days after the Commencement Date.

12.1.8 Tenant hereby waives the right to make repairs at Landlord's expense under the provisions of any laws permitting repairs by a tenant at the expense of the landlord to the extent allowed by law, it being intended that Landlord and Tenant have by this Lease made specific provision for such repairs and have defined their respective obligations relating thereto.

12.2 Landlord.

12.2.1 Except as otherwise provided in this Lease, and subject to the following limitations, Landlord shall, at its sole cost and expense, repair damage to the structural components of the roof, the foundation and exterior portions of exterior walls (excluding wall coverings, painting, glass and doors) of the Building; provided, however, if such damage is caused by an act or omission of Tenant, Tenant's employees, agents, invitees, subtenants, or contractors, then such repairs shall be at Tenant's sole expense. Notwithstanding the foregoing, Landlord shall not be required to make any repair resulting from any of the following conditions:

- i) Any alteration or modification to the Building or to mechanical equipment within the Building performed by, for or because of Tenant or to special equipment or systems installed by, for or because of Tenant;
- ii) The installation, use or operation of Tenant's property, fixtures and equipment;
- iii) The moving of Tenant's Property in or out of the Building or in and about the Premises;

Landlord's Initials g

Tenant's Initials KAP

- iv) Tenant's use or occupancy of the Premises in violation of Section 8 of this Lease or in the manner not contemplated by the parties at the time of the execution of this Lease;
- v) The acts or omissions of Tenant and Tenant's employees, agents, invitees, subtenants, licensees or contractors;
- vi) Fire and other casualty, except as provided by Section 13 of this Lease; and
- vii) Condemnation, except as provided in Section 15 of this Lease. Landlord shall have no obligation to make repairs under this Section 12.2 until a commercially reasonable time after receipt of written notice from Tenant of the need for such repairs. There shall be no abatement of Rent during the performance of such work. Unless as due to Landlord's gross negligence or willful misconduct, Landlord shall not be liable to Tenant for injury or damage that may result from any defect in the construction or condition of the Premises, nor for any damage that may result from interruption of Tenant's use of the Premises during any repairs by Landlord. Tenant waives any right to repair the Premises, the Building and/or the Common Area at the expense of Landlord under any applicable governmental laws, ordinances, statutes, orders or regulations now or hereafter in effect which might otherwise apply.

12.2.2 Landlord shall have no obligation to make repairs under this Section 12.2 until a commercially reasonable time after receipt of written notice from Tenant of the need for such repairs. There shall be no abatement of Rent during the performance of such work. Unless due to Landlord's gross negligence or willful misconduct, Landlord shall not be liable to Tenant for injury or damage that may result from any defect in the construction or condition of the Premises, nor for any damage that may result from interruption of Tenant's use of the Premises during any repairs by Landlord. Tenant waives any right to repair the Premises, the Building and/or the Common Area at the expense of Landlord under any applicable governmental laws, ordinances, statutes, orders or regulations now or hereafter in effect which might otherwise apply.

13. INDEMNITY AND INSURANCE

13.1 Indemnification. Tenant hereby indemnifies and holds Landlord and Landlord's partners, employees, and agents (collectively the "Landlord Parties") harmless from and against any and all claims (except claims resulting from Landlord's gross negligence or willful misconduct) arising from any activity, work, or thing done, permitted or suffered by Tenant or its agents or employees in or about the Premises, and further Tenant shall indemnify and hold Landlord and the Landlord Parties harmless from and against any and all claims arising from any breach or default in the performance by Tenant of any obligation to be performed by Tenant under the terms of this Lease, or arising from any act or negligence of Tenant, or any of its agents, contractors, employees, or invitees, and from and against all costs, attorneys' fees, expenses and liabilities incurred in, or related to, any such claim or any action or proceeding brought thereon. In case any action or proceeding shall be brought against Landlord and/or the Landlord Parties by reason of any such claim, Tenant, upon notice from Landlord and/or the Landlord Parties, shall defend Landlord and the Landlord Parties at its own expense by counsel of Landlord's own choosing and reasonably satisfactory to Tenant and Tenant's lender. Subject to the foregoing, Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises from any cause except to the extent as may be caused by the gross negligence or willful misconduct of Landlord, and Tenant hereby waives all claims with respect thereto against Landlord.

Landlord hereby indemnifies and holds Tenant, Tenant's employees and agents (collectively the "Tenant Parties") harmless from and against any and all claims (except claims resulting from Tenant's or Tenant Parties' gross negligence or willful misconduct) arising from any activity, work, or thing done, permitted or suffered by Landlord and its agents and employees in or about the Premises, and further Landlord shall indemnify and hold Tenant and the Tenant Parties harmless from and against any and all claims arising from any breach or default in the performance by Landlord of any obligation to be performed by it under the terms of this Lease, or arising from any grossly negligent or willful act or negligence of Landlord, or any of its agents, contractors, employees, or invitees, and from and against all costs, attorneys' fees, expenses and liabilities incurred in, or related to, any such claim or any action or proceeding brought thereon. In case any action or proceeding shall be brought against Tenant or any of the Tenant Parties by reason of any such claim, Landlord, upon notice from Tenant and the Tenant Parties, shall defend Tenant at its own expense by counsel of Tenant's own choosing and reasonably satisfactory to Landlord and Landlord's lender.

Landlord's Initials g

Tenant's Initials KSP

13.2 Exemption of Landlord from Liability. Tenant hereby agrees that Landlord shall not be liable for injury or damage which may be sustained by the person, goods, wares, merchandise or property of Tenant, its employees, invitees or customers, or by 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 or lighting fixtures of the same, whether the said damage or injury results from conditions arising upon the Premises or from other sources; provided, however, that notwithstanding the foregoing, Landlord shall not be relieved from liability with respect to such injury or damage resulting from Landlord's gross negligence or willful misconduct. The parties acknowledge and agree that Landlord shall not be liable to Tenant for any damages arising from any act or neglect of any other tenant of the Project, including such tenant's employees, agents, vendors and invitees.

13.3 Public Liability and Property Damage.

13.3.1 Insurance Coverage. Tenant agrees to maintain in force throughout the term hereof, at Tenant's sole cost and expense, such insurance, including liability insurance against liability to the public incident to the use of or resulting from any accident occurring in or about the Premises, of the types and with the initial limits of liability specified in the Basic Provisions. Said policies shall contain an "Additional Insured-Managers or Lessors of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damages caused by heat, smoke or fumes from a hostile fire. The policy shall contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Tenant's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Tenant nor relieve Tenant of any obligation hereunder. All insurance carried by Tenant shall be primary to and not contributory with any similar insurance carried by Landlord, whose insurance shall be considered excess insurance only.

13.3.2 Adjustments to Coverage. Tenant further agrees to review the amount of its insurance coverage with Landlord every three (3) years to the end that the protection coverage afforded thereby shall be in proportion to the initial protection coverage. If the parties are unable to agree upon the amount of said coverage prior to the expiration of each such three (3) year period, then the amount of coverage to be provided by Tenant's carrier shall be adjusted to the amounts of coverage recommended in writing by an insurance broker selected by Landlord.

13.3.3 Notification of Incidents. Tenant shall notify Landlord within twenty-four (24) hours after the occurrence of any accidents or incidents in the Premises, the Building, Common Areas or the Project which could give rise to a claim under any of the insurance policies required under this Article 13.

13.4 Tenant's Property Insurance. Tenant, at its own cost and expense, shall maintain on all of Tenant's Property a policy of standard fire and extended coverage insurance, with vandalism and malicious mischief endorsements, to the extent of at least one hundred percent (100%) of their replacement cash value. The proceeds of any such policy that become payable due to damage, loss or destruction of such property shall be used by Tenant for the repair or replacement thereof.

13.5 Proof of Insurance. Each policy of insurance required of Tenant by this Lease shall be a primary policy, issued by an insurance company licensed in the state where the Premises are located and shall maintain during the policy term a "General Policyholder's Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be reasonably satisfactory to Landlord. Tenant shall not do or permit to be done anything which invalidates the required insurance policies. Tenant shall, prior to the Commencement Date, deliver to Landlord certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. Tenant shall, at least thirty (30) days prior to the expiration of such policies, furnish Landlord with evidence of renewals or "insurance binders" evidencing renewal thereof, or Landlord may order such insurance and charge the cost thereof to Tenant, which amount shall be payable by Tenant to Landlord upon demand.

13.6 Casualty Insurance. Landlord shall maintain casualty insurance on the Building in which the Premises is situated, and on all other buildings in the Project, if any, insuring against loss by fire and the perils covered by an extended coverage endorsement, in an amount

Landlord's Initials g

Tenant's Initials KAP

not less than eighty percent (80%) of their full replacement cost and as otherwise required by any mortgage lender of the improvements comprising the Project. Tenant shall be added by landlord on policy as an Additional Insured.

13.7 Subrogation. Landlord and Tenant intend that their respective property loss risks shall be borne by reasonable insurance carriers to the extent above provided as required herein, and Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against each other to the extent of such losses, and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right of the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that the waiver of subrogation shall not affect the right of the insured to recover thereunder, so long as no material additional premium is charged therefor.

14. DAMAGE AND DESTRUCTION.

14.1 Casualty. If the Premises or the Building(s) in which the Premises are located should be damaged, destroyed, or rendered inaccessible by fire or other casualty, Tenant shall give immediate written notice to Landlord. Within forty-five (45) days after receipt from Tenant of such written notice, Landlord shall notify Tenant in writing ("Landlord's Repair Estimate") whether the necessary repairs can reasonably be made within ninety (90) days.

14.1.1 Rent Abatement. If Tenant cannot access or is required to vacate all or a portion of the Premises due to the casualty, the Rent payable hereunder shall be abated proportionately on the basis of the size of the area of the Premises which is rendered inaccessible or which must be vacated due to such casualty (e.g., the number of square feet of floor area of the Premises that is vacated compared to the total square footage of the floor area of the Premises) from the Casualty Date; provided, however, such casualty was not caused by Tenant or Tenant's agents, contractors or invitees.

14.1.2 Less Than 90 Days. If Landlord's Repair Estimate indicates that rebuilding or repairs can reasonably be completed within ninety (90) days after the date on which the casualty occurred ("Casualty Date"), this Lease shall not terminate, and provided that insurance proceeds are available to fully repair the damage, Landlord shall repair the Premises, except that Landlord shall not be required to rebuild, repair or replace Tenant's property which may have been placed in, on or about the Premises by or for the benefit of Tenant. In the event that Landlord should fail to substantially complete such repairs within ninety (90) days after the Casualty Date (such period to be extended for delays caused by Tenant or because of any items of Force Majeure, as hereinafter defined), and Tenant has not re-occupied the Premises, Tenant shall have, as Tenant's exclusive remedy, the right, within ten (10) days after the expiration of such ninety (90) day period, to terminate this Lease by delivering written notice to Landlord, whereupon all rights hereunder shall cease and terminate thirty (30) days after Landlord's receipt of such notice.

14.1.3 Greater Than 90 Days. If Landlord's Repair Estimate indicates that rebuilding or repairs cannot be completed within ninety (90) days after the Casualty Date, either Landlord or Tenant may terminate this Lease by giving written notice within ten (10) days after the date of Landlord's Repair Estimate; and this Lease shall terminate and the Rent shall be abated from the date Tenant vacates the Premises. In the event that neither party elects to terminate this Lease, Landlord shall promptly commence and diligently pursue to completion the repairs to the Building or Premises, provided insurance proceeds are available to repair the damage (except that Landlord shall not be required to rebuild, repair or replace Tenant's property which may have been replaced in, on or about the Premises by or for the benefit of Tenant).

14.1.4 Changes in Zoning, Ordinances or Applicable Laws. Should then applicable laws or zoning ordinances preclude the restoration or replacement of the Premises in the manner hereinbefore provided, then Landlord shall have the right to terminate this Lease immediately upon verification thereof by giving written notice of termination to Tenant, and thereupon both parties hereto shall be released from all further liability hereunder, except that Tenant shall remain liable under the provisions of Articles 9, and 13, and Landlord shall remain liable under Articles 9, 13 and 42.

14.2 Tenant's Fault. In the event that the Premises or any portion of the Building are located is damaged as a result of the negligence or breach of this Lease by Tenant or any of Tenant's parties, Tenant shall not have the right to terminate the Lease as set forth above nor shall the Rent be reduced during the repair of such damage. In such event, Tenant shall be liable to Landlord for the cost of the repair caused thereby to the extent such cost is not covered by insurance proceeds from policies of insurance required to be maintained pursuant to the provisions of this Lease.

Landlord's Initials g

Tenant's Initials DMB

14.3 Uninsured Casualty. Subject to Section 7.2.2 any deductible amount payable under the property insurance for the Building(s) in which the Premises are located shall be an Operating Expense. In the event that the Premises or any portion of the Building(s) is damaged to the extent Tenant is unable to use the Premises and such damage is not covered by insurance proceeds received by Landlord or in the event that the holder of any indebtedness secured by the Premises requires that the insurance proceeds be applied to such indebtedness, then Landlord shall have the right, at Landlord's option, either to (i) repair such damage as soon as reasonably possible at Landlord's expense or (ii) give written notice to Tenant within thirty (30) days after the date of the occurrence of such damage of Landlord's intention to terminate this Lease as of the date of the occurrence of such damage. In the event Landlord elects to terminate this Lease, Tenant shall have the right within ten (10) days after receipt of such notice to give written notice to Landlord of Tenant's intention to pay the cost of repair of such damage, in which event, following the securitization of Tenant's funding commitment in a form reasonably acceptable to Landlord, this Lease shall continue in full force and effect. Landlord shall make such repairs as soon as reasonably possible, and Tenant shall reimburse Landlord for such repairs within fifteen (15) days after receipt of an invoice from Landlord. If Tenant does not give such notice within the ten (10) day period, this Lease shall terminate automatically as of the Casualty Date.

14.4 Waiver. With respect to any damage or destruction which Landlord is obligated to repair or may elect to repair, Tenant waives all rights to terminate this Lease pursuant to rights otherwise presently or hereafter accorded by law to the extent that such termination by Tenant is inconsistent with the rights and obligations of the parties under this Lease.

14.5 Force Majeure. "Force Majeure," as used in this Section 14 only and shall not apply elsewhere unless otherwise specified, means delays resulting from causes beyond the reasonable control of Landlord, including, without limitation, any delay caused by any action, inaction, order, ruling, moratorium, regulation, statute, condition or other decision of any private party or governmental agency having jurisdiction over any portion of the Project, over the construction anticipated to occur thereon or over any uses thereof, or by delays in inspections or in issuing approvals by private parties or permits by governmental agencies, or by fire, flood, inclement weather, strikes, lockouts or other labor or industrial disturbance (whether or not on the part of agents or employees of Landlord engaged in the construction of the Premises), civil disturbance, order of any government, court or regulatory body claiming jurisdiction or otherwise, act of public enemy, war, riot, sabotage, blockage, embargo, failure or inability to secure materials, supplies or labor through ordinary sources by reason of shortages or priority, discovery of hazardous or toxic materials, earthquake, or other natural disaster, delays caused by any dispute resolution process, or any cause whatsoever beyond the reasonable control (excluding financial inability) of the party whose performance is required or any of its contractors or other representatives, whether or not similar to any of the causes hereinabove stated.

14.6 Substantial Destruction During Last Six (6) Months. In addition, in the event that the Premises or the Building(s) in which the Premises are located is destroyed or damaged to any substantial extent during the last six (6) months of the Term of this Lease, then notwithstanding anything contained in this Article 14, either party hereto shall have the option to terminate this Lease by giving written notice to the other of the exercise of such option within thirty (30) days after the exercising party becomes aware of such damage or destruction, in which event this Lease shall cease and terminate as of the date of such notice.

15. CONDEMNATION

15.1 Entire Leased Premises. Should title or possession of the whole of the Premises be taken by duly constituted authority in condemnation proceedings under the exercise of the right of eminent domain, or should a partial taking render the remaining portion of the Premises impractical for Tenant's intended use as contemplated in this Lease, then this Lease shall terminate upon the vesting of title or taking of possession.

15.2 Partial Taking.

15.2.1 Landlord shall have the right to terminate this Lease by giving thirty (30) days prior written notice to Tenant within thirty (30) days after the nature and extent of the taking is finally determined if any portion of the Premises or the Building and other improvements in which the Premises are situated is taken by eminent domain. If Landlord does not terminate this Lease as provided herein, then this Lease shall remain in full force and effect.

Landlord's Initials

ly

Tenant's Initials

RS

In such event, Landlord shall promptly make any necessary repairs or restoration at the cost and expense of Landlord, and the Minimum Monthly Rent and Tenant's proportionate share of Landlord's Common Area Expenses from and after the date of the taking shall be reduced in the proportion that the value of the area of the portion of the Premises taken bears to the total value of the Premises immediately prior to the date of such taking or conveyance.

15.2.2 Tenant waives the provisions of Section 1265.130 of the California Code of Civil Procedure permitting a petition by Tenant to the Superior Court to terminate this Lease in the event of a partial taking of the Premises.

15.3 Transfer Under Threat of Condemnation. Any sale or conveyance by Landlord to any person or entity having the power of eminent domain, either under threat of condemnation or while condemnation proceedings are pending, shall be deemed to be a taking by eminent domain under this Article 15.

15.4 Awards and Damages. All payments made on account of any taking by eminent domain shall be made to and retained by Landlord, except that Tenant shall be entitled to make a separate claim to the condemning authority any award to Tenant specifically made by the condemning authority as a result of such separate action (a) for the reasonable removal and relocation costs of any removable property that Tenant has the right to remove, or for loss and damage to any such property that Tenant elects or is required not to remove; and/or (b) for Tenant's loss of goodwill.

15.5 Arbitration. Any dispute concerning the extent to which a taking by condemnation renders the Premises unsuitable for continued occupancy and use by Tenant shall be submitted to arbitration pursuant to Article 42 below.

16. ASSIGNING, SUBLETTING AND HYPOTHECATING

16.1 Landlord's Consent Required. Tenant shall not voluntarily or by operation of law assign, license, franchise, transfer, mortgage, hypothecate, or otherwise encumber all or any part of Tenant's interest in this Lease or in the Premises, and shall not sublet, franchise, change ownership or license all or any part of the Premises with the exception of an Affiliate of Tenant as set forth below, without the prior written consent of Landlord in each instance, which consent shall not be unreasonably withheld, and any attempted assignment, license, franchise, transfer, mortgage, encumbrance, subletting or change of ownership without such consent shall be wholly void, shall confer no rights upon any third parties, and shall at the sole and exclusive option of Landlord terminate this Lease. Without in any way limiting Landlord's right to refuse to give such consent for any other reason or reasons, Landlord reserves the right to refuse to give such consent, and such refusal shall be deemed to be reasonable, if in Landlord's sole but commercially reasonable discretion and opinion:

16.1.1 The proposed new tenant's character, reputation, business, or use is not consistent with the character and quality of the Project;

16.1.2 The financial worth of the proposed new tenant is inadequate as determined by generally accepted industry standards to capitalize the business to be conducted in the Premises;

16.1.3 The credit rating of the proposed new tenant (based on industry standard credit guidelines);

16.1.4 The intended use of the Premises by the proposed new tenant is illegal, conflicts with the Permitted Use, competes with then-existing uses in the Project or violates a then-existing exclusive or an exclusive which Landlord is then negotiating; and/or

16.1.5 The intended alteration of the Premises as a result of the proposed new tenant's use or other requirements is material or substantial.

16.2 Tenant's Application. In the event that Tenant desires at any time to assign this Lease or to sublet the Premises or any portion thereof, Tenant shall submit to Landlord, at least sixty (60) days prior to the proposed "effective date" of the assignment or sublease, in writing: (i) a notice of application to assign or sublease, setting forth the proposed effective date, which shall be no less than sixty (60) or more than one hundred eighty (180) days after the sending of such notice; (ii) the name of the proposed subtenant or assignee; (iii) the nature of the proposed subtenant's or assignee's business to be carried on in the Premises; (iv) the terms and provisions of the proposed sublease or assignment; (v) a current financial statement of the proposed subtenant or assignee; and (vi) such other information as Landlord may reasonably request.

Landlord's Initials g

Tenant's Initials PRP

16.3 Additional Terms Regarding Subletting and Assignment. The following additional terms shall apply to any proposed sublease of the Premises by Tenant:

16.3.1 If Tenant sublets all or a portion of the Premises at a square foot rental rate in excess of Tenant's then-existing rental rate Tenant and Landlord shall split any profits 50/50, after customary subleasing expenses;

16.3.2 In no event shall any proposed subtenant be an existing occupant of any space in the Project or an Affiliate of any such occupant, unless such proposed subtenant, or its Affiliate, is expanding its existing space in the Project and is not otherwise competing with Landlord for any space in the Project (e.g., existing option to renew, pending negotiations, etc.). As used herein, an "Affiliate" means a corporation, partnership, limited liability company, or other business entity that directly or indirectly controls, is controlled by, or is under common control with such occupant;

16.3.3 In no event shall Tenant sublet all or portion of the Premises to a person or entity with whom Landlord or its agents is negotiating or has negotiated within the past six (6) months regarding the lease of space in the Project; and

16.3.4 Tenant shall have the right, without the prior written consent of Landlord, but upon prior written notice to Landlord as set forth below, to assign or sublet all or any portion of its interest in the sublease to an Affiliate (hereinafter defined) so long as (i) the Affiliate delivers to Landlord a written notice of the assignment and an assumption agreement whereby the Affiliate assumes and agrees, jointly and severally with Tenant, to perform observe and abide by all of the terms, conditions, obligations and provisions of the Lease applicable to Tenant and (ii) the entity remains an Affiliate. No subletting or assignment by Tenant made pursuant to this Section shall relieve Tenant of any of its primary obligations under the Lease. As used herein, the term "Affiliate" of Tenant shall mean any other entity which, directly or indirectly, controls, is controlled by or is under common control with Tenant. For this purpose, "control" shall mean the direct or indirect power to vote more than forty-nine percent (49%) of the voting securities of any entity or otherwise to direct the management of any entity. Notwithstanding anything to the contrary in the Master Lease or the Lease, Tenant shall be permitted (without the consent of Landlord or the Master Lessor) to merge, consolidate with, or be acquired by, another entity and/or to sell substantially all of its assets, so long as the surviving entity or the purchaser(s) of substantially all of Tenant's assets assumes all obligations of Tenant under the Lease in accordance with the terms herein.

16.4 Recapture. If Tenant proposes to assign this Lease to a party which is not or which does not propose to operate a permitted use or is not qualified to do so, Landlord may, at its option, exercisable upon written notice to Tenant within thirty (30) days after Landlord's receipt of the notice from Tenant set forth in Section 16.2 above, elect to recapture the Premises and terminate this Lease. If Tenant proposes to sublease all or part of the Premises to a party which does intend to use the Premises for a permitted use, Landlord may, at its option, exercisable upon written notice to Tenant within thirty (30) days after Landlord's receipt of the notice from Tenant set forth in Section 16.2 above, elect to recapture such portion of the Premises as Tenant proposes to sublease and, upon such election by Landlord, this Lease shall terminate as to the portion of the Premises recaptured. In the event a portion only of the Premises is recaptured, the rent payable under this Lease shall be proportionately reduced. If Tenant shall, however, elect to rescind its notice of assignment or sublease, pursuant to written demand to Landlord given within fifteen (15) days after Tenant's receipt of Landlord's notice of recapture, then Landlord shall not have the said right of recapture with respect to the notice so rescinded.

The parties hereto acknowledge and agree that the provisions of this Article are a material inducement for Landlord's execution of this Lease and that Tenant's sole purpose for executing this Lease is to obtain possession of the Premises and not to engage in the business of leasing and/or subleasing commercial space. The parties further acknowledge and agree that Landlord's recapture of the Premises, or any portion thereof, as hereinabove described, shall be deemed to be reasonable and shall not violate or conflict with the provisions of Section 16.1 concerning Landlord's reasonable refusal to consent to a proposed transfer.

If Landlord shall not elect to recapture pursuant to this Section 16.4, and if Landlord shall consent to the proposed assignment or sublease, then Tenant may thereafter enter into the proposed assignment or sublease, provided that (i) such assignment or sublease is executed within ninety (90) days after the date that Landlord shall grant its consent, and (ii) the terms and provisions of the executed assignment or sublease are the same as those presented to Landlord in the notice given by Tenant pursuant to Section 16.2 above.

Landlord's Initials g

Tenant's Initials KAL

BY PLACING THEIR INITIALS BELOW, LANDLORD AND TENANT CERTIFY THAT THIS SECTION 16.4 HAS BEEN FULLY AND FREELY NEGOTIATED.



LANDLORD



TENANT

16.5 Fees for Review. In the event that Tenant shall request to assign, transfer, mortgage, pledge, hypothecate or encumber this Lease or any interest therein, or shall sublet the Premises or any part hereof, Tenant shall pay to Landlord a non-refundable fee for Landlord's time and processing efforts and for expenses incurred by Landlord in connection with reviewing such transaction (including any administrative expenses for Landlord's property manager), the amount of such non-refundable fee shall be One Thousand Dollars (\$1,000.00). In addition to such fee, Tenant shall pay to Landlord in the event Landlord retains the services of any attorney to review the transaction, all reasonable attorneys' fees incurred by Landlord in connection therewith, but in no event great than One Thousand Dollars (\$1,000). Tenant shall pay such nonreimbursable fee and such attorneys' fees to Landlord within ten (10) days after written request therefore and said nonreimbursable fee shall apply even if Landlord does not consent to the proposed transfer.

16.6 Collection. Any rental payments or other sums received from Tenant or any other person in connection with this Lease shall be conclusively presumed to have been paid by Tenant or on Tenant's behalf. Landlord shall have no obligation to accept any rental payments or other sum from any person other than Tenant unless (i) Landlord has been given prior written notice to the contrary by Tenant; and (ii) Landlord has consented to payment of such sums by such person other than Tenant. If this Lease be assigned to, or if the Premises or any part thereof be sublet or occupied by, anybody other than Tenant, Landlord may (but shall not be obligated to) collect rent from the assignee, subtenant or occupant and apply the net amount collected to the rent herein reserved and retain any excess rent so collected, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of Tenant's covenant set forth in the first sentence of Section 16.1 above, nor shall such assignment, subletting, occupancy or collection be deemed an acceptance by Landlord of the assignee, subtenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained.

16.7 Waiver. Notwithstanding any assignment or sublease, or any indulgences, waivers or extensions of time granted by Landlord to any assignee or sublessee, or any failure by Landlord to take action against any assignee or sublessee, Tenant agrees that Landlord may, at its option, proceed against Tenant without having taken action against or joined such assignee or sublessee, provided that Tenant shall have the benefit of any indulgences, waivers and extensions of time granted to any such assignee or sublessee. The subsequent acceptance of rent or other sums hereunder by Landlord shall not be deemed a waiver of any preceding default other than the failure of Tenant to pay the particular rental or other sums, or portion thereof so accepted, regardless of Landlord's knowledge of such preceding default at the time of acceptance of such rent or other sum.

16.8 Assumption of Obligations. Each assignee or transferee, other than Landlord, shall assume all obligations of the Tenant under this Lease and shall be and remain liable jointly and severally with Tenant for the payment of the rent and for the due performance of all the terms, covenants, conditions and agreements herein contained on Tenant's part to be performed, for the term of this Lease. No assignment shall be binding on Landlord unless such assignee shall deliver to Landlord an executed instrument in a form which contains a covenant of assumption by the assignee satisfactory in substance and form to Landlord (the "Assumption Document"). The failure or refusal of the assignee to execute the Assumption Document shall not release or discharge the assignee from its liability, and shall provide Landlord with an option to terminate said assignment.

16.9 No Release. No assignment, including pursuant to Section 16.3.4 above, or subletting shall affect the continuing primary liability of Tenant hereunder (which, following such assignment or subletting, shall be joint and several with the assignee or subtenant), and Tenant shall not be released from performing any of the terms, covenants and conditions of this Lease. Notwithstanding the foregoing, if Tenant assigns the Lease to an entity that has a greater net worth than Tenant at the time of the assignment, Tenant shall be relieved of all liability under this Lease.

16.10 Implied Assignment. If the Tenant hereunder is a corporation or limited liability company which, under the then current laws of the state where the Project is situated, is not deemed a public corporation, limited liability company or is an unincorporated association or



Landlord's Initials _____



Tenant's Initials _____

partnership, the transfer, assignment or hypothecation of any stock or interest in such corporation or limited liability company, association or partnership in the aggregate in excess of forty-nine percent (49%) or more shall be deemed an assignment within the meaning and provisions of this Article 16. If Tenant shall select or appoint some person or entity other than Tenant to manage and control the business conducted in the Premises, and the result thereof shall be substantially similar to the result of a sublease or assignment, then such selection or appointment shall be deemed an assignment within the meaning and provisions of this Article 16.

16.11. Remedies Against Landlord. Tenant's remedy for any breach of this Article 16 by Landlord shall be limited to injunctive relief.

17. **DEFAULT**

17.1 Events of Defaults. The occurrence of any of the following events shall, at Landlord's option, constitute an "Event of Default":

17.1.1 Intentionally omitted;

17.1.2 Failure to pay Rent on the date when due and the failure continuing for a period of five (5) business days after such payment is due;

17.1.3 Failure to perform Tenant's covenants and obligations hereunder (except default in the payment of Rent) where such failure continues for a period of thirty (30) days after written notice from Landlord; provided, however, if the nature of the default is such that more than thirty (30) days are reasonably required for its cure, Tenant shall not be deemed to be in default if Tenant commences the cure within the thirty (30) day period and diligently and continuously prosecutes such cure to completion;

17.1.4 The making of a general assignment by Tenant for the benefit of creditors; the filing of a voluntary petition by Tenant or the filing of an involuntary petition by any of Tenant's creditors seeking the rehabilitation, liquidation or reorganization of Tenant under any law relating to bankruptcy, insolvency or other relief of debtors and, in the case of an involuntary action, the failure to remove or discharge the same within sixty (60) days of such filing; the appointment of a receiver or other custodian to take possession of substantially all of Tenant's assets or this leasehold; Tenant's insolvency or inability to pay Tenant's debts or failure generally to pay Tenant's debts when due; any court entering a decree or order directing the winding up or liquidation of Tenant or of substantially all of Tenant's assets; Tenant taking any action toward the dissolution or winding up of Tenant's affairs; the cessation or suspension of Tenant's use of the Premises; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets or this leasehold;

17.1.5 The making of any material misrepresentation or omission by Tenant or any successor in interest of Tenant in any materials delivered by or on behalf of Tenant to Landlord or Landlord's lender pursuant to this Lease;

17.1.6 The occurrence of an Event of Default set forth in Section 17.1.4 or 17.1.5 with respect to any guarantor of this Lease, if applicable;

17.1.7 The occurrence of an Event of Default as otherwise designated as an Event of Default in the Lease.

17.2 Remedies.

17.2.1 Termination. In the event of an occurrence of any Event of Default, per Section 17.1 of this Lease, and after any applicable cure period under California state law and as provided under this Lease, Landlord shall have the right to give a written termination notice to Tenant (which notice may be the notice given under Section 17.1 above, if applicable and which notice shall be in lieu of any notice required by the California Code of Civil Procedure Section 1161, et seq.) and, on the date specified in such notice, this Lease shall terminate unless on or before such date all arrears of Rent and all other sums payable by Tenant under this Lease and all costs and expenses incurred by or on behalf of Landlord hereunder shall have been paid by Tenant and all other Events of Default at the time existing shall have been fully remedied to the satisfaction of Landlord.

17.2.1(A) Repossession. Following termination, without prejudice to other remedies Landlord may have, Landlord may (i) peaceably re-enter the Premises upon voluntary surrender by Tenant or remove Tenant therefrom and any other persons occupying the Premises, using such legal proceedings as may be available; (ii) repossess the Premises or relet the Premises or any part thereof for such term (which may be for a term extending beyond the Term), at such rental and upon such other terms and conditions as Landlord in Landlord's sole and reasonable discretion shall determine, with the right to make reasonable alterations and repairs to the Premises; and (iii) remove all personal property therefrom.

Landlord's Initials

gy

Tenant's Initials

VAP

17.2.1(B) Unpaid Rent. Landlord shall have all the rights and remedies of a landlord provided by applicable law, including the right to recover from Tenant: (i) the worth, at the time of award, of the unpaid Rent that had been earned at the time of termination; (ii) the worth, at the time of award, of the amount by which the unpaid Rent that would have been earned after the date of termination until the time of award exceeds the amount of loss of rent that Tenant proves could have been reasonably avoided; (iii) the worth, at the time of award, of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of the loss of rent that Tenant proves could have been reasonably avoided; and (iv) any other amount, and court costs, necessary to compensate Landlord for all detriment proximately caused by Tenant's default. The phrase "worth, at the time of award," as used in (i) and (ii) above, shall be computed at the Applicable Interest Rate, and as used in (iii) above, shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

17.2.2 Continuation. Even though an Event of Default may have occurred, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession; and Landlord may enforce all of Landlord's rights and remedies under this Lease, including the remedy described in California Civil Code Section 1951.4 ("lessor" may continue Lease in effect after "lessee's" breach and abandonment and recover rent as it becomes due, if "lessee" has the right to sublet or assign, subject only to reasonable limitations) to recover Rent as it becomes due. Landlord, without terminating this Lease, may, during the period Tenant is in default, enter the Premises and relet the same or any portion thereof to third parties for Tenant's account, and Tenant shall be liable to Landlord for all costs Landlord incurs in reletting the Premises, including, without limitation, brokers' commissions, expenses of remodeling the Premises and like costs. Reletting may be for a period shorter or longer than the remaining Term. Tenant shall continue to pay the Rent on the date the same is due. No act by Landlord hereunder, including acts of maintenance, preservation or efforts to lease the Premises or the appointment of a receiver upon application of Landlord to protect Landlord's interest under this Lease, shall terminate this Lease unless Landlord notifies Tenant that Landlord elects to terminate this Lease. In the event that Landlord elects to relet the Premises, the rent that Landlord receives from reletting shall be applied to the payment of, first, any indebtedness from Tenant to Landlord other than Base Rent and Tenant's Share of Operating Expenses and Real Property Taxes; second, all costs, including maintenance, incurred by Landlord in reletting; and, third, Base Rent and Tenant's Share of Operating Expenses and Real Property Taxes under this Lease. After deducting the payments referred to above, any sum remaining from the rental Landlord receives from reletting shall be held by Landlord and applied in payment of future Rent as Rent becomes due under this Lease. In no event, and notwithstanding anything in Section 16 to the contrary, shall Tenant be entitled to any excess rent received by Landlord. If on the date Rent is due under this Lease, the rent received from the reletting is less than the Rent due on that date, Tenant shall pay to Landlord, in addition to the remaining Rent due, all costs, including maintenance, which Landlord incurred in reletting the Premises that remain after applying the rent received from reletting as provided hereinabove. So long as this Lease is not terminated, Landlord shall have the right to remedy any default of Tenant, to maintain or improve the Premises, to cause a receiver to be appointed to administer the Premises and new or existing subleases and to add to the Rent payable hereunder all of Landlord's reasonable costs in so doing, with interest at the Applicable Interest Rate from the date of such expenditure.

17.3 Cumulative. Each right and remedy of Landlord provided herein or now or hereafter existing at law, in equity, by statute or otherwise shall be cumulative and shall not preclude Landlord from exercising any other rights or remedies provided in this Lease or now or hereafter existing at law or in equity, by statute or otherwise. No payment by Tenant of a lesser amount than the Rent nor any endorsement on any check or letter accompanying any check or payment as Rent shall be deemed an accord and satisfaction of full payment of Rent; and Landlord may accept such payment without prejudice to Landlord's right to recover the balance of such Rent or to pursue other remedies.

18. INTENTIONALLY OMITTED

19. LANDLORD'S AND TENANT'S RIGHT TO CURE DEFAULTS

Landlord, at any time after Tenant commits a default in the performance of any of Tenant's obligations under this Lease, shall be entitled to cure such default, or to cause such default to be cured, at the sole cost and expense of Tenant provided Tenant fails to cure such default within the appropriate notice period set forth in Section 17.2. If, by reason of any said default by Tenant, Landlord incurs any expense or pays any sum, or performs any act requiring Landlord to incur any expense or to pay any sum, including reasonable fees and expenses paid or incurred by Landlord in order to prepare and post or deliver any notice permitted or required

Landlord's Initials g

Tenant's Initials YAS

by the provisions of this Lease or otherwise permitted or contemplated by law, then the amount so paid or incurred by Landlord shall be immediately due and payable to Landlord by Tenant as additional rent. Tenant hereby authorizes Landlord to deduct said sums from any security deposit held by Landlord. If there is no security deposit, or if Landlord elects not to use any such security deposit, then such sums shall be paid by Tenant immediately upon demand by Landlord, and shall bear interest at the then existing federal reserve discount rate in San Francisco plus two percent (2%) per annum from the date of such demand until paid in full.

Landlord shall not be deemed to be in default in the performance of any obligation under this Lease, and Tenant shall have no rights to take any action against Landlord, unless and until Landlord has failed to perform the obligation within thirty (30) days after written notice by Tenant to Landlord specifying in reasonable detail the nature and extent of the failure; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be deemed to be in default if it commences performance within the thirty (30) day period and thereafter diligently pursues the cure to completion. In the event that Landlord fails to perform the obligation within thirty (30) days after written notice by Tenant to Landlord, or if having commenced such performance, Landlord does not diligently pursue it to completion, then Tenant may elect to cure said default Landlord's expense. Tenant shall document the actual and reasonable costs incurred by Tenant to perform such cure, and supply said documentation to Landlord with a written request for reimbursement, and Landlord shall reimburse Tenant for all such costs within thirty (30) days after receipt of such request for reimbursement, with interest at the Lease Interest Rate accruing from the date Tenant incurred such costs. In the event Owner fails to reimburse Tenant within such thirty (30) day period, Tenant may offset such reimbursement amount from amounts to be paid by Tenant to Landlord hereunder.

20. WAIVER OF BREACH; ACCORD AND SATISFACTION

Any waiver by any party hereto of any breach by any party of any covenant or provision of this Lease shall be effective only if in writing and signed by the waiving party and shall not be, nor be construed to be, a waiver of any subsequent breach of the same or any other term or provision hereof. Landlord's receipt and deposit of a partial payment from Tenant of any sum due hereunder shall not constitute a waiver by Landlord of the right to require payment of the balance due, nor constitute an accord or satisfaction of Tenant's obligation, unless expressly agreed by Landlord in writing.

21. SUBORDINATION; ESTOPPEL

21.1 Subordination and Attornment. Tenant covenants and agrees that, within ten (10) business days from Landlord's written request, it will execute without further consideration instruments reasonably requested by Landlord or Landlord's mortgagee subordinating this Lease in the manner requested by Landlord to all ground or underlying leases and to the lien of any mortgage and/or any deed of trust or other encumbrance which may now or hereafter affect the Premises and/or the Project, or any portion thereof, together with all renewals, modifications, consolidations, replacements or extensions thereof; provided that any lienor or encumbrancer relying on such subordination or such additional agreements will covenant with Tenant that this Lease shall remain in full force and effect, and Tenant shall not be disturbed in the event of sale, foreclosure or other actions so long as Tenant is not in default hereunder. Tenant agrees to attorn to the successor in interest of Landlord following any transfer of such interest either voluntarily or by operation of law and to recognize such successor as Landlord under this Lease. However, if Landlord or any such ground lessor or mortgagee so elects, this Lease shall be deemed prior in lien to any ground lease, mortgage, deed of trust or other encumbrance upon or including the Premises regardless of date of recording, and Tenant will execute a statement in writing to such effect at Landlord's request.

21.2 Assignment. In the event that any mortgagee or its respective successor in title shall succeed to the interest of Landlord hereunder, the liability of such mortgagee or successor shall exist only so long as it is the owner of the Premises or any interest therein, or is the tenant under any ground or underlying lease referred to in Section 21.1 above. No additional rent or any other charge shall be paid more than ten (10) days prior to the due date thereof and payments made in violation of this provision shall (except to the extent that such payments are actually received by a mortgagee) be a nullity as against any mortgagee and Tenant shall be liable for the amount of such payments to such mortgagee.

21.3 Conditions for Tenant's Termination. No act or failure to act on the part of Landlord which would entitle Tenant under the terms of this Lease, if any, or by law, to be relieved of Tenant's obligations hereunder or to terminate this Lease, shall result in a release or termination of such obligations or a termination of this Lease unless (i) Tenant shall have first

Landlord's Initials g

Tenant's Initials KMP

given written notice of Landlord's act or failure to act to Landlord's mortgagees of record, if any, specifying the act or failure to act on the part of Landlord which could or would give basis to Tenant's rights, and (ii) such mortgagees, after receipt of such notice, have failed or refused to correct or cure the condition complained of within a "reasonable time" thereafter; but nothing contained in this Section 21.3 shall be deemed to impose any obligation on any such mortgagee to correct or cure any such condition. "Reasonable time" as used above means and includes a reasonable time to obtain possession of the mortgaged premises if the mortgagee elects to do so, and a reasonable time to correct or cure the condition if such condition is determined to exist.

21.4 Estoppel Certificates. Within ten (10) business days after written request by Landlord, Tenant shall execute and deliver to Landlord an estoppel statement in the form of Exhibit L attached hereto and incorporated herein by this reference, or in such other form as Landlord may reasonably request, or as a prospective purchaser or encumbrancer of the Premises or Project may reasonably request. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises or of all or any portion of the Project. Tenant's failure to deliver such statement within ten (10) business days of Landlord's written request therefor shall constitute the irrevocable, binding agreement of Tenant (i) that this Lease is in full force and effect, without modification except as may be represented by Landlord, (ii) that there are no uncured defaults in Landlord's performance hereunder, (iii) that not more than one monthly installment of the Minimum Monthly Rent has been paid in advance, and (iv) that any terms or conditions of such estoppel certificate as may be required by a prospective purchaser or encumbrancer of the Premises are satisfied and agreed to by the parties. Further, such failure to deliver such certificate (showing any exceptions to any of the statements of fact required thereby) shall constitute a material breach of this Lease. Notwithstanding the foregoing, Tenant shall also have the right to request an estoppel from Landlord in a form as Tenant may reasonably request.

22. SIGNS AND ADVERTISING (Continued on Exhibit I attached hereto)

Tenant shall have the right, at Tenant's sole cost and expense, to install, place and maintain a new sign to display its trade name at a location approved by Landlord, which sign shall conform to the reasonable requirements of Landlord as outlined in Exhibit I hereto, and all governmental agencies having jurisdiction as to size and format. Except as required above, Tenant shall not erect or install any exterior signs or window or door signs, or window or door lettering or placards, or any other advertising media visible from the common areas (whether on or up to twenty-four [24] inches behind the windows), without obtaining Landlord's prior written consent in each instance, which consent shall not be unreasonably withheld. Tenant shall not install any exterior decoration, banner or painting, or build any fences, or install any radio or television antennae, loud speakers, sound amplifiers or similar devices on the roof or exterior walls of the Premises, or make any material changes to the improvements within the Premises visible from any portion of the common area of the Project without Landlord's prior written consent in each instance, which consent shall not be unreasonably withheld. Landlord may, in its discretion, require Tenant to procure material, payment and/or performance bonds from Tenant's sign contractor, as a condition to granting its consent. As used in this Article 22, Landlord's refusal to consent to certain signage or other media shall be deemed to be reasonable if such signage or other media shall not conform to Landlord's sign criteria set forth in Exhibit I attached hereto. Landlord's failure to approve Tenant's signage proposal within five (5) business days after Tenant's request therefor shall be deemed a disapproval. Tenant agrees and covenants to comply with all of Landlord's sign criteria as set forth in Exhibit I attached hereto and the rules and regulations promulgated by the responsible governmental authorities. Landlord shall have the right from time to time to promulgate amendments thereto and additional and new sign criteria. After delivery of a copy of such amendments and additional and new sign criteria, Tenant shall cause all signage thereafter installed to comply therewith. A violation of any of such sign criteria shall constitute a default by Tenant under this Lease. If there is a conflict between the said sign criteria and any of the provisions of this Lease, the provisions of this Lease shall prevail. Landlord's approval of Tenant's preliminary plans, specifications and sign design shown therein shall constitute Landlord's initial approval of Tenant's signs. No freestanding sign shall be allowed on the Premises.

23. RIGHTS RESERVED TO LANDLORD

23.1 Right of Entry. Landlord reserves to itself and shall at any and all times have the right, upon forty-eight (48) hours' prior notice to Tenant, to enter the Premises, at reasonable times, to inspect the same, to display the Premises to prospective purchasers or tenants, to post and maintain any notice deemed necessary by Landlord for the protection of its interest (including, without limitation, notices of nonresponsibility), to repair the Premises or any other portion of the Project, and to install, use, maintain and replace equipment, machinery, pipes,

Landlord's Initials g

Tenant's Initials KMP

conduits and wiring throughout, beneath or above the Premises, which serve other parts of the Project, if any; all without being deemed guilty of any eviction of Tenant and without abatement of rent; and Landlord may, in order to carry out such purposes, erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, and keep and store upon the Premises all tools, materials and equipment necessary for such purposes, provided that the business of Tenant shall be interfered with as little as is reasonably practicable. With respect to the exercise of such rights and the carrying on of such activities by Landlord or any agent, contractor or employee of Landlord, except for their gross negligence or intentionally wrongful acts, Tenant hereby waives any claim for damages for any injury to property or person or any injury or inconvenience to or interference with Tenant's business, for any loss of occupancy or quiet enjoyment of the Premises, or for any other loss occasioned thereby; and Tenant hereby releases Landlord, its agents, contractors and employees, except for their gross negligence or intentionally wrongful acts, from any and all claims for such damages or loss. Landlord shall have the right to use any and all means which Landlord may deem proper to open doors to the Premises in an emergency in order to obtain entry, and any entry to the Premises obtained by Landlord by any of such means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, or an eviction of Tenant from, the Premises or any portion thereof, and any damages caused on account thereof shall be paid by Tenant. In addition, in an emergency situation Landlord shall only be required to give Tenant prior notice if and to the extent reasonable under the circumstances.

23.2 Additional Rights of Landlord. Landlord further reserves to itself and shall at any and all times have the right:

23.2.1 To change the street address of the Premises and/or the name or street address of the Project;

23.2.3 To install and maintain signs in the Project at such locations as Landlord shall deem advisable, other than within the Premises;

23.2.4 To decorate, remodel, alter or otherwise repair the Premises for reoccupancy during the last six (6) months of the term hereof if, during or prior to such time, Tenant has vacated the Premises;

23.2.5 To grant to anyone the exclusive right to conduct any business or render any service in the Project, provided such exclusive right shall not operate to completely exclude Tenant from the use expressly permitted by this Lease; and

23.2.6 To effect such other tenancies in the Project as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of the Project. Tenant does not rely on the fact nor does Landlord represent that any specific tenant or number of tenants shall, or shall not, during the term of this Lease occupy any space in the Project.

24. SALE OR TRANSFER OF PREMISES; LANDLORD'S RIGHT TO MORTGAGE

24.1 Sale or Transfer by Landlord. If Landlord sells or transfers all or any portion of the Premises, or the Building, improvements and land of which the Premises are a part, then Landlord, on consummation of the sale or transfer, shall be released from any liability thereafter accruing under the Lease. If any security deposit or prepaid rent has been paid by Tenant, Landlord shall transfer the security deposit or prepaid rent to Landlord's successor and on such transfer Landlord shall be discharged from any further liability with respect thereto.

24.2 Landlord's Right to Mortgage. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any mortgages or deeds of trust which may hereafter be executed covering the Project or the Premises, the real property thereunder, or any portion thereof, for the full amount of all advances made or to be made thereunder and without regard to the time of character of such advance, together with interest thereon, and subject to all the terms and provisions thereof; provided that Landlord or the holder of the security interest will recognize Tenant's rights under this Lease.

25. SURRENDER; WAIVER OF REDEMPTION; HOLDING OVER

25.1 Surrender of Premises. Tenant shall have no obligation to remove any alterations, additions, improvements, or changes made to the Premises after the Commencement Date, unless specifically stated in Landlord's consent, at the expiration or early termination of the Lease. Tenant shall have no right or obligation to remove any of Landlord's Work or any other alterations, additions, improvements, or changes made by or on behalf of Landlord at the Premises. Tenant shall surrender to Landlord the Premises and all alterations and additions thereto broom clean and in good order, repair and condition (except for ordinary wear and tear). Tenant shall remove all personal property and trade fixtures prior to the

Landlord's Initials y

Tenant's Initials VADP

expiration of the Term, including any signs, notices and displays placed by Tenant. Tenant shall perform all reasonably necessary restoration, including, without limitation, restoration made reasonably necessary by the removal of Tenant's personal property or trade fixtures prior to the expiration or termination of this Lease. Tenant shall have no obligation to change the character of or possible uses for the Building. Landlord can elect to retain or dispose of, in any manner, any alterations, utility installations, trade fixtures or personal property that Tenant does not remove from the Premises on expiration or termination of the Lease term as allowed or required by this Lease. Title to any such alterations, utility installations, trade fixtures or personal property that Landlord elects to retain or dispose of on expiration of the Lease term shall automatically vest in Landlord. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of any such alterations, utility installations, trade fixtures or personal property. Tenant shall be liable to Landlord for Landlord's costs for storing, removing and disposing of any alterations, utility installations, trade fixtures or personal property and shall indemnify and hold Landlord harmless from the claim of any third party to an interest in such alterations, utility installations, trade fixtures or personal property.

25.2 Holding Over. Tenant shall have no legal right to holdover. If Tenant holds over the Premises or any part thereof after expiration of the term of this Lease, such holding over shall, at Landlord's option, constitute a month-to-month tenancy, at a rent equal to one hundred twenty-five percent (125%) of the Minimum Monthly Rent in effect immediately prior to such holding over and shall otherwise be on all the other terms and conditions of this Lease. Landlord's acceptance of any payment provided hereunder shall not be construed as Landlord's permission for Tenant to hold over. Acceptance of rent by Landlord following expiration or termination shall not constitute a renewal of this Lease or extension of the Lease term except as specifically set forth above. If Tenant fails to surrender the Premises upon expiration or earlier termination of this Lease, Tenant shall indemnify and hold Landlord harmless from and against all loss or liability resulting or arising out of Tenant's failure to surrender the Premises, including, but not limited to, any amounts required to be paid to any tenant or prospective tenant who was to have occupied the Premises after the expiration or earlier termination of this Lease and any related attorney's fees and brokerage commissions.

26. HAZARDOUS MATERIALS

26.1 Definitions.

26.1.1 Hazardous Material. Hazardous Material means any substance:

(i) the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action, policy, or common law; or

(ii) which is or becomes defined as a "hazardous waste", "hazardous substance", "hazardous materials", "toxic substances", pollutant, or contaminant under any federal, state, or local statute, regulation, rule, or ordinance or amendments thereto including, without limitation, the Federal Water Pollution Control Act (33 U.S.C. Section 1251, et seq.), Resource Conservation & Recovery Act (42 U.S.C. Section 6901 et seq.), Safe Drinking Water Act (42 U.S.C. Section 300(f) et seq.), Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), the Clean Air Act (42 U.S.C. Section 7401 et seq.), Comprehensive Environmental Response of Compensation and Liability Act (42 U.S.C. Section 9601 et seq.), California Health & Safety Code (Sections 25100 et seq. and 39000 et seq.), California Water Code (Section 13000 et seq.), and other comparable state laws relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, disposal or transportation of Hazardous Materials; or

(iii) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency, or instrumentality of the United States, the State of California or any political subdivision thereof.

26.1.2 Environmental Requirements. Environmental Requirements means all applicable present and future statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, concessions, franchises, and similar items, of all government agencies, departments, commissions, boards, bureaus, or instrumentalities of the United States, states, and political subdivisions thereof and all applicable judicial, administrative, and regulatory decrees, judgments, and orders relating to the protection of human health or the environment, including, without limitation: (a) all requirements, including but not limited to those pertaining to reporting, licensing, permitting, investigation, and remediation of emissions, discharges, releases, or threatened releases of Hazardous Materials, chemical substances, pollutants, contaminants, or hazardous or toxic substances, materials or wastes whether solid, liquid, or gaseous in nature, into the air, surface water, groundwater, or

Landlord's Initials g

Tenant's Initials KMT

land, relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of chemical substances, pollutants, contaminants, or hazardous or toxic substances, materials, or wastes, whether solid, liquid, or gaseous in nature; and (b) all requirements pertaining to the protection of the health and safety of employees or the public.

26.1.3 Environmental Damages. Environmental Damages means all claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability), encumbrances, liens, costs, and expenses of investigation and defense of any claim, whether or not such claim is untimely defeated, and of any good faith settlement of judgment, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including without limitation reasonable attorneys' fees and disbursements and consultants' fees, any of which are incurred at any time as a result of Tenant's use, storage, or disposal of Hazardous Materials on the Premises or the existence of a violation of Environmental Requirements on the Premises, and including without limitation: (a) damages for personal injury, or injury to property or natural resources occurring upon or off of the Premises, foreseeable or unforeseeable, including, without limitation, lost profits, consequential damages, the cost of demolition and rebuilding of any improvements on real property, interest and penalties including but not limited to claims brought by or on behalf of employees of Tenant with respect to which Tenant waives any immunity to which it may be entitled under any industrial or worker's compensation laws; (b) fees incurred for the services of attorneys, consultants, contractors, experts, and laboratories and all other costs incurred in connection with the investigation or remediation of such Hazardous Materials in violation of Environmental Requirements including, but not limited to, the preparation of any feasibility studies or reports or the performance of any cleanup, remediation, removal, response, abatement, containment, closure, restoration, or monitoring work required by any federal, state, or local governmental agency or political subdivision, or reasonably necessary to make full economic use of the Premises or any other property in a manner consistent with its current use or otherwise expended in connection with such conditions, and including without limitation any attorneys' fees, costs, and expenses incurred in enforcing this Lease or collection of any sums due hereunder; (c) liability to any third person or government agency to indemnify such person or agency for costs expended in connection with the items referenced above; and (d) diminution in the value of the Premises, and damages for the loss of business and restriction on the use of or adverse impact on the marketing of rentable or usable space or of any amenity of the Premises.

26.2 Prohibited Uses. Tenant shall not cause or give permission for the use (except for minimal quantities of any substance which technically could be considered a Hazardous Material provided (i) such substance is of a type normally used by Tenant, and (ii) Tenant complies with all legal requirements applicable to such Hazardous Material) of any substances, materials or wastes subject to regulation under legal requirements from time to time in effect concerning hazardous, toxic or radioactive materials, on or about the Premises, unless Tenant shall have received Landlord's prior written reasonable consent.

26.3 Obligation to Indemnify, Defend, and Hold Harmless. Tenant and its successors, assigns and guarantors, agreed to indemnify, defend, reimburse, and hold harmless (a) Landlord and its agents, successors and assigns, (b) any other person who acquires a portion of the Premises in any manner, including but not limited to the purchase, at a foreclosure sale or otherwise through the exercise of the rights and remedies of Landlord under this agreement, and (c) the directors, officers, shareholders, employees, partners, agents, contractors, subcontractors, experts, licensees, affiliates, lessees, mortgagees, trustees, heirs, devisees, successors, assigns, and invitees of such persons, from and against any and all Environmental Damages arising from the presence of Hazardous Materials used, stored, disposed of or brought upon, about, or beneath the Premises by Tenant, or Tenant's agents, contractors, vendors or invitees (collectively the "Tenant Parties") or any such Hazardous Materials migrating from the Premises, or arising in any manner as a result of the Tenant Parties' violation of any Environmental Requirements and the Tenant Parties' activities thereon, unless to the extent such Environmental Damages exist as a direct result of the negligence or willful misconduct of Landlord.

Tenant's obligation hereunder shall include, but not be limited to, the burden and expense of defending all claims, suits, and administrative proceedings (with counsel reasonably approved by Landlord), conducting all negotiations of any description, and paying and discharging, when and as the same become due, any and all judgments, penalties or other sums due against such indemnified persons and to remediate the Premises pursuant to Section 26.4 below. Landlord at its sole expense may employ additional counsel of its choice to associate with counsel representing Tenant. Notwithstanding anything contained herein to the contrary, Tenant shall in no event be held liable or responsible (including without limitation, for the removal or encapsulation thereof) for any Hazardous Materials migrating from the Premises or existing in or upon the Premises prior to the date Tenant accepts possession of the same.

Landlord's Initials g

Tenant's Initials KMP

Tenant's obligations hereunder shall survive the expiration or earlier termination of this Lease, the discharge of all other obligations owned by the parties to each other, and any transfer of title to the Premises (whether by sale, foreclosure, deed in lieu of foreclosure or otherwise).

The obligations of Tenant under this paragraph shall not apply to any Environmental Damages, the violation of any Environmental Requirements or the presence of any Hazardous Material to the extent that such condition or event arose or existed prior to the effective date of this Lease, migrated onto the Premises prior to or after the effective date of this Lease through no violation of Environmental Requirements by Tenant or its agents, or was not caused by Tenant, Tenant's agents, employees or invitees. As a result of any pre-existing Environmental Damages or the presence of any Hazardous Materials prior to the date Tenant accepts possession of the Premises, in the event any legal requirement or governmental entity requires the Premises to be inspected, tested or surveyed for the presence of any Hazardous Materials prior to or during Tenant's occupancy of the Premises, Landlord, at its sole cost and expense, shall perform such required activities.

26.4 Obligation to Remediate. Pursuant to Section 26.3 of the Lease, Tenant shall, upon demand of Landlord, and at its sole cost and expense, promptly take all actions to remediate the Premises which are required by any federal, state, or local government agency or political subdivision or which are reasonably necessary to mitigate Environmental Damages for which Tenant is obligated above. Such actions shall include, but not be limited to, the investigation of the environmental condition of the Premises, the preparation of any feasibility studies, reports, or remedial plans, and the performance of any cleanup, remediation, containment, operations, maintenance, monitoring, or restoration work, whether on or off the Premises. Tenant shall further take all actions necessary to restore the Premises to a substantially similar condition existing prior to Tenant's introduction of Hazardous Material upon, about or beneath the Premises, notwithstanding any lesser standards of remediation allowed under applicable law or governmental policies. All such work shall be performed by one or more contractors, selected by Tenant and reasonably approved in advance and in writing by Landlord. Tenant shall proceed continuously and diligently with such investigatory and remedial actions, provided that in all cases such actions shall be in accordance with all applicable requirements of government entities. Any such actions shall be performed in a good, safe, and workmanlike manner and shall minimize any impact on the businesses conducted on the Premises and/or those businesses conducted at the Project. Tenant shall pay all costs in connection with such investigatory and remedial activities, including but not limited to all power and utility costs, and any and all taxes or fees that may be applicable to such activities. Tenant shall promptly provide to Landlord copies of testing results and reports that are generated in connection with the above activities and that are submitted to any government entity. Promptly upon completion of such investigation and remediation, Tenant shall permanently seal or cap all monitoring wells and test holes to industrial standards in compliance with applicable federal, state, and local laws and regulations, remove all associated equipment, and restore the Premises which shall include, without limitation, the repair of any surface damage, including paving, caused by such investigation or remediation hereunder. Within thirty (30) days of demand therefor, Tenant shall provide Landlord with a bond, letter of credit, or similar financial assurance evidencing that the necessary funds are available to perform the obligation established by this paragraph.

26.5 Notification. If Tenant shall become aware of or receives notice of any actual, alleged, suspected, or threatened violation of Environmental Requirements, or liability of Tenant for Environmental Damages in connection with the Premises or past or present activities of any person thereon, including but not limited to notice or other communication concerning any actual or threatened investigation, inquiry, lawsuit, claim, citation, directive, summons, proceeding, complaint, notice, order, writ, or injunction, relating to same, then Tenant shall deliver to Landlord, within ten (10) days of the receipt of such notice or communication by Tenant, a written description of said violation, liability, correcting information, or actual threatened event or condition, together with copies of any documents evidencing same. Receipt of such notice shall not be deemed to create any obligation on the part of Landlord to defend or otherwise respond to any such notification.

26.6 Termination of Lease. Upon the expiration or earlier termination of the Lease term, Tenant shall surrender possession of the Premises to Landlord free of contamination attributable to Hazardous Materials that are in excess of concentrations permitted by any applicable Environmental Requirements and that Tenant is obligated to remediate pursuant to Section 26.3 above. Tenant shall further take all actions necessary to restore the Premises to a substantially similar condition existing prior to Tenant's introduction of Hazardous Material upon, about or beneath the Premises, notwithstanding any lesser standards of remediation allowed under applicable law or governmental policies. In addition to all other remedies available to Landlord hereunder, Tenant expressly agrees that even though Tenant's right of occupancy

Landlord's Initials g

Tenant's Initials EMR

shall have terminated, Tenant shall remain liable to pay Landlord an amount per month (or a pro rata portion thereof) equal to one hundred twenty-five percent (125%) of the Minimum Monthly Rent in effect for the month immediately preceding the month of expiration or earlier termination (less any amounts received by Landlord from any other occupant of the Premises during this period), until Tenant shall have surrendered possession of the Premises to Landlord free of any such Hazardous Materials.

26.7 Toxic Substances Disclosure. The parties acknowledge the obligation of Tenant to advise Landlord concerning Hazardous Materials located upon the Premises pursuant to the provisions of California Health and Safety Code Section 25359.7. The parties hereby agree that this Section 26.7 constitutes the notice required pursuant to said statute and Landlord hereby waives its right to further notice pursuant to such statute to the extent described herein. The parties acknowledge that Tenant shall maintain and use certain substances upon the Premises which may be classified as "hazardous substances" to clean and maintain the Premises. The parties acknowledge that the use of any of such substances which may be a "hazardous substance" within the scope of Health and Safety Code Section 25359.7 shall not constitute a breach of this Lease and shall require no further notice from Tenant. Tenant agrees, however, that the use of other Hazardous Materials upon the Premises is not subject to the terms of this notice and waiver and Tenant shall be obligated to report the existence of such other Hazardous Materials pursuant to the requirements of Health and Safety Code Section 25359.7.

26.8 Landlord's Warranty. To the best of Landlord's knowledge, Landlord represents and warrants that no Environmental Damages, violations of any Environmental Requirements or the presence of any Hazardous Material exist with respects to the Premises.

27. INTENTIONALLY OMITTED

28. WRITTEN NOTICES

Whenever under this Lease a provision is made for any demand, notice or declaration of any kind or where it is deemed desirable or necessary by either party to give or serve any such notice, demand or declaration to the other, it shall be in writing and (i) served personally, (ii) sent by registered or certified mail, return receipt requested, with postage prepaid, or (iii) sent by a private overnight express carrier, addressed to Tenant or Landlord, as the case may be, at the notice address specified for each in the Basic Provisions. Either party may by like notice at any time and from time to time designate a different address to which notices shall be sent. Mailed notices shall be effective upon the earlier of (a) actual receipt as evidenced by the return-receipt or (b) three (3) days after mailing. Notices sent by overnight carrier shall be effective as of the next business day. Notices personally served shall be effective immediately upon delivery.

29. JOINT AND SEVERAL LIABILITY

Each person or entity named as a Tenant in this Lease, or who hereafter becomes a party to this Lease as a tenant in the Premises, or as a permitted assignee or subtenant of Tenant, shall be jointly and severally liable for the full and faithful performance of each and every covenant and obligation required to be performed by Tenant under the provisions of this Lease.

30. BINDING ON SUCCESSORS, ETC.

Landlord and Tenant agree that each of the terms, conditions, and obligations of this Lease shall extend to and bind, or inure to the benefit of (as the case may require), the respective parties hereto, and each of their respective heirs, executors, administrators, representatives, and permitted successors and assigns.

31. ATTORNEYS' FEES

In the event that any legal action is instituted by either of the parties hereto to enforce or construe any of the terms, conditions or covenants of this Lease, or the validity thereof, the party prevailing in any such action shall be entitled to recover from the other party all court costs and a reasonable attorneys' fee to be set by the court or arbitrator, and the costs and fees incurred in enforcing any judgment entered therein.

Landlord's Initials

g

Tenant's Initials

KMP

32. FURTHER ASSURANCES

Each of the parties hereto agrees to perform all such acts (including, but not limited to, executing and delivering such instruments and documents) as reasonably may be necessary to fully effectuate each and all of the purposes and intent of this Lease.

33. CONSTRUCTION OF LEASE

The term and provisions of this Lease shall be construed in accordance with the laws of the State of California as they exist on the date hereof.

The parties agree that the terms and provisions of this Lease embody their mutual intent and that they are not to be construed more liberally in favor of, or more strictly against, any party hereto.

When the context in which words are used in this Lease indicates that such is the intent, words in the singular number shall include the plural and vice versa, and words in the masculine gender shall include the feminine and neuter genders and vice versa.

The Article, Section and subsection headings contained in this Lease are for purposes of identification and reference only and shall not affect in any way the meaning or interpretation of any provision of this Lease.

Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

Except as otherwise provided herein, wherever in this Lease the consent of a party is required to any act by or for the other party, such consent shall not be unreasonably withheld or delayed. Landlord's actual reasonable costs and expenses (including architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Tenant for any Landlord consent shall be paid by Tenant upon receipt of an invoice and supporting documentation therefore. Landlord's consent to any act, assignment or subletting shall not constitute an acknowledgment that no default or breach by Tenant of this Lease exists, nor shall such consent be deemed a waiver of any then existing default or breach. The failure to specify herein any particular condition to Landlord's consent shall not preclude the imposition by Landlord at the time of the consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given.

The word "Tenant" shall be deemed and taken to mean each and every person or party mentioned as a tenant herein, whether or not one or more, and if there shall be more than one tenant, any notice required or permitted by the terms of this Lease may be given by or to any one thereof and shall have the same force and effect as if given by or to all thereof. The use of the neuter singular pronoun to refer to Tenant shall be deemed a proper reference even though Tenant may be an individual, a partnership, a corporation, a limited liability company, or a group of two or more individuals or corporations. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Tenant and to either corporations, limited liability companies, associations, partnership or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

34. PARTIAL INVALIDITY

If any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable, 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.

35. RECORDING

Neither this Lease nor any memorandum of this Lease shall be recorded without the prior written consent of Landlord and its mortgage lenders.

36. COMPLETE AGREEMENT

It is understood that there are no oral agreements or representations between the parties hereto affecting this Lease, and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements or representations and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. There are no representations or warranties between the parties other than those contained in this Lease and all reliance by the parties hereto with respect to representations and warranties is solely upon the representations and warranties contained in this document. This Lease, and the

Landlord's Initials g

Tenant's Initials EMP

Attachments and Exhibits hereto, constitute the entire agreement between the parties and may not be altered, amended, modified, or extended except by an instrument in writing signed by the parties hereto.

37. NO IMPLICATION OF EXCLUSIVE USE

Nothing contained in this Lease shall be deemed to give Tenant an express or implied exclusive right to operate any particular type of business in the Project.

38. TENANT A CORPORATION OR LIMITED LIABILITY COMPANY

In the event Tenant (or Tenant's general partner) hereunder shall be a corporation or limited liability company, the parties executing this Lease on behalf of the Tenant hereby covenant and warrant that Tenant (or Tenant's general partner) is a duly qualified corporation or company and all steps have been taken prior to the date hereof to qualify Tenant to do business in the state wherein the Project is situated and all franchise and corporate taxes have been paid to date; and all future forms, reports, fees and other documents necessary to comply with applicable law will be filed when due. Each individual executing this Lease on behalf of said corporation or company represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation or company in accordance with the bylaws of said corporation (or operating agreement of said company), and that this Lease is binding upon said corporation or company in accordance with its terms.

39. SUBMISSION OF DOCUMENT

The submission of this document for examination and negotiation does not constitute an offer to lease, or a reservation of, or option for, the Premises. This document shall become effective and binding only upon execution and delivery hereof by Tenant and by Landlord (or, when duly authorized, by Landlord's agent or employee). No act or omission of any agent of Landlord or of Landlord's broker shall alter, change or modify any of the provisions hereof.

40. NO PERSONAL OBLIGATION OF LANDLORD

The obligations of Landlord under this Lease do not constitute personal obligations of the individual limited partners of the limited partnership which is Landlord herein, and Tenant shall look solely to the real estate that is the subject of this Lease and to no other assets of Landlord for satisfaction of any liability in respect of this Lease and will not seek recourse against the partners of the limited partnership which is Landlord herein, nor against any of its or their assets for such satisfaction.

41. EXCAVATION

Landlord shall have the right to utilize the land on which the Project is located (the "Land") for purposes of excavation and shall have the right to authorize the use of, and grant licenses and easements over, the Land to owners of adjacent property or governmental authorities for excavation purposes. If an excavation is made upon the Land or any of the Land adjacent to the Building by Landlord or said owner of adjacent property, Tenant shall license and authorize Landlord or said owner to enter on to the Premises for the purpose of performing such work in connection with the excavation as may be necessary or prudent to preserve the Building from injury or damage. Tenant shall have no claim for damages or indemnity against Landlord or any right to abatement of rent in connection therewith, unless such excavation materially affects Tenant's use of the Premises.

42. ARBITRATION

Any dispute between the parties hereto (except for any event of default or dispute regarding the payment of rent, either (or both) of which Landlord shall be entitled to its remedies under Article 17 hereof, and except for any dispute for which the Superior Court for the location in which the Premises are situated has jurisdiction by virtue of the California Code of Civil Procedure, Section 1161 *et. seq* [as the same may be recodified or amended from time to time]) shall be determined by arbitration. Whenever any such dispute arises between the parties hereto in connection with the Premises or this Lease and either party give written notice to the other that such dispute shall be determined by arbitration, then within thirty (30) days after the giving of the notice, both parties shall select and hire one member of the panel of Judicial Arbitration and Mediation Services, Inc. ("Judge"). The Judge shall be a retired judge experienced with commercial real property lease disputes in the County in which the Premises are located. As soon as reasonably possible, but no later than forty (40) days after the Judge is selected, the Judge shall meet with the parties at a location reasonably acceptable to Landlord, Tenant and the Judge. The Judge shall determine the matter within ten (10) days after any such meeting. Each party shall pay half the costs and expenses of the Judge.

Landlord's Initials u

Tenant's Initials JMP

If Judicial Arbitration and Mediation Services, Inc. ceases to exist, and either party gives written notice to the other that a dispute shall be determined by arbitration, then, unless agreed otherwise in writing by the parties, all arbitrations hereunder shall be governed by California Code of Civil Procedure Sections 1280 through 1294.2, inclusive, as amended or recodified from time to time, to the extent they do not conflict with this Article. Within ten (10) days after delivery of such notice, each party shall select an arbitrator with at least five (5) years' experience in commercial real property leases in the County in which the Premises are located and advise the other party of its selection in writing. The two arbitrators so named shall meet promptly and seek to reach a conclusion as to the matter to be determined, and their decision, rendered in writing and delivered to the parties hereto, shall be final and binding on the parties. If said arbitrators shall fail to reach a decision within ten (10) days after the appointment of the second arbitrator, said arbitrators shall name a third arbitrator within the succeeding period of five (5) days. Said three (3) arbitrators thereafter shall meet promptly for consideration of the matter to be determined and the decision of any two (2) of said arbitrators rendered in writing and delivered to the parties hereto shall be final and binding on the parties.

If either party fails to appoint an arbitrator within the prescribed time, and/or if either party fails to appoint an arbitrator with the qualifications specified herein, and/or if any two arbitrators are unable to agree upon the appointment of a third arbitrator within the prescribed time, then the Superior Court of the County in which the Premises is located may, upon request of any party, appoint such arbitrators, as the case may be, and the arbitrators as a group shall have the same power and authority to render a final and binding decision as where the appointments are made pursuant to the provisions of the preceding paragraph. All arbitrators shall be individuals with at least five (5) years experience negotiating or arbitrating disputes arising out of commercial real property leases in the County where the Premises are located. All determinations by arbitration hereunder shall be binding upon Landlord and Tenant.

Any determination by arbitration hereunder may be entered in any court having jurisdiction.

END OF THE STANDARD TERMS & CONDITIONS

Landlord's Initials g

Tenant's Initials KMP

ATTACHMENT 1

RULES AND REGULATIONS

1. No automobile, recreational vehicle or any other type of vehicle or equipment shall remain upon the Common Area longer than 24 hours, and no vehicle or equipment of any kind shall be dismantled or repaired or serviced on the Common Area. All vehicle parking shall be restricted to areas designated and marked for vehicle parking. The foregoing restrictions shall not be deemed to prevent temporary parking for loading or unloading of vehicles in designated areas.
2. Tenant and its agents and invitees shall not obstruct the sidewalks, common halls, passageways, driveways, entrances and exits of any Building; such facilities shall be used only for ingress to and egress from the Premises and other buildings, if any, in the Project.
3. Signs will conform to sign standards and criteria established from time to time by Landlord. Excepting any signs specifically permitted in the Lease, no other signs, placards, pictures, banners, advertisements, names or notices shall be inscribed, displayed or printed or affixed on or to any part of the outside or inside of the building without the written consent of Landlord, and Landlord shall have the right to remove any such non-conforming signs, placards, pictures, banners, advertisements, names or notices without notice to and at the expense of Tenant.
4. No antenna, aerial, discs, dishes or other such device shall be erected on the roof or exterior walls of the Building or on the grounds without the written consent of the Landlord in each instance. Any device so installed without such written consent shall be subject to removal without notice at any time.
5. No loud speakers, televisions, phonographs, radios or other devices shall be used in a manner so as to be heard or seen outside of the Premises without the prior written consent of the Landlord.
6. The outside areas adjoining the Premises shall be kept clean and free from dirt and rubbish by the Tenant to the satisfaction of Landlord, and Tenant shall not place or permit any obstruction or materials in such areas or permit any work to be performed outside the Premises.
7. No open storage shall be permitted in the Project.
8. All garbage and refuse shall be placed in containers placed at the locations designated for refuse collection, in the manner specified by Landlord. All trash and refuse shall be stored in adequate containers within the Premises and removed at regular intervals to the common pickup station authorized by Landlord. Tenant shall be responsible for complete dismantling of all boxes and cartons and for cleanup of any clutter resulting from the dumping of trash. Cartons and boxes are not to be stored outside the Premises and trash of any kind shall not be burned in or about the Premises.
9. Other than any internal vending machines in Tenant's break room, no vending machine or machines of any description shall be installed, maintained or operated upon the Common Area without Landlord's prior written consent.
10. Tenant shall not disturb, solicit, or canvass any occupant of the Building and shall cooperate to prevent same.
11. No noxious or offensive trade or activity shall be carried on in any units or on any part of the Common Area, nor shall anything be done thereon which would in any way interfere with the quiet enjoyment of each of the other tenants of the Project or which would increase the rate of insurance or overburden utility facilities from time to time existing in the Project.
12. All moving of furniture, freight or equipment of any kind shall be done at the times and in the manner prescribed by Landlord and through entrances prescribed for such purpose by Landlord. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building. Safes or other heavy objects shall be placed upon wooden strips of such thickness as Landlord determines necessary to properly distribute the weight. All damage done to the Premises, the Building, the Project and/or Common Areas by moving or maintaining any such safe or other property shall be repaired at Tenant's cost.

Landlord's Initials

g

Tenant's Initials

gms

13. The delivery or shipping of merchandise, supplies and fixtures to and from the Premises shall be subject to such rules and regulations as in the judgment of the Landlord are necessary for the proper operation of the Project.

14. Plumbing facilities shall be used only for the purpose for which they were constructed. Tenant shall pay the expense of any breakage, stoppage, or damage resulting from misuse or from the deposit of any substance into the plumbing facilities by Tenant or its agents or invitees.

15. Tenant shall assure that all water faucets or water apparatus and all electricity have been shut off before Tenant or its agents or invitees leave the Building, so as to prevent waste or damage.

16. Tenant, upon termination of its tenancy, shall deliver to Landlord all keys to stores, offices, rooms and restroom facilities that were furnished to Tenant or that Tenant has had made. Tenant shall pay Landlord the costs of replacing any lost keys and, at the option of Landlord, the costs of changing locks necessitated by the loss or theft of keys furnished to Tenant.

17. Tenant shall notify Landlord promptly of any damage to the Premises, the Building, the Project and/or the Common Areas resulting from or attributable to the acts of others.

18. Upon request of the Landlord, Tenant shall furnish to Landlord a current list of the names, vehicle descriptions and vehicle license numbers of each of Tenant's agents or employees who utilize the parking facilities of the Building.

19. Upon the request of Landlord, Tenant shall employ and use at Tenant's sole cost and expense a licensed pest exterminator selected by Landlord at such intervals as Landlord may request.

20. Landlord reserves the right to make such amendments to these Rules and Regulations from time to time as are nondiscriminatory and not inconsistent with the Lease.

21. Landlord shall use its best efforts to enforce the Rules and Regulations on a uniform basis as to all tenants in the Project, but Landlord shall not be responsible to Tenant or to any persons for the nonobservance or violation of these rules and regulations by any other tenant or other person. Tenant shall be deemed to have read these rules and to have agreed to abide by them as a condition to its occupancy of the Premises.

END ATTACHMENT 1

Landlord's Initials

g

Tenant's Initials

CAE

ATT-2

EXHIBIT A

SITE PLAN

(attached)

Landlord's Initials

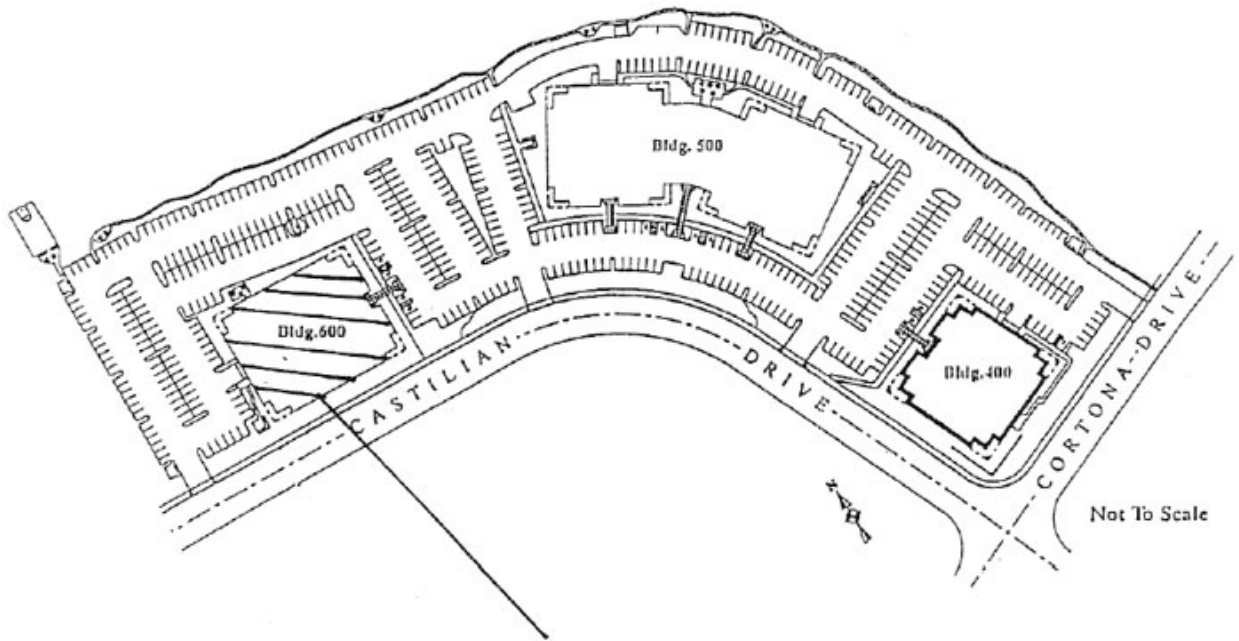
g

Tenant's Initials

KAP

SITE PLAN

EXHIBIT A



50 Castilian Drive
A portion of the first floor
consisting of approximately 14,527 square feet

END OF EXHIBIT A

Landlord's Initials

g

Tenant's Initials

Knobalt

EXHIBIT B

LANDLORD'S WORK

Tenant accepts the Premises in their "as is" condition and Landlord has no obligation to make improvements to the Premises or provide an improvement allowance other than the following:

1. **Landlord's Work.** At Landlord's sole cost and expense, Landlord shall prepare the Premises to be delivered to Tenant in a condition that meets all of the following requirements (the "Landlord's Work"):

- a) Improvements constructed in a good and workmanlike manner consisting of the following: (i) paint and carpet throughout the Premises using Landlord's standard choice of materials (Landlord and Tenant to mutually agree upon type and color of carpet and color of paint); (ii) install new flooring in the break room (leaving existing break room furniture); (iii) install window side panels into six (6) interior offices as depicted on Exhibit B-1; (iv) replace Premises front door with a glass door with side panels; (v) remove four (4) offices in the middle of the Premises and remove the additional office located closest to the break room all as depicted on Exhibit B-1; (vi) improve the common lobby (e.g. furnish, move mailbox, install tenant directory, and add plants) using Landlord's standard choice of materials; (vii) install new lighting throughout the Premises using Landlord's standard choice of materials; (viii) remove the demising walls between Suites 102 and 100; (ix) repair ceilings as needed; (x) install a new modular demising wall between Suites 102 and 100; and (xi) install network and power accessibility in the Premises, separate from the second floor wiring, as depicted on Exhibit B-2;
- b) Free of any furniture, fixtures, equipment, inventory or signage; and
- c) All existing wiring supporting telecommunications and data services shall be labeled and in good working order. Additionally, Landlord shall provide Tenant a wiring plan that shows all such existing wiring.
- d) The Premises shall be delivered to Tenant in broom clean condition and free from debris with all Building systems in good working order.
- e) In the event Suite 100 is leased to another tenant, Landlord shall replace the modular demising wall between Suites 102 and 100 with a permanent wall, at its sole cost and expense.

2. **Completion of Landlord's Work.** Subject to Force Majeure Delay or Tenant Delay, Landlord shall substantially complete Landlord's Work on or before August 1, 2011. "Substantially complete" means the date of the completion of the construction of Landlord's Work in the Premises, with the exception of any tenant fixtures, work-stations, built-in furniture, or equipment to be installed by Tenant in the Premises in accordance with the terms of this Lease. As used herein, "Force Majeure Delay" means delay resulting from causes beyond the reasonable control of Landlord or its agents, including, without limitation, any delay caused by any action, inaction, order, ruling, moratorium, regulation, statute, condition or other decision of any private party or governmental agency having jurisdiction over any portion of Landlord's Work, including any delays caused by the City of Goleta or applicable governmental agency in connection with Landlord securing a permit for the construction of the Landlord's Work and/or a certificate of occupancy or equivalent governmental authorization. As used herein, "Tenant Delay" means any delay in the completion of the Landlord's Work resulting from any or all of the following: (i) Tenant's failure to timely perform any of its obligations pursuant to this Lease, including Tenant's failure to promptly grant approvals; (ii) Tenant's requested modifications to the Landlord's Work which actually result in a delay; (iii) Tenant's request for materials, finishes, or installations which are not readily available; or (iv) any other act or failure to act by Tenant or Tenant's employees, agents, independent contractors, consultants and/or any other person performing or required to perform services on behalf of Tenant, including interference with Landlord or its contractors.

3. **Tenant Improvements.**

3.1 In addition to Landlord's Work, Tenant shall have the right to make cosmetic improvements to the interior of the Premises as generally described in Exhibit B-3 attached hereto (the "Tenant Improvements"). Tenant shall make the Tenant Improvements at Tenant's sole cost and expense (subject to the Tenant Improvement Allowance set forth below). Any material change in the planned Tenant Improvements shall be subject to the consent of Landlord, which consent shall not be unreasonably withheld, delayed or conditioned. Any such Tenant Improvements (except trade fixtures) shall at once become a part of the Premises and shall be surrendered to Landlord upon the expiration or sooner termination of this Lease. All work with respect to the Tenant Improvements must be done in a good and workmanlike

Landlord's Initials



Tenant's Initials



manner and diligently prosecuted to completion to the end that the improvements on the Premises shall at all times be a complete unit except during the period of work. Tenant shall use commercially reasonable efforts to complete the Tenant Improvements on or before August 1, 2011.

3.2 Landlord grants to Tenant a one-time Tenant Improvement Allowance not to exceed \$2.00 per square foot (\$29,054) for the Tenant's Improvements, including any applicable soft costs. Said allowance shall be disbursed upon presentation by Tenant to Landlord of (i) copies of Tenant's paid invoices for costs associated with Tenant Improvements; and (ii) all applicable unconditional final lien waivers. If Tenant does not utilize the Tenant Improvement Allowance by March 31, 2012, the Tenant Improvement Allowance shall become null and void and Tenant shall forever lose its right to utilize said allowance.

4. **Tax Matters.** Landlord and Tenant agree that any improvement costs incurred by Landlord shall be allocated for depreciation and income tax purposes, solely by the Landlord. It will be the intention of Landlord to allocate Landlord's contribution to such improvement items that have the shortest useful life. The parties agree to abide by the allocation of improvement costs as determined by Landlord, and agree to report the transaction for income tax purposes as so allocated by Landlord.

END EXHIBIT B

Landlord's Initials

gy

Tenant's Initials

ksf

EXHIBIT C

ADJUSTMENT TO MINIMUM MONTHLY RENT

- C.1 The Minimum Monthly Rent provided for by Article 3.1 of the Lease shall be adjusted effective as of the Adjustment Dates specified in the Basic Provisions and in the manner specified in the Basic Provisions in accordance with this Exhibit C.
- C.2 Prior to the applicable Adjustment Date, the parties shall ascertain from the official Consumers' Price Index for All Urban Consumers, All Items, for the Los Angeles- Anaheim - Riverside area, 1982-84=100 Base, as published in the Bureau of Labor Statistics, United States Department of Labor (the "Index"), the index figure for the Base Period and for the Adjustment Date specified above. If the Adjustment Date Index figures exceed the Base Period Index figure, then the minimum monthly rent payable by Tenant from said Adjustment Date until the next following Adjustment Date shall be determined by multiplying the minimum monthly rent in effect during the first year of this Lease by a fraction, the numerator of which shall be the index Figure for the Adjustment Date and the denominator of which shall be the index figure for the Base Period; provided, however, that the minimum annual rent shall have a minimum annual increase of two percent (2%) and a maximum annual increase of five percent (5%).
- C.3 If the Index shall no longer be published, then appropriate reference figures for the Base Period and the Adjustment Date shall be derived from any successor or comparable index mutually agreed by the parties to be authoritative, and if the parties are unable to agree, then the substituted index shall be selected by the then-presiding judge of the Superior Court for Santa Barbara County upon the application of either party.
- C.4 The parties acknowledge that the Adjustment Date Index figure for each Adjustment Date may not be available on such date. In such event, the rental in effect immediately prior to the Adjustment Date shall continue in effect until the index figure for the Adjustment Date is available, at which time an appropriate adjustment shall be made (retroactive to the Adjustment Date) between Landlord and Tenant with respect to the minimum monthly rent payable by Tenant.

END EXHIBIT C

Landlord's Initials

Tenant's Initials

EXHIBIT D

INTENTIONALLY OMITTED

Landlord's Initials

g

Tenant's Initials

kap

EXHIBIT E

INTENTIONALLY OMITTED

Landlord's Initials

g

Tenant's Initials

WSP

EXHIBIT F

REAL ESTATE COMMISSIONS

Landlord and Tenant warrant to the other that it has had no dealings with any real estate broker or agents in connection with the negotiation of this Lease excepting only Hayes Commercial Group and The Towbes Group, Inc. and it knows of no other real estate broker or agent who is entitled to a commission in connection with this Lease.

END EXHIBIT F

Landlord's Initials

g

Tenant's Initials

WSP

EXHIBIT G

TENANT'S OPTION TO RENEW

1. Grant of Options

Landlord hereby grants to Tenant, on the terms and conditions set forth below, two (2) successive options to renew this Lease. The first renewal option shall be for a renewal term of three (3) years. The second renewal option shall be for a renewal term of three (3) additional years, to commence at the expiration of the preceding renewal term. Each renewal term shall be subject to all of the provisions of this Lease, including but not limited to the provisions for any increase in Minimum Monthly Rent. The failure of Tenant to exercise its option for any renewal term shall nullify the option of the Tenant for any succeeding renewal terms. The options granted to Tenant in this Lease are personal to Tenant and cannot be exercised by anyone other than Tenant and only while Tenant is in full possession of the Premises.

2. Conditions to Exercise

The right of Tenant to exercise its renewal options is subject to Tenant's compliance with all of the following conditions precedent:

(a) The Lease shall be in effect at the time written notice of exercise is received and on the last day of the existing Lease term; and

(b) Tenant shall not be in default at any time in the twelve (12) months prior to the time notice of exercise is given or at any time from the time notice of exercise is given to the last day of the existing Lease term; and

(c) At least six (6) months and not more than twelve (12) months before the last day of the existing Lease term, Tenant shall have given Landlord written notice of exercise of option, which notice, once given, shall be irrevocable and binding on the parties hereto. Notwithstanding the time Tenant elects to exercise its option, the process of determining the Fair Market Rental Rate (as defined below) shall not be commenced by Landlord and Tenant earlier than six (6) months prior to the commencement of the applicable option term; and

(d) Tenant shall not have incurred more than two (2) late charge processing charges nor more than two (2) notices of nonpayment under Section 3.3 of the Standard Terms and Conditions during the preceding twenty-four (24) months; and

(e) Neither Landlord nor Tenant has exercised any right to terminate this Lease due to damage to or destruction of the Premises or the building and improvements of which the Premises are a part, or any condemnation or conveyance under threat of condemnation.

3. Minimum Monthly Rent

(a) The Minimum Monthly Rent at the beginning of the first option term shall be adjusted to the then "Fair Market Rental Rate," however in no event shall the rent at the beginning of the first option term be less than the rent paid in the last month of the third year of the Initial Term, as adjusted pursuant to Section E.2 of the Basic Provisions of the Lease. The Minimum Monthly Rent at the beginning of the second option term shall be adjusted to the then "Fair Market Rental Rate," however in no event shall the rent at the beginning of the second option term be less than the rent paid in the last month term immediately preceding the second option term, as adjusted pursuant to Section E.2 of the Basic Provisions of the Lease.

(b) For purposes of this Lease, the term "Fair Market Rental Rate" shall mean the annual amount per rentable square foot that Landlord has accepted in current transactions between non-affiliated parties from renewal and non-equity tenants for comparable space, for a comparable use, for a comparable period of time ("Comparable Transactions") in the Project and what a comparable landlord of a comparable building with comparable vacancy factors would accept in Comparable Transactions. In any determination of Comparable Transactions appropriate consideration shall be given to the annual rental rates per rentable square foot, the type of escalation clause (e.g., whether increases in additional rent are determined on a net or gross basis, and if gross, whether such increases are determined according to a base year or a base dollar amount expense stop), abatement provisions reflecting free rent and/or no rent during the period of construction or subsequent to the commencement date as to the space in question, length of the lease term, size and location of premises being leased, and other generally applicable conditions of tenancy for such Comparable Transactions.

(c) Landlord shall determine the Fair Market Rental Rate by using its good faith judgment. Landlord shall provide written notice of such amount within twenty (20) days after Tenant provides the notice to Landlord exercising Tenant's option rights which require a calculation of the Fair Market Rental Rate; provided however that, in no event, shall Landlord be required to deliver such notice to Tenant more than one hundred eighty (180) days prior to the

Landlord's Initials g

Tenant's Initials KAP

first day of the renewal term for which such determination is being made. Tenant shall have fifteen (15) days ("Tenant's Review Period") after receipt of Landlord's notice of the new rental within which to accept such rental or to reasonably object thereto in writing. In the event Tenant objects, Landlord and Tenant shall attempt to agree upon such Fair Market Rental Rate using their best good faith efforts. If Landlord and Tenant fail to reach agreement within fifteen (15) days following Tenant's Review Period ("Outside Agreement Date"), then each party shall place in a separate sealed envelope their final proposal as to Fair Market Rental Rate and such determination shall be submitted to arbitration as provided below. Failure of Tenant to so elect in writing within Tenant's Review Period shall conclusively be deemed its approval of the Fair Market Rental Rate determined by Landlord.

(d) If both parties make timely individual determinations of the Fair Market Rental Rate under Article 2, the disagreement shall be resolved by arbitration under this Article 3. Except as provided below, the determination of the arbitrator(s) shall be limited to the sole issue of whether Landlord's or Tenant's submitted Fair Market Rental Rate is the closest to the actual Fair Market Rental Rate as determined by the arbitrator(s), taking into account the requirements of subsection (a) above. The arbitrator(s) must be a licensed real estate appraiser who has been active in the appraisal of corporate business parks properties in the City in which the Premises are located over the five-year (5-year) period ending on the date of his or her appointment as an arbitrator. Within fifteen (15) days after the Outside Agreement Date, Landlord and Tenant shall each appoint one arbitrator and notify the other party of the arbitrator's name and business address. Within ten (10) days after the appointment of the second arbitrator, the two (2) arbitrators shall decide whether the parties will use Landlord's or Tenant's submitted Fair Market Rental Rate and shall notify Landlord and Tenant of their decision. If either Landlord or Tenant fails to appoint an arbitrator within fifteen (15) days after the Outside Agreement Date, the arbitrator timely appointed by one of them shall reach a decision and notify Landlord and Tenant of that decision within thirty (30) days after the arbitrator's appointment. If each party appoints an arbitrator in a timely manner, but the two (2) arbitrators either fail to agree on whether the Landlord's or Tenant's submitted Fair Market Rental Rate is closest to the actual Fair Market Rental Rate, or one (1) arbitrator's actual determination of the Fair Market Rental Rate varies from the other arbitrator's actual determination of the Fair Market Rental Rate by greater than five percent (5%), then the two (2) arbitrators shall immediately appoint a third arbitrator (who shall be qualified under the same criteria set forth above for qualification of the initial two (2) arbitrators) and provide notice to Landlord and Tenant of the third arbitrator's name and business address. Provided, however, if the arbitrators' respective determinations of the actual Fair Market Rental Rate vary by five percent (5%) or less, then the Actual Fair Market Rental Rate shall be determined by taking the average of the two (2) determinations. Within twenty (20) days after the appointment of the third arbitrator, the third arbitrator's determination shall be limited solely to the determination of which of the prior two (2) arbitrators' determinations is the closest to the actual Fair Market Rental Rate as determined by the third arbitrator, taking into account the requirements of subsection (b) above. If the third arbitrator is unable or unwilling to select one (1) of the two (2) prior determinations, the arbitrator(s) shall be dismissed without delay and the issue of the Fair Market Rental Rate shall be submitted to arbitration in Santa Barbara, California, under the commercial arbitration rules then existing of JAMS or its successor, subject to the provisions of this Exhibit G. If both Landlord and Tenant fail to appoint an arbitrator in a timely manner, or if the two (2) arbitrators appointed by Landlord and Tenant fail to appoint a third arbitrator, the Fair Market Rental Rate shall be submitted to arbitration in Santa Barbara, California, under the commercial arbitration rules then existing of JAMS or its successor, subject to the provisions of this Exhibit G. The arbitrator's decision shall be binding on Landlord and Tenant. The cost of any arbitration required herein shall be paid by the losing party.

(e) The Minimum Monthly Rent for the option term, established as provided above, shall be adjusted on the first day of the first October following the commencement of the option term and the first day of October every year of the option term thereafter in accordance with Section E.2 of the Basic Provisions of the Lease and set forth in a written amendment to Lease executed by the parties.

4. Options Personal

Each Option granted to Tenant in this Lease is personal to Tenant and may not be exercised or be assigned voluntarily or involuntarily by or to any person or entity than Tenant. The Options herein granted to Tenant are not assignable separate or apart from this Lease.

END EXHIBIT G

Landlord's Initials g

Tenant's Initials KSP

EXHIBIT H

ADDITIONAL GOVERNMENTAL CONDITIONS AND REQUIREMENTS

1. To the extent such use is approved by Landlord in writing in connection with the lease to which this Exhibit H is attached, any tenant proposing to store, handle, or use hazardous materials within the provisions of AB 2185/2187, shall, prior to occupying the premises subject to lease and bringing such hazardous materials onto the Project, shall submit a hazardous materials business plan (the "Hazardous Materials Business Plan") thirty (30) days prior to occupancy to the County of Santa Barbara Health Care Services Department ("HCS") for review and approval. All Hazardous Materials Business Plans shall be referred to in project lease documents and attached in full thereto and in any deed transfers and leases. No tenant shall be entitled to store, handle, or use any hazardous materials in, on or about the Project, nor shall such tenant be entitled to occupy the premises, until HCS has approved the Hazardous Materials Business Plan.

2. Any tenant required to submit a Hazardous Materials Business Plan in connection with its proposed use shall submit an updated Hazardous Materials Business Plan annually thereafter

3. Any tenant required to submit a Hazardous Materials Business Plan in connection with its proposed use shall pay inspection fees, based on the hourly inspection rate for an environmental audit to be conducted by HCS at the termination of a lease and prior to reoccupation of such structure or part thereof if hazardous materials were in use on the leased premises. The Landlord shall, within 10 days notice of termination of said lease, notify HCS of the need for an environmental audit. HCS shall perform such an audit in a timely manner to prevent economic hardship to Landlord and shall certify that the premises are available for reoccupation or specify cleanup measures that will render the premises safe for reoccupation. The tenant whose lease is being terminated shall be responsible for any cleanup that may be required as a result of the audit.

4. To the extent such use is approved by Landlord in writing in connection with the lease to which this Exhibit is attached, any tenant generating hazardous waste in, on or about the Project shall submit to the HCS a plan outlining measures for the minimization of the hazardous waste stream from the proposed operation in addition to a Hazardous Materials Business Plan.

5. To the extent such use is approved by Landlord in writing in connection with the lease to which this Exhibit is attached, all tenants shall restrict vehicle washing and other cleaning activities to areas that can be properly drained into a sanitary sewer.

END EXHIBIT H

Landlord's Initials g

Tenant's Initials KAP

EXHIBIT I

SIGN PLAN

(attached)

Landlord's Initials

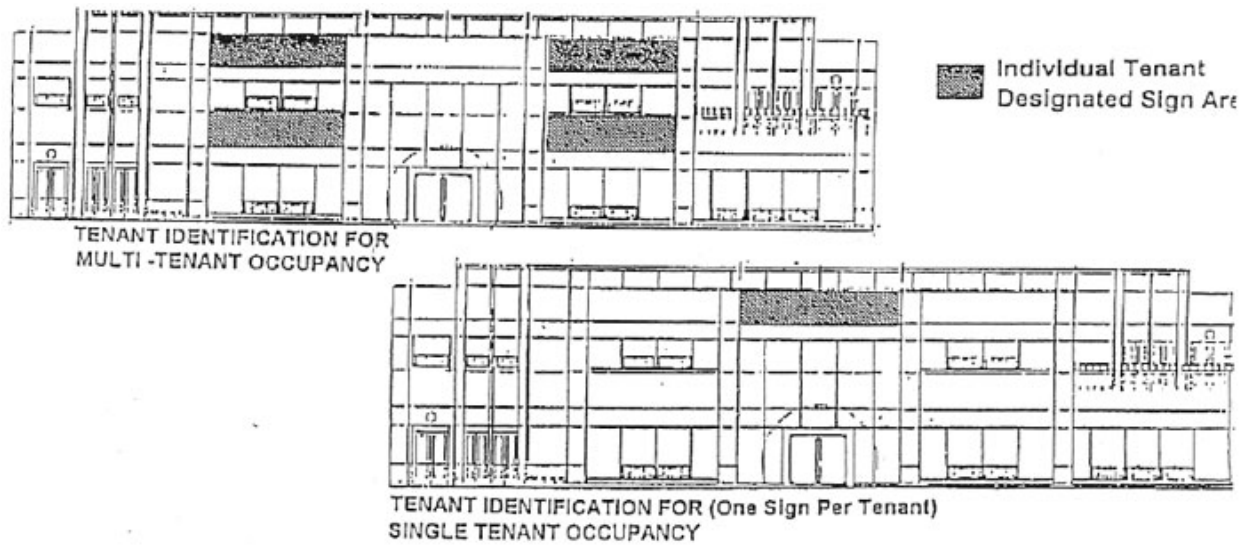
g

Tenant's Initials

kap

SIGNAGE CRITERIA-EXHIBIT I
TENANT IDENTIFICATION-EXTERIOR BUILDING MOUNTED

THE TENANT SHALL BE REQUIRED TO SUBMIT DUPLICATE SCALED DRAWINGS OF THEIR SIGN DESIGN FOR APPROVAL BY THE LANDLORD PRIOR TO PERMIT APPLICATION, FABRICATION AND INSTALLATION.



A-DESIGN AND FABRICATION:

BUSINESS IDENTIFICATION EXTERIOR WALL-MOUNT:

- 1) One sign of individual plastic injection molded or plex faced foam letters shall be allowed per Tenant.
- 2) If Tenant occupies an entire building affording more than one street frontage, more than one sign may be allowed with Landlord's prior written approval.
- 3) Overall signage length shall not exceed 76% of the designated sign band width.
- 4) One line of copy/lettering shall be allowed per sign; variance for more than one line of copy/lettering shall require the Landlord's prior written approval.
- 5) With one line of copy/lettering, maximum letter height shall not exceed 15", minimum letter height shall be 12".
- 6) With two lines of copy/lettering, the letter height of the first line shall be as described in A-5, the letter height of the second line shall be 5".
- 7) The use of logos shall be only in conjunction with the individual letters and shall be included in the designated sign band area.
- 8) Written logo requests shall be considered on an individual basis; only copyright secured or trademark registered logos shall be approved by the Landlord.
- 9) Individual letter style/font shall be per Tenant's selection, shall be fabricated of plastic injection molded or plex faced foam, and shall require Landlord's prior written approval.
- 10) The signage color shall be black any variation shall require the Landlord's prior written approval.
- 11) All edges of the Tenant signage shall be finished the same color as the faces.

B-INSTALLATION:

BUSINESS IDENTIFICATION EXTERIOR WALL-MOUNT:

- 1) Installation of the individual lettering of the Tenant's signage shall be with silicone adhesive or equivalent by gluing directly to the building.
- 2) All signage, including any approved logo, shall be installed within the designated sign band area, using a template for proper placement.
- 3) Multi-tenant building Tenants shall Install their business Identification lettering within the designated sign band area justified left or right, depending on the location of their leased space in the building.
- 4) Single building Tenants shall be allowed to install their signage centered within the designated sign band area.
- 5) The Tenant is responsible for the installation and maintenance of all its signage.
- 6) The Tenant shall be responsible for the repair of any damage to the building caused by Installation, maintenance or removal of Its signs.
- 7) The Tenant shall be responsible for the removal of its signs prior to vacating the premises, including restoration of the surface to its original condition.
- 8) No blinking, flashing, moving or neon style signage shall be allowed.

THE TENANT SHALL BE RESPONSIBLE FOR ALL ADA REQUIRED SIGNAGE WITHIN THEIR PREMISES.

ONLY C-45 LICENSED SIGN CONTRACTORS SHALL BE ALLOWED TO FABRICATE AND INSTALL CASTILIAN TECHNICAL CENTER SIGNAGE.

ALL EXTERIOR SIGNAGE IS SUBJECT TO APPROVAL BY THE COUNTY OF SANTA BARBARA, AND MUST HAVE A SIGN PERMIT FROM THE COUNTY OF SANTA BARBARA PRIOR TO INSTALLATION.

A COPY OF THE APPROVED SIGN PERMIT MUST BE SUBMITTED TO THE LANDLORD PRIOR TO INSTALLATION.

PLEASE have your sign manufacturer submit two copies of scaled drawings for approval to THE TOWBES GROUP, INC., 21 East Victoria, Suite 200, Santa Barbara, CA 93101

END OF EXHIBIT I

Landlord's Initials



Tenant's Initials

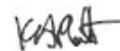


EXHIBIT J

INTENTIONALLY OMITTED

Landlord's Initials

gy

Tenant's Initials

gao

EXHIBIT K

SUPPLEMENTAL TERMS AND CONDITIONS

THESE SUPPLEMENTAL TERMS AND CONDITIONS constitute an integral part of this Lease to which they are attached. Any other provisions of this Lease shall be resolved in favor of these Supplemental Terms and Conditions.

K.1. Landlord's Operating and Maintenance Costs (Continued from Basic Provisions Section F)

Tenant's monthly proportionate share of Landlord's estimated Total Operating Costs for the year ended December 31, 2011, shall be \$0.44 per square foot per month. (Article 7.3)

K.2. Signs and Advertising (Continued from Article 22 of the Standard Terms and Conditions)

Tenant shall have the right, at Tenant's sole cost and expense, to place and maintain a sign to display its trade name at the exterior of the Building (upper southeast corner), Building directory, and Premises entry door, which signage shall conform to the requirements of Landlord and of all governmental authority(ies) having jurisdiction thereover as to location, size and format. Such sign will be subject to the same terms and conditions set forth in Article 22 of the Standard Terms and Conditions.

K.3. Server Room

The Premises includes a server room that could be potentially shared with any tenant occupying Suite 100 of the Building (the "Shared Server Room"). In the event Landlord leases Suite 100 of the Building to another tenant (other than Tenant), Landlord shall, at its sole cost and expense, separate in half the Shared Server Room, including all wiring therein, as needed, so that there is at least one (1) server room servicing solely and exclusively the Premises.

K.4. Expansion Right

Landlord hereby grants to Tenant, on the terms and conditions set forth below, a right of expansion (the "Expansion Right") with respect to space on the first (1st) floor of the Building located at 50 Castilian Drive commonly known as Suite 100, consisting of approximately 6,406 rentable square feet (the "Specific Expansion Space"), as follows:

- a. Tenant may only exercise its Expansion Right by providing Landlord with no less than ninety (90) days advance written notice (the "Expansion Notice") of its exercise of the Expansion Right anytime after the Effective Date, but no later than six (6) months following the Effective Date. Upon delivery of the Expansion Notice, Tenant's Expansion Right shall be immediately effective and irrevocable under the terms set forth herein.
- b. If Tenant does not exercise its Expansion Right within the time periods specified above, then the Expansion Right shall terminate for the Specific Expansion Space and Landlord shall be free to lease the Specific Expansion Space to anyone on any terms at any time during the Term of the Lease, without any obligation to provide Tenant with a further right to lease that Specific Expansion Space.
- c. The Expansion Right shall be personal to the originally named Tenant and shall be exercisable only by the originally named Tenant. The originally named Tenant may exercise the Expansion Right only if that Tenant occupies the Premises originally leased hereunder as of the date of the Expansion Notice. Tenant shall not have the right to lease the Specific Expansion Space if Tenant is in material or monetary default under this Lease (beyond all applicable notice and cure periods in the Lease) as of the date of the attempted exercise of the Expansion Right by Tenant or (at Landlord's option) as of the scheduled Delivery Date of the Specific Expansion Space to Tenant.
- d. If Tenant timely and validly exercises the Expansion Right, Landlord shall deliver the Specific Expansion Space to Tenant, vacant and ready for any Tenant improvement work, on a date selected by Landlord (the "Delivery Date") that is no later than one hundred twenty (120) days after delivery of the Expansion Notice.
- f. If Tenant exercises the Expansion Right as required herein, then, beginning on the Delivery Date and continuing for the balance of the Term (including any

Landlord's Initials g

Tenant's Initials KSP

extensions): (a) the Specific Expansion Space shall be part of the Premises under this Lease (so that the term "Premises" in this Lease shall refer to the space in the Premises immediately before the Delivery Date plus the Specific Expansion Space); (b) the Term of the Lease shall be extended to three (3) years from the first day of the first full calendar month following the Delivery Date; (c) Tenant's Base Rent shall be immediately adjusted to reflect the increased rentable area of the Premises (6,406 rentable square feet) and thereafter adjusted annually in accordance with the terms of the Lease; (d) the Adjustment Date in Section E.2 of the Basic Provisions of the Lease will be changed to the first day of the thirteenth (13th) full calendar month following the Delivery Date of the Specific Expansion Space and, the Base Period will be three (3) months prior to the new Delivery Date, and the Comparison Period shall be three (3) months prior to the Adjustment Date; (e) Tenant's share of Operating Expenses shall be adjusted to reflect the increased rentable area of the Premises; (f) the Security Deposit shall be increased by \$8,968.40 to \$29,306.20, and (g) Tenant shall be entitled to use an additional twenty-one (21) parking spaces in the parking area of the Project in accordance with the terms of the Lease. Tenant's lease of the Specific Expansion Space shall be on the same terms and conditions as affect the original Premises from time to time, except as otherwise provided herein. Tenant's obligation to pay Rent with respect to the Specific Expansion Space shall begin thirty (30) days after the Delivery Date. The Specific Expansion Space shall be leased to Tenant in its "as-is" condition, except that Landlord shall, at its sole cost and expense prior to the Delivery Date: (i) remove and modify all interior rooms within the Specific Expansion Space, as noted on Exhibit B-4, (ii) paint and carpet throughout the Specific Expansion Space using Landlord's standard choice of materials (Landlord and Tenant to mutually agree upon type and color of carpet and color of paint); (iii) install new lighting throughout the Specific Expansion Space using Landlord's standard choice of materials; (iv) repair or replace damaged ceiling areas in the Specific Expansion Space; (v) install network and power accessibility in the Specific Expansion Space and (vi) provide Tenant a \$2 per square foot Tenant Improvement Allowance to be used for interior improvements.

g. If Tenant exercises the Expansion Right as required herein, Landlord and Tenant shall, within twenty (20) days after the Delivery Date, confirm in writing the addition of the Specific Expansion Space to the Premises on the terms and conditions set forth herein. The written confirmation shall be set forth in a written amendment to Lease executed by both parties, and shall confirm: (a) the actual Delivery Date; (b) the rentable area of the Premises with the addition of the Specific Expansion Space, being 20,933 rentable square feet; (c) the percentage that constitutes Tenant's share of Operating Expenses, as adjusted in accordance with the terms of the Lease to reflect the increased rentable area of the Premises (Tenant's Share of Building Operating Expenses shall initially be forty-eight and 37/100 percent (48.37%) and Tenant's Share of Project Operating Expenses shall be forty-eight and 37/100 percent (48.37%); (d) the rental commencement date for the Specific Expansion Space; and (e) any other term that either party reasonably requests be confirmed with respect to the Lease.

K.5. Right of First Offer

Subject to the terms and conditions contained herein, Landlord grants to Tenant a continuing right of first offer ("First Offer Right") with respect to any space on the first (1st) floor of the Building located at 50 Castilian Drive (the "First Offer Space"), as follows:

a. Landlord shall provide Tenant with written notice ("First-Offer Notice") from time to time if Landlord decides to offer the First-Offer Space to a third-party. The First Offer Notice shall: (a) describe the First-Offer Space that will become available for lease ("Specific First-Offer Space"); (b) include an attached floor plan identifying such space; (c) state the projected Delivery Date; and state the fundamental lease terms that Landlord is willing to offer such space to third-parties, including Minimum Monthly Rent, any tenant improvement allowance, and the duration of the lease (collectively the "Specific Terms and Conditions").

b. If Tenant wishes to exercise Tenant's First-Offer Right with respect to the Specific First-Offer Space on the Specific Terms and Conditions, Tenant shall, within ten (10) business days after delivery of the First-Offer Notice to Tenant, deliver notice to Landlord of Tenant's irrevocable exercise its First-Offer Right with respect to all the Specific First-Offer Space. Tenant must elect to exercise its First-Offer Right, if at all, only with respect to all the space offered by Landlord to Tenant at any particular time, and Tenant may not elect to lease only a portion of that space.

c. If Tenant does not exercise its First-Offer Right within the response period specified above, the First-Offer Right shall terminate for the Specific First-Offer Space and Landlord shall be free to lease that space to the third party, without any obligation to provide Tenant with a further right to lease that space. Notwithstanding the foregoing, if the third party does not lease the Specific First-Offer Space within ninety (90) days of Tenant not exercising its First-Offer Right, Tenant's First Offer Right shall be reinstated.

Landlord's Initials 3

Tenant's Initials KSP

d. The First-Offer Right shall be personal to the originally named Tenant and shall be exercisable only by such Tenant (and not any assignee, sublessee, or other transferee of Tenant's interest in this Lease). Tenant may exercise the First-Offer Right only if Tenant occupies all of the Premises leased hereunder as of the date of the First-Offer Notice. Tenant agrees that it shall not have the right to lease First-Offer Space if an Event of Default under this Lease has occurred and is continuing as of the date of the attempted exercise of the First-Offer Right by Tenant or as of the scheduled date of delivery of the Specific First-Offer Space to Tenant.

e. If Tenant timely and validly exercises the First-Offer Right, Landlord shall deliver the Specific First-Offer Space to Tenant on a date selected by Landlord ("Delivery Date"). Landlord shall not be liable to Tenant or otherwise be in default under this Lease if Landlord is unable to deliver the Specific First Offer Space to Tenant on the projected Delivery Date due to the failure of any other tenant to timely vacate and surrender to Landlord the Specific First-Offer Space or any portion of it.

f. If Tenant timely and validly exercises the First-Offer Right, then, beginning on the Delivery Date and continuing for the balance of the Term (including any extensions): (a) the Specific First-Offer Space shall be part of the Premises under this Lease (so that the term "Premises" in this Lease shall refer to the space in the Premises immediately before the Delivery Date plus the Specific First-Offer Space); and (b) Tenants share of Operating Expenses shall be adjusted to reflect the increased rentable area of the Premises. Tenant's lease of the Specific First-Offer Space shall be on the same terms and conditions as affect the original Premises from time to time, except for changes required by the Specific Terms and Conditions.

g. If Tenant timely and validly exercises the First-Offer Right, Landlord and Tenant shall, within twenty (20) days after Landlord's delivery of the Specific First-Offer Space to Tenant, confirm in writing the addition of the Specific First-Offer Space to the Premises on the terms and conditions set forth herein. The written confirmation shall confirm: (a) the actual Delivery Date; (b) the rentable area of the Premises with the addition of the Specific First-Offer Space; (c) the percentage that constitutes Tenant's share of Common Area Expenses, as adjusted in accordance with the terms of the Lease to reflect the increased rentable area of the Premises; (d) the rental commencement date for the Specific First-Offer Space; (e) the number of non-exclusive parking spaces allocated to Tenant (which shall be in the same ratio specified in "Parking" in the Basic Lease Provisions section of this Lease); (f) the Expiration Date; (g) the Specific Terms and Conditions; and (h) any other term that either party requests be confirmed with respect to the Specific First-Offer Space.

K.6 Real Property Taxes (Continued from Section 5.2 of the Standard Terms and Conditions)

Real Property Taxes shall not include any of the following and Tenant shall not be obligated to pay any of the following, whether as additional rent or otherwise: (i) any charge, penalty or assessment resulting from Landlord's delinquent payment of Real Property Taxes; or (ii) any increase in Real Property Taxes resulting under Proposition 13 from reassessment of the Project (or any portion thereof) as a result of a sale or transfer of the Project (or any portion thereof) that occurs within the initial three (3) year Term of the Lease.

END EXHIBIT K

Landlord's Initials g

Tenant's Initials KAP

EXHIBIT L

TENANT ESTOPPEL CERTIFICATE

To: _____ (“Bank”)

Attn: _____

Re: Lease Dated: _____

Current Landlord: _____

Current Tenant: _____

Square Feet: Approximately: _____

Floor(s): _____

Located at: _____

(“Tenant”) hereby certifies that as of _____, 20__ :

1. Tenant is the present owner and holder of the tenant’s interest under the lease described above, as it may be amended to date (the “Lease”) with Landlord (who is called “Borrower” for the purposes of this Certificate). (USE THE NEXT SENTENCE IF THE LANDLORD OR TENANT NAMED IN THE LEASE IS A PREDECESSOR TO THE CURRENT LANDLORD OR TENANT.) [The original landlord under the Lease was _____, and the original tenant under the Lease was _____.] The Lease covers the premises commonly known as _____ (the “Premises”) in the building (the “Building”) at the address set forth above.

2. (a) A true, correct and complete copy of the Lease (including all modifications, amendments, supplements, side letters, addenda and riders of and to it) is attached to this Certificate as Exhibit A. As used herein, the defined term “Lease” includes all such modifications, amendments, supplements, side letters, addenda and riders.

(b) The Lease provides that in addition to the Premises, Tenant has the right to use or rent _____ assigned/unassigned] parking spaces near the Building or in the garage portion of the building during the term of the Lease.

(c) The term of the Lease commenced on _____, 20__ and will expire on _____, 20__ including any presently exercised option or renewal term. Except as specified in Paragraph(s) _____ of the Lease (copy attached), Tenant has no option or right to renew, extend or cancel the Lease, or to lease additional space in the Premises or Building, or to use any parking (IF APPLICABLE) [other than that specified in Section 2(b) above],

(d) Tenant has no option or preferential right to purchase all or any part of the Premises (or the land of which the Premises are a part). Tenant has no right or interest with respect to the Premises or the Building other than as Tenant under the Lease.

(e) The annual minimum rent currently payable under the Lease is \$ _____ and such rent has been paid through _____, 20__.

(f) Additional rent is payable under the Lease for (i) operating, maintenance or repair expenses, (ii) property taxes, (iii) consumer price index cost of living adjustments, or (iv) percentage of gross sales adjustments (i.e., adjustments made based on underpayments of percentage rent). Such additional rent has been paid in accordance with Borrower’s rendered bills through _____, 20__. The base year amounts for additional rental items are as follows: (1) operating, maintenance or repair expenses \$ _____. (2) property taxes \$ _____, and (3) consumer price index _____ (please indicate base year CPI level).

(g) Tenant has made no agreement with Borrower or any agent, representative or employee of Borrower concerning free rent, partial rent, rebate of rental payments or any other similar rent concession.

(h) Borrower currently holds a security deposit in the amount of \$ _____ which is to be applied by Borrower or returned to Tenant in accordance with Paragraph(s) _____ of the Lease. Tenant acknowledges and agrees that Bank shall have no responsibility or liability for any security deposit, except to the extent that any security deposit shall have been actually received by Bank.

Landlord’s Initials g

Tenant’s Initials KMP

3. (a) The Lease constitutes the entire agreement between Tenant and Borrower with respect to the Premises, has not been modified changed, altered or amended and is in full force and effect in the form attached as Exhibit A. There are no other agreements, written or oral, which affect Tenant's occupancy of the Premises.

(b) All insurance required of Tenant under the Lease has been provided by Tenant and all premiums have been paid.

(c) To the best knowledge of Tenant, no party is in default under the Lease. To the best knowledge of Tenant, no event has occurred which, with the giving of notice or passage of time, or both, would constitute such a default.

(d) The interest of Tenant in the Lease has not been assigned or encumbered. Tenant is not entitled to any credit against any rent or other charge or rent concession under the Lease except as set forth in the Lease. No rental payments have been made more than one month in advance.

4. All contributions required to be paid by Borrower to date for improvements to the Premises have been paid in full and all of Borrower's obligations with respect to tenant improvements have been fully performed. Tenant has accepted the Premises, subject to no conditions other than those set forth in the Lease.

5. Neither Tenant nor any guarantor of Tenant's obligations under the Lease is the subject of any bankruptcy or other voluntary or involuntary proceeding, in or out of court, for the adjustment of debtor-creditor relationships.

6. (a) As used here, "Hazardous Substance" means any substance, material or waste (including petroleum and petroleum products) which is designated, classified or regulated as being "toxic" or "hazardous" or a "pollutant" or which is similarly designated, classified or regulated, under any federal, state or local law, regulation or ordinance.

(b) Tenant represents and warrants that it has not used, generated, released, discharged, stored or disposed of any Hazardous Substances on, under, in or about the Building or the land on which the Building is located (IF APPLICABLE) [, other than Hazardous Substances used in the ordinary and commercially reasonable course of Tenant's business in compliance with all applicable laws], (IF APPLICABLE).

7. Tenant hereby acknowledges that Borrower (CHOOSE ONE) [intends to encumber/has encumbered] the property containing the Premises with a Deed of Trust in favor of Bank. Tenant acknowledges the right of Borrower, Bank and any and all of Borrower's present and future lenders to rely upon the statements and representations of Tenant contained in this Certificate and further acknowledges that any loan secured by any such Deed of Trust or further deeds of trust will be made and entered into in material reliance on this Certificate.

8. Tenant hereby agrees to furnish Bank with such other and further estoppel as Bank may reasonably request.

By: _____
Name: _____
Title: _____

END EXHIBIT L

Landlord's Initials g

Tenant's Initials KSP

EXHIBIT M

COMMENCEMENT DATE MEMORANDUM

With respect to that certain Multi-Tenant Industrial Lease (“Lease”) dated April 1, 2011, between AppFolio, Inc., a Delaware corporation (“Tenant”), and Nassau Land Company, L.P., a California limited partnership (“Landlord”), whereby Landlord leased to Tenant and Tenant leased from Landlord approximately 14,527 rentable square feet of the building located at 50 Castilian Drive, Suite 102, Goleta, CA (“Premises”), Tenant hereby acknowledges and certifies to Landlord as follows:

- (1) Landlord delivered possession of the Premises to Tenant in a substantially completed condition on _____ ;
- (2) The rental commencement date is _____ ;
- (3) The Premises contain _____ square feet of space; and
- (4) Tenant has accepted and is currently in possession of the Premises and the Premises are acceptable for Tenant’s use.

IN WITNESS WHEREOF, this Commencement Date Memorandum is executed this _____ day of _____, 2011.

“Tenant”

APPFOLIO, INC., a Delaware corporation

By: _____

Its: President

By: _____

Its: CFO

END EXHIBIT M

Landlord’s Initials g

Tenant’s Initials KMP

EXHIBIT N

PROHIBITED USES

The following types of operations and activities are expressly prohibited on the Premises:

1. automobile/truck maintenance, repair or fueling;
2. battery manufacturing or reclamation;
3. ceramics and jewelry manufacturing or finishing;
4. chemical (organic or inorganic) storage, use or manufacturing;
5. drum recycling;
6. dry cleaning;
7. electronic components manufacturing;
8. electroplating and metal finishing;
9. explosives manufacturing, use or storage;
10. hazardous waste treatment, storage, or disposal;
11. leather production, tanning or finishing;
12. machinery and tool manufacturing;
13. medical equipment manufacturing and hospitals;
14. metal shredding, recycling or reclamation;
15. metal smelting and refining;
16. mining;
17. paint, pigment and coating operations;
18. petroleum refining;
19. plastic and synthetic materials manufacturing;
20. solvent reclamation;
21. tire and rubber manufacturing;
22. above- and/or underground storage tanks; and
23. residential use or occupancy.

END EXHIBIT N

Landlord's Initials g

Tenant's Initials EMP

EXHIBIT O

INTENTIONALLY OMITTED

Landlord's Initials

g

Tenant's Initials

ksf

EXHIBIT P

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Attention: _____

(Space Above For Recorder's Use)

SUBORDINATION, NONDISTURBANCE
AND ATTORNMENT AGREEMENT

This SUBORDINATION, NONDISTURBANCE AND ATTORNMENT AGREEMENT ("Agreement"), dated as of _____, 20____, executed by ("Tenant"), and _____, a _____ ("Landlord"), in favor of _____, a _____, as Agent ("Lender"), is entered into with reference to the following facts:

A. Tenant is presently leasing certain premises (the "Premises") comprising a portion of the real property (the "Property") described in Exhibit A, attached hereto and incorporated herein by this reference, pursuant to a lease (as modified from time to time, the "Lease") dated _____ 20____, between Tenant and Landlord.

B. Lender has made or agreed to make a loan or loans to Landlord (the "Loan") and, in connection therewith, Landlord has executed a deed of trust (as modified from time to time, the "Deed of Trust") and an assignment of leases (the "Assignment of Leases"), assigning to Lender Landlord's interests in the Property, including Landlord's interests as landlord under the Lease.

IN CONSIDERATION OF THE FOREGOING, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Tenant and Landlord hereby agree as follows:

A G R E E M E N T

1. Certifications by Tenant, Tenant hereby certifies to Lender as follows:

1.1 The Lease is in full force and effect, Tenant is presently occupying the Premises pursuant thereto, and Tenant has not transferred its interests in the Lease or agreed to do so.

1.2 A true and complete copy of the Lease, together with all amendments, supplements and other modifications thereto (oral or written), has been delivered to Lender by Tenant prior to the execution of this Agreement, _____ is attached hereto as Exhibit B.

1.3 No rent or other amount has been prepaid under the Lease, except as follows (if none, state "None"):

1.4 No deposit of any nature has been made in connection with the Lease (other than deposits the nature and amount of which are expressly described in the Lease), except as follows (if none, state "None"):

1.5 Tenant is currently paying base rent under the Lease in the amount of \$ _____ per month. Tenant's estimated share of common area charges, insurance, real estate taxes and administrative and overhead charges is currently being paid at the rate of \$ _____ per month. Tenant has paid a total of \$ _____ of percentage rent for the 12-month period ending _____, 20____.

1.6 The Lease is the only agreement between Landlord and Tenant with respect to the Premises, and Tenant claims no rights with respect to the Premises or the Property other than those set forth in the Lease, except as follows (if none, state "None"):

Landlord's Initials g

Tenant's Initials KSP

1.7 To the best of Tenant's knowledge, there are no existing defenses or offsets against amounts due or to become due to Landlord under the Lease, and there are no existing uncured defaults by Landlord under the Lease, nor has any event occurred which, with the passage of time or the giving of notice or both, would constitute such a default, except as follows (if none, state "None"):

1.8 Landlord has performed all of its obligations to Tenant with respect to the construction of improvements; Landlord has offered no free rent period, building allowance or similar concession(s) to induce Tenant to enter into the Lease except as set forth in the Lease; and Landlord has no other obligations to Tenant in connection with the Lease, matured or not yet matured, except as set forth in the Lease.

1.9 To the best of Tenant's knowledge, no circumstance presently exists, and no event has occurred, that would prevent the Lease from becoming effective or would entitle Tenant to terminate the Lease.

2. Consent to Assignment. Tenant understands that Landlord has assigned or will assign the Lease to Lender in connection with the Loan, and Tenant hereby consents to such assignment. Tenant is not aware of any prior assignment of the Lease by Landlord, except as follows (if none, state "None"):

3. No Modification of Lease; Lender Consents. Tenant shall not, without Lender's prior written consent, (a) amend, supplement, terminate (except to the extent permitted under Section 4, below) or otherwise modify the Lease; or (b) accept (and/or act in reliance on) the release, relinquishment or waiver by Landlord of any right with respect to the Lease. Any such termination, modification, acceptance or other action taken without such prior consent shall, at Lender's option, be void. Without limiting the generality of the foregoing, (i) any assignment or subletting by Tenant (or by any assignee or subtenant) which requires Landlord's consent shall also require Lender's consent, which consent shall not be unreasonably withheld and shall, at Lender's option, be void if such consent is not obtained, and (ii) any alteration to the Premises which requires Landlord's consent shall also require Lender's consent, which consent shall not be unreasonably withheld. Tenant shall not pay any rent or other amount due to Landlord under the Lease more than 10 days in advance of the due date.

4. Lender Cure Rights. Tenant shall not exercise any termination remedy upon a default by Landlord with respect to the Lease unless Tenant has first given Lender written notice of such default (at the address shown below or any other address hereafter supplied to Tenant by Lender) and such default is not cured within 30 days thereafter; provided that, if such default is nonmonetary, is curable by Lender, and (a) is of such a nature that it cannot reasonably be cured within 30 days or (b) the cure thereof by Lender requires Lender to have possession of the Property, then in either such event Tenant shall not exercise any termination remedy so long as Lender is diligently taking all steps required for Lender to cure the default (including pursuit of possession of the Property, to the extent required).

ADDRESS FOR NOTICES TO LENDER:

Attention: _____

with a copy to:

Attention: _____

5. Payments to Lender. Tenant shall make all payments under the Lease to Lender upon receiving a direction to pay from Lender, and shall comply with any such direction to pay without determining whether any default exists with respect to the Loan.

Landlord's Initials g

Tenant's Initials FWP

6. Agreements by Landlord. Landlord hereby agrees as follows:

6.1 Tenant shall have no liability to Landlord for any amount otherwise owing to Landlord under the Lease in the event that (a) Tenant receives a written demand from Lender to pay such amount to Lender and (b) Tenant thereafter pays such amount to Lender.

6.2 Tenant shall be entitled to assume that any such demand by Lender is valid and shall be under no obligation, and shall have no right, to inquire as to its validity, nor shall any claim by Landlord that such demand is invalid affect Tenant's right and obligation to pay all amounts demanded to Lender and thereupon be discharged of Tenant's obligation to pay such amounts to Landlord.

7. Subordination. All of Tenant's rights and interests with respect to the Premises and the Property under the Lease and all related documents (including, without limitation, any options to purchase and rights of first offer and first refusal) are and shall remain subject and subordinate to Lender's rights and interests in the Property under the Deed of Trust, the Assignment of Leases and all related loan and security documents, and to all amendments, supplements and other modifications now or hereafter executed with respect thereto, including without limitation modifications that substantially increase the obligations to Lender to which Tenant's interests are subordinated. Without limiting the generality of the foregoing, the provisions of the above-described loan and security documents shall prevail over any inconsistent provisions of the Lease relating to the disposition of insurance and condemnation awards.

8. Nondisturbance and Attornment. In the event of any judicial or nonjudicial foreclosure of the Deed of Trust or transfer by deed in lieu thereof, the Lease shall not terminate, nor shall Tenant's rights thereunder be disturbed, except in accordance with the terms of the Lease or any amendment or other applicable agreement executed by Tenant with respect thereto; provided, however, that the transferee of Landlord's interests pursuant to such foreclosure or other transfer shall not be (a) liable for any act or omission of any prior landlord under the Lease (including, without limitation, the breach of any representation or warranty made by any prior landlord unless such breach is caused by such transferee), (b) obligated to cure any default of any prior landlord under the Lease (other than nonmonetary default that remain uncured at the time of foreclosure) 1 (c) subject to any offsets or defenses which Tenant is entitled to assert against any prior landlord under the Lease, (d) bound by any payment of any amount owing under the Lease to any prior landlord which was made more than 10 days prior to the date due, (e) bound by any amendment or other modification to the Lease which was made subsequent to the date of this Agreement without the prior written consent of Lender (which shall not be unreasonably withheld) and which could adversely affect the landlord's interests, or (f) liable for the return to Tenant of any security or other deposit paid by Tenant to any prior landlord under the Lease except to the extent that such transferee actually receives such deposit. Tenant shall attorn to and accept any such transferee as the landlord under the Lease for the unexpired balance of the Lease term, and shall execute any document reasonably requested by such transferee to evidence such attornment. Tenant shall not be named in any foreclosure action related to the Deed of Trust.

9. Further Assurances. Each party hereto shall execute, acknowledge and deliver to each other party all documents, and shall take all actions reasonably required by such other party from time to time to confirm or effect the matters set forth herein, or otherwise to carry out the purposes of this Agreement.

10. Reference and Arbitration.

10.1 Mandatory Arbitration. Any controversy or claim between or among the parties that arises from or relates to this Agreement (including any controversy or claim based on or arising from an alleged tort) shall at the request of any party be determined by arbitration. The arbitration shall be conducted in accordance with the United States Arbitration Act (Title 9, U.S. Code), notwithstanding any choice of law provision in this Agreement and under the Commercial Rules of the AAA. The arbitrator(s) shall give effect to statutes of limitation in determining any claim. Any controversy concerning whether an issue is arbitrable shall be determined by the arbitrator(s). Judgment upon the arbitration award may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

10.2 Real Property Collateral. Notwithstanding the provisions of Section 10.1, no controversy or claim shall be submitted to arbitration without the consent of all parties if, at the time of the proposed submission, such controversy or claim arises from or relates to an obligation that is secured by real property collateral. If all parties do not consent to submission of such a controversy or claim to arbitration, the controversy or claim shall be determined by a

Landlord's Initials

g

Tenant's Initials

gop

referee in accordance with California Code of Civil Procedure Sections 638 et seq. The parties shall designate to the court a referee or referees selected under the auspices of the American Arbitration Association ("AAA") in the same manner as arbitrators are selected in AAA- sponsored proceedings. The presiding referee of the panel, or the referee if there is a single referee, shall be an active attorney or retired judge. Judgment upon the award rendered by such referee or referees shall be entered in the court in which such proceeding was commenced in accordance with California Code of Civil Procedure Sections 644 and 645.

10.3 Provisional Remedies, Self-Help and Foreclosure. No provision of this Section 10 shall limit the right of any party to this Agreement to exercise self-help remedies such as setoff, foreclosure against or sale of any real or personal property collateral or security, or to obtain provisional or ancillary remedies (including provisional remedies such as claim and delivery and ancillary remedies such as the issuance of temporary restraining orders and preliminary injunctions pending submission of any action or cause of action to judicial reference or arbitration as otherwise required hereunder) from a court of competent jurisdiction before, after, or during the pendency of any arbitration or other proceeding. The exercise of a remedy does not waive the right of any party to resort to arbitration or reference.

11. Attorneys' Fees. In the event that any litigation, reference or arbitration shall be commenced concerning this Agreement, the party prevailing in such proceeding shall be entitled to recover, in addition to such other relief as may be granted, its reasonable costs and expenses, including, without limitation, reasonable attorneys' fees and costs (including the allocated costs for in-house counsel), whether or not taxable, as awarded by a court of competent jurisdiction, referee or arbitrator.

12. Reliance by Lender. Tenant understands that Lender will rely upon this Agreement in making the Loan and/or in entering into certain agreements and/or granting certain consents in connection therewith. Notice of acceptance of this Agreement by Lender is waived.

13. Miscellaneous. This Agreement shall bind, and shall inure to the benefit of, the successors and assigns of the parties. This document may be executed in counterparts with the same force and effect as if the parties had executed one instrument, and each such counterpart shall constitute an original hereof. This Agreement shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, Tenant and Landlord have caused this Agreement to be duly executed as of the date first written above.

"Tenant"

a _____
By: _____
Name: _____
Its: _____
Date: _____

"Landlord"

a _____
By: _____
Name: _____
Its: _____
Date: _____

Landlord consents to, and agrees to be bound by, the provisions of Sections 4 through 13, inclusive, of the foregoing Agreement.

"Lender"

a _____
By: _____
Name: _____
Its: _____
Date: _____

END EXHIBIT P

Landlord's Initials g

Tenant's Initials YAP

FIRST AMENDMENT TO LEASE

This First Amendment to Lease (the "**Amendment**"), dated November 11, 2011, for references purposes only, is made and entered into by and between Nassau Land Company, L.P., a California limited partnership (the "**Landlord**"), and Appfolio, Inc., a Delaware corporation (the "**Tenant**"), with reference to the following facts:

RECITALS:

A. Landlord is the owner of the real property and improvements consisting of approximately 43,277 square feet of leasable space located in the Castilian Technical Center situated at 50 Castilian Drive, Goleta, California (the "**Project**").

B. Landlord and Tenant entered into a Multi-Tenant Industrial Lease dated April 1, 2011 (the "**Original Lease**"), whereby Landlord leased to Tenant, and Tenant leased from Landlord, approximately 14,527 square feet of leasable space located within the Project and commonly known as 50 Castilian Drive, Suite 102, Goleta, California (the "**Original Premises**").

C. Tenant has exercised its Expansion Right, as more particularly described in Section K.4 of Exhibit K to the Original Lease, and Landlord and Tenant wish to amend the leased Premises to include space on the first (1st) floor of the Building located at 50 Castilian Drive commonly known as Suite 100, consisting of approximately 6,406 rentable square feet (the "**Specific Expansion Space**"), and to address other matters, including, without limitation, changes to the amount of Rent.

D. The parties have agreed to execute this Amendment in order to memorialize their understandings regarding certain amendments to the Lease.

E. All capitalized terms that appear in this Amendment and are not defined herein shall have the meaning ascribed thereto in the Lease.

AGREEMENTS:

NOW THEREFORE, the parties hereto, intended to be legally bound, do hereby agree and further amend the Lease as follows:

1. AMENDMENTS TO LEASE. Notwithstanding any other provisions of the Lease to the contrary, effective as of the date set forth above, the Lease is hereby amended as follows:

1.1 Delivery Date. Under the terms and conditions set forth in Section K.4 of Exhibit K to the Original Lease, Landlord shall deliver the Specific Expansion Space to Tenant, vacant and ready for any Tenant improvement work, on March 1, 2012 (the "**Delivery Date**").

1.2 Premises. Effective as of the Delivery Date, the Specific Expansion Space shall be part of the Premises under this Lease (so that the term "Premises" in this Lease shall refer to the Original Premises plus the Specific Expansion Space) and the Leased Premises shall consist of a total of 20,933 rentable square feet.

1.3 Lease Term. The Term of the Lease shall be extended to three (3) years from the first day of the full calendar month following the Delivery Date (the "**Extended Period**"). The last day of the Extended Period shall be February 28, 2015.

1.4 Rent.

(a) Minimum Monthly Rent. Effective on the Delivery Date, the Minimum Monthly Rent shall be the sum of \$1.40 square foot per month payable in equal monthly installments of \$29,306.20 (NNN).

(b) Rental Concession. Landlord hereby grants to Tenant a one time Rental Concession during the first (1st) month of the Extended Period in an amount equal to \$1.40 per square foot of the Specific Expansion Space (\$6,406.00).

(b) Adjustments to Minimum Monthly Rent. To be made at one (1)-year intervals in accordance to the provisions of the Original Lease. For the purposes of such adjustments, the Base Period shall be the month of December, 2011, the Base Period index shall be as determined herein, and the Comparison Period shall be the month of December preceding the Adjustments Date. The Adjustment Dates shall be March 1, 2013 and March 1, 2014.

1.5 Operating Expenses. Effective on the Delivery Date, Tenant's proportionate share of the Building Operating Expenses and the Project Operating Expenses each initially shall be forty-eight and 37/100 percent (48.37%).

1.6 Security Deposit. Effective on the Delivery Date, Tenant's Security Deposit shall be increased by \$8,968.40 to \$29,306.20.

1.7 Parking. Effective on the Delivery Date, Tenant shall be entitled to use an additional twenty-one (21) parking spaces in the parking area of the Project in accordance with the terms of the Original Lease.

1.8 Preparation of Specific Expansion Space. The Specific Expansion Space shall be leased to Tenant in its "as-is" condition, except that Landlord shall, at its sole cost and expense prior to the Delivery Date: (i) remove and modify all interior rooms within the Specific Expansion Space, as noted on Exhibit B-4 to the Original Lease, (ii) paint and carpet throughout the Specific Expansion Space using Landlord's standard choice of materials (Landlord and Tenant to mutually agree upon type and color of carpet and color of paint); (iii) install new lighting throughout the Specific Expansion Space using Landlord's standard choice of materials; (iv) repair or replace damaged ceiling areas in the Specific Expansion Space; (v) install network and power accessibility in the Specific Expansion Space and (vi) provide Tenant with an additional one-time Tenant Improvement Allowance, under the same terms and conditions set forth in Exhibit B to the Original Lease, in an amount not to exceed \$2 per square foot of the Specific Expansion Space (\$12,812.00) to be used for interior improvements.

2. MISCELLANEOUS.

2.1 In the event of any conflict between the terms of this Amendment and the terms of the Original Lease, the terms of this Amendment shall control.

2.2 This Amendment is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior contemporaneous oral and written agreements and discussions with respect to the subject matter hereof.

2.3 Landlord and Tenant represent and warrant that all signatories hereto signing in a representative capacity have been duly authorized by and on behalf of their respective principals to execute this Amendment.

AGREED THIS 23rd day of Nov 2011.


LANDLORD:

NASSAU LAND COMPANY, L.P.
a California limited partnership

By: Michael Towbes Construction & Development, Inc., a California corporation
Its: General Partner

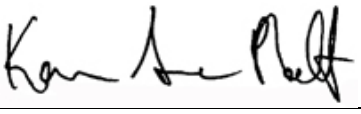
TENANT:

APPFOLIO, INC.,
a Delaware corporation

By: 
Brian Donohoo, its President

By: 

Its: Vice President

By: 
Karen Anne Platt, its CFO

SECOND AMENDMENT TO LEASE

This Second Amendment to Lease (the "**Amendment**"), dated February 23 2012, for references purposes only, is made and entered into by and between Nassau Land Company, L.P., a California limited partnership (the "**Landlord**"), and AppFolio, Inc., a Delaware corporation (the "**Tenant**"), with reference to the following facts:

RECITALS:

A. Landlord is the owner of the real property and improvements consisting of approximately 43,277 square feet of leasable space located in the Castilian Technical Center situated at 50 Castilian Drive, Goleta, California (the "**Building**").

B. Landlord and Tenant entered into a Multi-Tenant Industrial Lease dated April 1, 2011 (the "**Original Lease**"), whereby Landlord leased to Tenant, and Tenant leased from Landlord, approximately 14,527 square feet of leasable space located within the Project and commonly known as 50 Castilian Drive, Suite 102, Goleta, California (the "**Original Premises**").

C. Tenant exercised its Expansion Right, as more particularly described in Section K.4 of Exhibit K to the Original Lease, and Landlord and Tenant entered into the First Amendment to Lease (the "**First Amendment**") dated November 11, 2011 whereby the leased Premises was expanded to include space on the first (1st) floor of the Building located at 50 Castilian Drive commonly known as Suite 100, consisting of approximately 6,406 rentable square feet for a new Leased Premises totaling 20,933 square feet of leasable space (the "**Current Premises**"). The Original Lease and the First Amendment shall collectively be referred to herein as the "**Lease**."

D. The current Term of the Lease shall expire February 28, 2015.

E. Landlord and Tenant wish to further amend the leased Premises to include space on the second (2nd) floor of the Building located at 50 Castilian Drive commonly known as Suite 200, consisting of approximately 11,172 leasable square feet (the "**Upstairs Premises**"), and to address other matters, including, without limitation, changes to the amount of Rent.

F. The parties have agreed to execute this Amendment in order to memorialize their understandings regarding certain amendments to the Lease.

G. All capitalized terms that appear in this Amendment and are not defined herein shall have the meaning ascribed thereto in the Lease.

AGREEMENTS:

NOW THEREFORE, the parties hereto, intended to be legally bound, do hereby agree and further amend the Lease as follows:

1. AMENDMENTS TO LEASE. Notwithstanding any other provisions of the Lease to the contrary, effective as of the date set forth above, the Lease is hereby amended as follows:

1.1 Delivery Date. Landlord shall deliver the Upstairs Premises to Tenant, vacant and ready for any Tenant improvement work, on December 1, 2012 (the "**Delivery Date**").

1.2 Premises. Effective as of the Delivery Date, the Upstairs Premises shall be part of the Premises under this Lease (so that the term "**Premises**" in this Lease shall refer to the Current Premises plus the Upstairs Premises, as outlined in the Site Plan attached as Exhibit A to this Amendment, and the leased Premises shall consist of a total of 32,105 leasable square feet.

1.3 Lease Term. The Term of the Lease shall be extended to four (4) years from the first day of the first full calendar month from the Delivery Date (the "**Extended Period**"). The last day of the Extended Period shall be November 30, 2016.

1.4 Rent.

(a) Minimum Monthly Rent. Effective on the Delivery Date, the Minimum Monthly Rent shall be the sum of \$1.45 square foot per month payable in equal monthly installments of \$46,552.25 (NNN).

(b) Rental Concession. Landlord hereby grants to Tenant a one time Rental Concession during the first (1st) month of the Extended Period in an amount equal to \$1.45 per square foot of the Upstairs Premises (\$16,199.40).

(b) Adjustments to Minimum Monthly Rent. To be made at one (1)-year intervals in accordance with the provisions of the Original Lease. For the purposes of such adjustments, the Base Period shall be the month of September, 2012, the Base Period index shall be as determined herein, and the Comparison Period shall be the month of September preceding the Adjustment Dates. The Adjustment Dates shall be December 1, 2013 and on the first (1st) day of December every year thereafter.

1.5 Operating Expenses. Effective on the Delivery Date, Tenant's proportionate share of the Building Operating Expenses and the Project Operating Expenses each initially shall be seventy-four and 18/100 percent (74.18%).

1.6 Security Deposit. Effective on the Delivery Date, Tenant's Security Deposit shall be increased by \$17,246.05 to \$46,552.25.

1.7 Parking. Effective on the Delivery Date, Tenant shall be entitled to use an additional thirty-six (36) parking spaces in the parking area of the Project in accordance with the terms of the Lease.

1.8 Preparation of the Upstairs Premises. The Upstairs Premises shall be leased to Tenant in its "as-is" condition, except that Landlord shall, at its sole cost and expense prior to the Delivery Date: (i) remove and modify all interior rooms within the Upstairs Space per mutually acceptable space plan; (ii) paint and carpet throughout the Upstairs Premises using Landlord's standard choice of materials (Landlord and Tenant to mutually agree upon type and color of carpet and color of paint); (iii) install new lighting throughout the Upstairs Premises using Landlord's standard choice of materials; (iv) repair or replace damaged ceiling areas in the Upstairs Premises; (v) install network and power accessibility in the Upstairs Premises and (vi) provide Tenant with an additional one-time Tenant Improvement Allowance, under the same terms and conditions set forth in Exhibit B to the Original Lease, in an amount not to exceed \$2 per square foot of the Upstairs Premises (\$22,344.00) to be used for interior improvements. Tenant Improvements shall be consistent and similar to the scope of the existing improvements in the Current Premises. If Tenant does not utilize said Tenant Improvement Allowance by June 30, 2013, the Tenant Improvement Allowance shall become null and void and Tenant shall forever lose its right to utilize said allowance.

2. MISCELLANEOUS.

2.1 In the event of any conflict between the terms of this Amendment and the terms of the Lease, the terms of this Amendment shall control.

2.2 This Amendment is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior contemporaneous oral and written agreements and discussions with respect to the subject matter hereof.

2.3 Landlord and Tenant represent and warrant that all signatories hereto signing in a representative capacity have been duly authorized by and on behalf of their respective principals to execute this Amendment.

AGREED THIS 27th day of Feb 2012.

LANDLORD:

NASSAU LAND COMPANY, L.P.
a California limited partnership

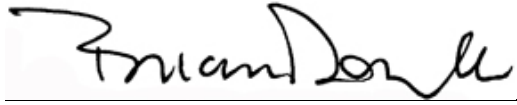
By: Michael Towbes Construction & Development, Inc., a California corporation
Its: General Partner

By:  _____

Its: President _____

TENANT:

APPFOLIO, INC.,
a Delaware corporation

By:  _____
Brian Donohoo, its President

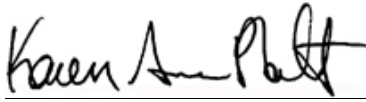
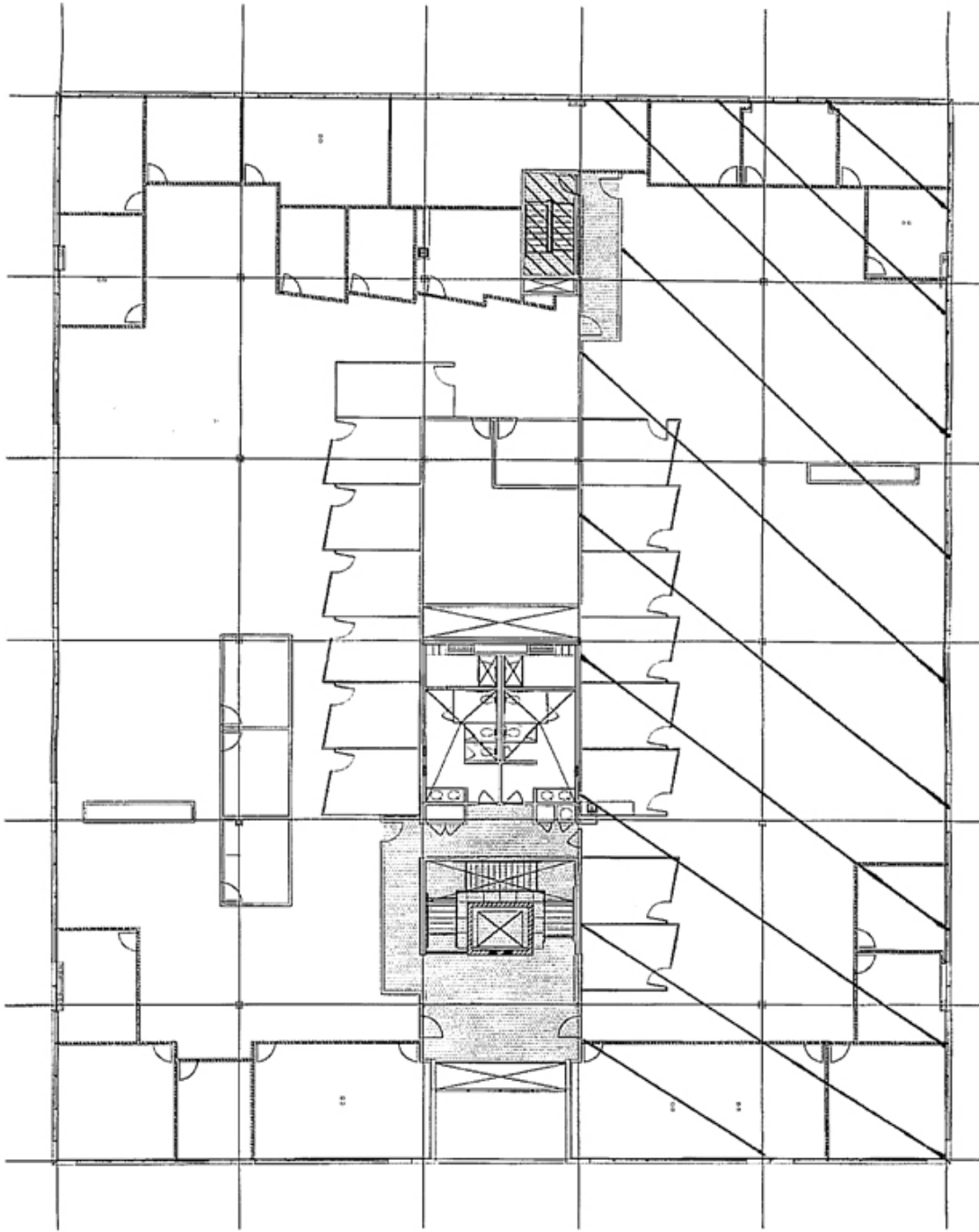
By:  _____
Karen Anne Platt, its CFO

EXHIBIT A
SUITE PLAN



50 CASTILIAN DRIVE

PORTION OF THE SECOND FLOOR- CONSISTING OF
APPROXIMATELY 11,172 SQUARE FEET

END OF EXHIBIT A

Landlord's Initials *M.S.*

Tenant's Initials *K. J. [unclear]*

THIRD AMENDMENT TO LEASE

This Third Amendment to Lease (the "**Amendment**"), dated November 5, 2013 for references purposes only, is made and entered into by and between Nassau Land Company, L.P., a California limited partnership (the "**Landlord**"), and AppFolio, Inc., a Delaware corporation (the "**Tenant**"), with reference to the following facts:

RECITALS:

A. Landlord is the owner of the real property and improvements consisting of approximately 43,277 square feet of leasable space located in the Castilian Technical Center situated at 50 Castilian Drive, Goleta, California (the "**Building**").

B. Landlord and Tenant entered into a Multi-Tenant Industrial Lease dated April 1, 2011 (the "**Original lease**"), whereby Landlord leased to Tenant, and Tenant leased from Landlord, approximately 14,527 square feet of leasable space located within the Project and commonly known as 50 Castilian Drive, Suite 102, Goleta, California (the "**Original Premises**").

C. Tenant exercised its Expansion Right, as more particularly described in Section K.4 of Exhibit K to the Original Lease, and Landlord and Tenant entered into the First Amendment to Lease (the "**First Amendment**") dated November 11, 2011 whereby the leased Premises was expanded to include space on the first (1st) floor of the Building located at 50 Castilian Drive commonly known as Suite 100, consisting of approximately 6,406 rentable square feet.

D. Landlord and Tenant entered into the Second Amendment to Lease dated February 23, 2012 (the "**Second Amendment**") whereby the leased Premises was expanded to include space on the second (2nd) floor of the Building located at 50 Castilian Drive commonly known as Suite 200, consisting of approximately 11,172 rentable square feet. The Original Lease, the First Amendment and the Second Amendment shall collectively be referred to herein as the "**Lease.**"

E. The Leased Premises is currently a total of approximately 32,105 rentable square feet (the "**Current Premises**").

F. The current Term of the Lease shall expire November 30, 2016.

G. Landlord and Tenant wish to further amend the leased Premises to include the remaining space of the Building located at 50 Castilian Drive commonly known as Suite 202, consisting of approximately 11,172 leasable square feet (the "**Expansion Premises**"), and to address other matters, including, without limitation, changes to the amount of Rent.

H. The parties have agreed to execute this Amendment in order to memorialize their understandings regarding certain amendments to the Lease.

I. All capitalized terms that appear in this Amendment and are not defined herein shall have the meaning ascribed thereto in the Lease.

AGREEMENTS:

NOW THEREFORE, the parties hereto, intended to be legally bound, do hereby agree and further amend the Lease as follows:

1. AMENDMENTS TO LEASE. Notwithstanding any other provisions of the Lease to the contrary, effective as of the date set forth above, the Lease is hereby amended as follows:

1.1 Delivery Date. Provided Tenant delivers all necessary permits to their contractor for their initial tenant improvements, The Towbes Group, Inc, no later than January 1, 2014, Landlord shall deliver the Expansion Premises to Tenant, vacant and ready for any Tenant improvement work, on or before March 1, 2014 (the "**Delivery Date**").

1.2 Premises. Effective as of the Delivery Date, the Expansion Premises shall be part of the Premises under this Lease, so that the term "**Premises**" in this Lease shall refer to the Current Premises plus the Expansion Premises, as outlined in the Site Plan attached as Exhibit A to this Amendment, and the leased Premises shall consist of a total of 43,277 leasable square feet.

1.3 Lease Term. The Term of the Lease shall be extended to four (4) years from March 1, 2014 (the "**Extended Period**"). The last day of the Extended Period shall be February 28, 2018.

1.4 Rent.

(a) Minimum Monthly Rent. Effective on the Delivery Date, the Minimum Monthly Rent shall be the sum of \$1.45 square foot per month payable in equal monthly installments of \$62,751.65 (NNN).

(b) Rental Concession. Landlord hereby grants to Tenant a one-time Rental Concession for the period of March 1, 2014 through April 30, 2014 in an amount equal to \$1.45 per square foot per month of the Expansion Premises (\$16,199.40 per month for a total of \$32,398.80).

(c) Adjustments to Minimum Monthly Rent. To be made at one (1)-year intervals in accordance with the provisions of the Original Lease. For the purposes of such adjustments, the Base Period shall be the month of January 2014, the Base Period index shall be as determined herein, and the Comparison Period shall be the month of January preceding the Adjustment Dates, The Adjustment Dates shall be March 1, 2015 and on the first (1st) day of March every year thereafter.

1.5 Operating Expenses. Effective on the Delivery Date, Tenant's proportionate share of the Building Operating Expenses and the Project Operating Expenses each shall be one hundred percent (100%).

1.6 Security Deposit. Effective on the Delivery Date, Tenant's Security Deposit shall be increased by \$16,199.40 to \$62,751.65.

1.7 Parking. Effective on the Delivery Date, Tenant shall be entitled to use an additional thirty-six (36) parking spaces in the parking area of the Project in accordance with the terms of the Lease, for a total of one hundred forty (140).

1.8 Preparation of the Upstairs Premises. The Expansion Premises shall be leased to Tenant in its "as-is" condition, except that Landlord shall, at its sole cost and expense prior to the Delivery Date: (i) remove and modify all interior rooms within the Expansion Premises per mutually acceptable space plan; (ii) paint and carpet throughout the Expansion Premises using Landlord's standard choice of materials (Landlord and Tenant to mutually agree upon type and color of carpet and color of paint); (iii) install new lighting throughout the Expansion Premises using Landlord's standard choice of materials; (iv) repair or replace damaged ceiling areas in the Expansion Premises; (v) install network and power accessibility in the Expansion Premises; (vi) recarpet the stairwells, the second (2nd) floor landing and the second (2nd) floor restroom vestibules consistent with Tenant's existing carpet specifications; and (vii) provide Tenant with an additional one-time Tenant Improvement Allowance, under the same terms and conditions set forth in Exhibit B to the Original Lease, in an amount not to exceed \$3 per square foot of the Expansion Premises (\$33,516.00) to be used for interior and lobby improvements. Tenant Improvements shall be consistent and similar to the scope of the existing improvements in the Current Premises. If Tenant does not utilize said Tenant improvement Allowance by December 31, 2014, the Tenant Improvement Allowance shall become null and void and Tenant shall forever lose its right to utilize said allowance.

1.9 Signage. Tenant shall have exclusive signage for the Building and shall be allowed to add or relocate, at Tenant's sole cost and expense, additional signage on the exterior of the Premises, subject to City approval and consistent with the Project sign plan, as detailed in Exhibit I to the Original Lease.

1.10 Lobby. Tenant shall have exclusive use of the main lobby in the Building and shall be allowed to update the finishes, at Tenant's sole cost and expense and subject to Landlord's reasonable approval.

1.11 Brokerage. Landlord and Tenant acknowledge that Hayes Commercial Group represents the Landlord and Tenant. Landlord shall pay broker a fee per a separate agreement.

2. MISCELLANEOUS.

2.1 In the event of any conflict between the terms of this Amendment and the terms of the Lease, the terms of this Amendment shall control.

2.2 This Amendment is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior contemporaneous oral and written agreements and discussions with respect to the subject matter hereof.

2.3 Landlord and Tenant represent and warrant that all signatories hereto signing in a representative capacity have been duly authorized by and on behalf of their respective principals to execute this Amendment.

AGREED THIS 13th day of Nov 2013.

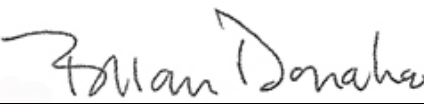
LANDLORD:

NASSAU LAND COMPANY, L.P.
a California limited partnership

By: Michael Towbes Construction & Development, Inc., a California corporation
Its: General Partner

TENANT:

APPFOLIO, INC.,
a Delaware corporation

By: 
Brian Donohoo, its President

By: 

NASSAU LAND COMPANY, L.P.
MULTI-TENANT INDUSTRIAL LEASE

THIS MULTI-TENANT INDUSTRIAL LEASE ("Lease") dated February 17, 2015 for reference purposes only, is made and entered into by and between the Landlord and the Tenant identified in the Basic Provisions set forth below. This Lease consists of the Basic Provisions together with the Attachments and Exhibits listed in Paragraph I of the Basic Provisions.

BASIC PROVISIONS

These Basic Provisions set forth certain information relevant and fundamental to the Standard Terms and Conditions upon which this Lease is made, and all information set forth in these Basic Provisions is subject to the provisions of the Standard Terms and Conditions of this Lease.

A. Landlord

- | | |
|-------------------------------|---|
| (1) Name of Landlord: | NASSAU LAND COMPANY, L.P.
a California limited partnership |
| (2) Landlord's Trade Name: | Castilian Technical Center |
| (3) Landlord's Address: | c/o The Towbes Group, Inc.
21 E. Victoria Street, Suite 200
Santa Barbara, California 93101 |
| (4) Landlord's Remit Address: | P.O. Box 20130
Santa Barbara, California 93120 |

B. Tenant

- | | |
|---|---|
| (1) Name of Tenant(s): | APPFOLIO, INC., a Delaware corporation |
| (2) Tenant's Trade Name: | AppFolio |
| (3) Tenant's Mailing Address: | 50 Castilian Drive, Suite 102
Goleta, CA 93117 |
| (4) Tenant's Billing Address: | Same as Mailing Address |
| (5) Tenant's address if Tenant
is no longer in Building: | Stradling Yocca Carlson & Rauth
800 Anacapa Street, Suite A,
Santa Barbara, CA 93101
Attn: David Lafitte, Esq. |

C. Leased Premises (Article 1)

(1) Description of Premises (Section 1.1)

(a) The office space or other unit or area known as Suites 200 and 210 (collectively "the Premises") located on the second floor of the Building known as 90 Castilian Drive (the "Building"), as outlined on the Site Plan attached as Exhibit A, located in the Castilian Technical Center situated at 90 Castilian Drive, in the City of Goleta, County of Santa Barbara, State of California (herein the "Project").

(b) Landlord and Tenant mutually agree that Suites 200 and 210 consist of a total of 18,635 leasable square feet with the following square feet allocated between them:

- i) Suite 200: 8,758 square feet
- ii) Suite 210: 9,877 square feet

(c) The Project initially consists of approximately 35,939 square feet of leasable space.

BP-1

Landlord's Initials /s/ [ILLEGIBLE] _____

Tenant's Initials /s/ BD, /s/ BL _____

(d) As of the date of this Lease, Suite 210 is occupied by another tenant (the "Existing Tenant") with a lease in effect that will expire on August 31, 2015.

(2) Parking (Section 1.3)

(a) Effective on the Commencement Date, as defined below, Tenant shall have the non-exclusive use of the common area parking lot not to exceed twenty-eight (28) unreserved spaces.

(b) Effective on the date upon which the Existing Tenant vacates Suite 210, Tenant shall have the non-exclusive use of the common area parking lot not to exceed sixty (60) unreserved spaces.

(c) Tenant's employees may not use any common area parking spaces situated on the Premises other than those assigned to Tenant pursuant to subparagraphs (a) and (b), above.

(3) Preparation of Premises; Occupancy (Section 1.4)

(a) The Landlord's work, as reflected on Exhibit B, shall be required by Landlord to prepare the Premises for occupancy by Tenant.

(b) The delivery dates of the Premises shall be as follows:

i) Suite 200 shall be delivered to Tenant on July 1, 2015 (the "First Delivery Date").

ii) Suite 210 shall be delivered to Tenant ninety (90) days following the later of August 31, 2015 or the date upon which the Existing Tenant vacates the suite (the "Second Delivery Date"). The Second Delivery Date is estimated to be December 1, 2015.

D. Term of Lease (Article 2)

(1) Effective Date: Upon Lease execution.

(2) Commencement Date: The Commencement Date shall be the First Delivery Date (July 1, 2015).

(3) Term. The initial Term of the Lease shall be the period between the First Delivery Date and the Second Delivery Date, plus a period of five (5) years measured from the first day of the first full calendar month following the Second Delivery Date. The last day of the initial Term is estimated to be November 30, 2020.

E. Rent (Article 3)

(1) Minimum Monthly Rent. The Minimum Monthly Rent shall initially be \$1.45 per square foot per month, NNN, due on or before the first day of each month payable in monthly installments in accordance with the following:

Suite 200: Effective on the Commencement Date, the Minimum Monthly Rent for Suite 200 shall be \$1.45 per square foot per month on 4,379 square feet payable in monthly installments of \$6,349.55. Effective one hundred eighty (180) days following the Commencement Date, the Minimum Monthly Rent shall be \$1.45 per square foot per month on the total square footage of Suite 200 (8,758 sf) payable in monthly installments of \$12,699.10.

Suite 210: Effective on the Second Delivery Date, the Minimum Monthly Rent for Suite 210 shall be \$1.45 per square per month on 4,939 square feet payable in monthly installments of \$7,161.55. Effective ninety (90) days following the Second Delivery Date, the Minimum Monthly Rent shall be \$1.45 per square foot per month on the total square footage of Suite 210 (9,877 sf) payable in monthly installments of \$14,321.65.

(2) Adjustment to Minimum Monthly Rent (Section 3.1) The Minimum Monthly Rent for the total Premises shall be increased by three percent (3%) on December 1, 2016 and on the first day of December annually thereafter.

(3) Late Processing Charge. (Section 3.3) The sum of five percent (5%) of each delinquent payment.

BP-2

Landlord's Initials /s/ [ILLEGIBLE] _____

Tenant's Initials /s/ BD, /s/ BL _____

(4) Prepaid Rent. (Section 3.4) \$8,626.55 (\$6,349.55 for Minimum Monthly Rent, plus \$2,277.00 for Total Operating Costs), all of which shall be for the first full month of the Term.

(5) Security Deposit. (Section 3.5) \$27,020.75 (\$1.45 x 18,635 sf).

F. Landlord's Common Area and Operating Costs (Article 7) (Continued on Exhibit K attached hereto.)

Tenant shall reimburse Landlord for Tenant's proportionate share of Landlord's Total Operating Costs in the manner and to the extent provided in Article 7 of the Standard Terms and Conditions.

G. Use by Tenant (Article 8)

Tenant shall use and occupy the Premises for general office and for no other purpose.

H. Insurance (Article 13)

(1) Liability Insurance Required of Tenant. Tenant to provide its own liability insurance for bodily injury and property damage with single limit coverage in the amount of:

\$2,000,000

\$ _____

(2) Endorsements. Tenant shall procure and maintain throughout the term of the Lease the following policy endorsements with initial limits not less than those indicated below:

	<u>YES</u>	<u>NO</u>	<u>AMOUNT</u>
(a) Automobile Liability:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$1,000,000
(b) Plate Glass Insurance:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	100% replacement cost. Up to \$20,000 with a \$1,000 deductible.
(c) Boiler and Machinery Insurance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	100% replacement cost.
(d) Rent Continuation:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	In the amount of the Minimum Monthly Rent due hereunder for no less than three (3) months.
(e) Vandalism:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	100% replacement cost.
(f) Tenant Fire Insurance:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	100% replacement cost.

(5) Subrogation. Landlord and Tenant intend that their respective property loss risks shall be borne by reasonable insurance carriers to the extent above as provided herein, and Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against each other for to the extent of such losses, and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right of the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that the waiver of subrogation shall not affect the right of the insured to recover thereunder, so long as no material additional premium is charged therefor.

I. Attachments and Exhibits: Tenant's Financial Statement(s)

Landlord has delivered to Tenant, and Tenant hereby acknowledges receipt of, each of the following, which are incorporated into this Lease by reference (Landlord and Tenant to initial in applicable blank spaces):

BP-3

Landlord's Initials /s/ [ILLEGIBLE] _____

Tenant's Initials /s/ BD, /s/ BL _____

Landlord Tenant
/s/ [Illegible] /s/ BD Standard Terms and Conditions
/s/ [Illegible] /s/ BD Attachment 1: Rules and Regulations

Landlord Tenant
/s/ [Illegible] /s/ BD Exhibit A: Site Plan
/s/ [Illegible] /s/ BD Exhibit B: Landlord's Work
_____ ~~Exhibit C: Adjustment to Minimum Monthly Rent~~
_____ ~~Exhibit D:~~
_____ ~~Exhibit E:~~
/s/ [Illegible] /s/ BD Exhibit F: Real Estate Commissions
/s/ [Illegible] /s/ BD Exhibit G: Option to Renew
/s/ [Illegible] /s/ BD Exhibit H: Additional Governmental Conditions & Requirements
/s/ [Illegible] /s/ BD Exhibit I: Sign Plan
_____ ~~Exhibit J:~~
/s/ [Illegible] /s/ BD Exhibit K: Supplemental Terms and Conditions
/s/ [Illegible] /s/ BD Exhibit L: Form of Estoppel Certificate
/s/ [Illegible] /s/ BD Exhibit M: Commencement Memorandum
/s/ [Illegible] /s/ BD Exhibit N: Prohibited Uses
_____ ~~Exhibit O:~~
/s/ [Illegible] /s/ BD Exhibit P: Nondisturbance Agreement

Tenant agrees to provide Landlord annually, within six (6) months after the end of Tenant's fiscal year (12/31), with a financial statement (consisting of a Profit and Loss Statement and Balance Sheet) for said fiscal year certified by Tenant to be true and correct.

IN WITNESS WHEREOF, the parties hereto have executed this Lease on the date set forth opposite their respective names and respectively warrant that the persons executing this Lease are duly authorized and empowered to do so.

LANDLORD AND TENANT HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LANDLORD AND TENANT WITH RESPECT TO THE PREMISES.

LANDLORD:

Date: 4/3, 2015

Federal ID#

NASSAU LAND COMPANY, L.P., a California
limited partnership

By: Michael Towbes Construction & Development, Inc.,
a California corporation

Its: General Partner

By: /s/ [ILLEGIBLE]

Its: President

TENANT:

Date: 24/ March, 2015

Federal ID #

APPFOLIO, INC., a Delaware corporation

By: /s/ Brian Donahoo
Brian Donahoo

BP-4

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

Its: President and CEO

By: /s/ Brett Little
Brett Little

Its: VP Finance

BP-5

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

NASSAU LAND COMPANY, L.P.
MULTI-TENANT INDUSTRIAL LEASE
STANDARD TERMS AND CONDITIONS

Table of Contents

<u>Article</u>	<u>Title</u>	<u>Page</u>
1.	<u>LEASED PREMISES</u>	1
	1.1 Description of Premises	1
	1.2 Common Areas	1
	1.3 Parking Facilities	1
	1.4 Preparation of Premises; Occupancy	2
	1.5 Reserved Rights	2
2.	<u>TERM OF LEASE</u>	2
	2.1 Initial Term	2
	2.2 Possession	2
	2.3 Rent Commencement Date	3
3.	<u>RENT</u>	3
	3.1 Minimum Monthly Rent	3
	3.2 Additional Rent	3
	3.3 Time and Manner of Payment	3
	3.4 Prepaid Rent	4
	3.5 Security Deposit	4
4.	<u>INTENTION OF PARTIES</u>	4
	4.1 Negation of Partnership	4
	4.2 Real Estate Commissions	4
5.	<u>PROPERTY TAXES AND ASSESSMENTS</u>	4
	5.1 Personal Property Taxes	4
	5.2 Real Property Taxes	4
	5.3 Definition of Real Property Taxes	5
6.	<u>LANDLORD'S MANAGEMENT OF PROJECT</u>	5
	6.1 Management of Common Area and Project	5
	6.2 Tenant's Share	6
	6.3 Rules and Regulations	6
7.	<u>COMMON AREA EXPENSE AND OPERATING COSTS</u>	6
	7.1 Common Area Expenses	6
	7.2 Definition of Operating Expenses	6
	7.3 Payments by Tenant	9
	7.4 Books and Records	10
8.	<u>USE; LIMITATIONS ON USE</u>	10
	8.1 Tenant's Use of Premises	10
	8.2 Additional Limitation on Use	11
	8.3 Intentionally omitted	11
	8.4 No Representations by Landlord	11
9.	<u>ALTERATIONS</u>	12
	9.1 Trade Fixtures; Alterations	12
	9.2 Damage; Removal	12
	9.3 Liens	13
	9.4 Standard of Work	13
10.	<u>UTILITIES; ESSENTIAL SERVICES; ACCESS</u>	13
	10.1 Utilities	13
	10.2 Essential Services	13
	10.3 Access to the Premises	13
11.	<u>TENANT'S PERSONAL PROPERTY</u>	13
	11.1 Installation of Property	13

<u>Article</u>	<u>Title</u>	<u>Page</u>
	11.2 Removal of Personal Property	14
12.	<u>REPAIRS AND MAINTENANCE</u>	14
	12.1 Tenant	14
	12.2 Landlord	15
13.	<u>INDEMNITY AND INSURANCE</u>	16
	13.1 Indemnification	16
	13.2 Exemption of Landlord from Liability	16
	13.3 Public Liability and Property Damage	16
	13.4 Tenant's Property Insurance	17
	13.5 Proof of Insurance	17
	13.6 Casualty Insurance	17
	13.7 Subrogation	17
14.	<u>DAMAGE AND DESTRUCTION</u>	17
	14.1 Casualty	17
	14.2 Tenant's Fault	18
	14.3 Uninsured Casualty	18
	14.4 Waiver	18
	14.5 Force Majeure	19
	14.6 Substantial Damage During Last Six (6) Months	19
15.	<u>CONDEMNATION</u>	19
	15.1 Entire Leased Premises	19
	15.2 Partial Taking	19
	15.3 Transfer Under Threat of Condemnation	19
	15.4 Awards and Damages	19
	15.5 Arbitration	19
16.	<u>ASSIGNING, SUBLETTING AND HYPOTHECATING</u>	20
	16.1 Landlord's Consent Required	20
	16.2 Tenant's Application	20
	16.3 Additional Terms Regarding Subletting	20
	16.4 Recapture	21
	16.5 Fees for Review	21
	16.6 Collection	21
	16.7 Waiver	22
	16.8 Assumption of Obligations	22
	16.9 No Release	22
	16.10 Implied Assignment	22
	16.11 Remedies Against Landlord	22
17.	<u>DEFAULT</u>	22
	17.1 Events of Default	22
	17.2 Remedies	23
	17.3 Cumulative	24
18.	<u>INTENTIONALLY OMITTED</u>	24
19.	<u>LANDLORD'S AND TENANT'S RIGHT TO CURE DEFAULTS</u>	24
20.	<u>WAIVER OF BREACH; ACCORD AND SATISFACTION</u>	25
21.	<u>SUBORDINATION; ESTOPPEL</u>	25
	21.1 Subordination and Attornment	25
	21.2 Assignment	25
	21.3 Conditions for Tenant's Termination	25
	21.4 Estoppel Certificates	25
22.	<u>SIGNS AND ADVERTISING</u>	26
23.	<u>RIGHTS RESERVED TO LANDLORD</u>	26
	23.1 Right of Entry	26
	23.2 Additional Rights of Landlord	26

<u>Article</u>	<u>Title</u>	<u>Page</u>
24.	<u>SALE OR TRANSFER OF PREMISES; LANDLORD'S RIGHT TO MORTGAGE</u>	27
	24.1 Sale or Transfer by Landlord	27
	24.2 Landlord's Right to Mortgage	27
25.	<u>SURRENDER; WAIVER OR REDEMPTION; HOLDING OVER</u>	27
	25.1 Surrender of Premises	27
	25.2 Holding Over	27
26.	<u>HAZARDOUS MATERIALS</u>	28
	26.1 Definitions	28
	26.2 Prohibited Uses	29
	26.3 Obligation to Indemnify, Defend and Hold Harmless	29
	26.4 Obligation to Remediate	29
	26.5 Notification	30
	26.6 Termination of Lease	30
	26.7 Toxic Substances Disclosure	30
	26.8 Landlord's Warranty	31
27.	<u>INTENTIONALLY OMITTED</u>	31
28.	<u>WRITTEN NOTICES</u>	31
29.	<u>JOINT AND SEVERAL LIABILITY</u>	31
30.	<u>BINDING ON SUCCESSORS, ETC.</u>	31
31.	<u>ATTORNEYS' FEES</u>	31
32.	<u>FURTHER ASSURANCES</u>	31
33.	<u>CONSTRUCTION OF LEASE</u>	31
34.	<u>PARTIAL INVALIDITY</u>	32
35.	<u>RECORDING</u>	32
36.	<u>COMPLETE AGREEMENT</u>	32
37.	<u>NO IMPLICATION OF EXCLUSIVE USE</u>	32
38.	<u>TENANT A CORPORATION OR LIMITED LIABILITY COMPANY</u>	32
39.	<u>SUBMISSION OF DOCUMENT</u>	33
40.	<u>NO PERSONAL OBLIGATION OF LANDLORD</u>	33
41.	<u>EXCAVATION</u>	33
42.	<u>ARBITRATION</u>	33

THE SUBMISSION OF THIS DOCUMENT FOR EXAMINATION AND NEGOTIATION DOES NOT CONSTITUTE AN OFFER TO LEASE, OR A RESERVATION OF, OR OPTION FOR, THE PREMISES; THIS DOCUMENT BECOMES EFFECTIVE AND BINDING ONLY UPON EXECUTION AND DELIVERY HEREOF BY LANDLORD. NO ACT OR OMISSION OF ANY EMPLOYEE OR AGENT OF LANDLORD OR OF LANDLORD'S BROKER SHALL ALTER, CHANGE OR MODIFY ANY OF THE PROVISIONS HEREOF.

NASSAU LAND COMPANY, L.P.
MULTI-TENANT INDUSTRIAL LEASE
STANDARD TERMS AND CONDITIONS

THESE STANDARD TERMS AND CONDITIONS constitute an integral part of this Multi-Tenant Industrial Lease. Each reference in the Standard Terms and Conditions to information set forth in the Basic Provisions of this Lease shall be construed to incorporate all of the information to which reference is made. Any conflict between these Standard Terms and Conditions and the information set forth in the Basic Provisions shall be controlled by the terms of these Standard Terms and Conditions.

1. LEASED PREMISES

1.1 Description of Premises. As used herein, the term "Premises" shall mean the office space or other unit as are described in the Basic Provisions, the boundaries and location of which are designated on the attached Site Plan (Exhibit A), which said Premises are now existing or will be part of the building containing the Premises (the "Building") and are more fully described in Section C of the Basic Provisions. Unless the context otherwise requires, the Premises shall include that portion of the Building and other improvements presently situated or to be constructed in the location so outlined on said Site Plan, and all fixtures heretofore or hereafter to be installed by Landlord therein, but shall exclude the roof and the exterior surface of all exterior walls of such Building and improvements, except as specifically allowed hereunder. The Premises, the Building, the Common Areas (as defined below), the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "Project."

1.2 Common Areas. Subject to Article 6 of this Lease, Landlord shall make available at all times during the term of this Lease, such automobile parking and other common areas within the exterior boundaries of the land and Building of which the Premises are a part. The term "Common Area(s)" shall mean all the portions of the Building which are not specifically leased or specifically available for lease to tenants and which have at the time in question been designated and improved for common use by or for the benefit of more than one tenant or concessionaire of the Building, including any of the following (the specific recitation of which shall not be deemed to limit the definition of "Common Area"): the land and facilities utilized as parking areas; access and perimeter roads; truck passageways (which may be in whole or in part subsurface); arcades; landscaped areas; exterior walks; stairways; stairs; directory equipment; ramps; drinking fountains; toilets and other public facilities; and bus stations and taxi stands; but excluding any portion thereof when designated by Landlord for a noncommon use, provided any portion of the Building which was not included within the Common Area shall be so included when so designated and improved for common use. All of the Common Area shall be subject to the exclusive control and management of Landlord or such other persons or nominees as Landlord may have delegated or assigned to exercise such management or control, in whole or in part, in Landlord's place and stead. Tenant acknowledges that Landlord makes no representation or warranty whatsoever concerning the safety of the Common Area or the adequacy of any security system which is or may be instituted for the Common Area. In no event shall Tenant have the right to sell or solicit in any manner in the Common Area. As long as Tenant is not in default under this Lease, Tenant shall have the non-exclusive right to use in common with other Tenants of the Building the common areas and facilities included in the Building together with such easements for ingress and egress as are necessary for Tenant's use and occupancy of the Premises.

1.3 Parking Facilities. Tenant acknowledges and agrees that any parking spaces provided by Landlord in and around the Building or Premises are solely for the convenience of the customers of Tenant and of other tenants of the Building, and that no portion of any such parking facilities is reserved for Tenant, its employees or its customers unless otherwise specifically designated by Landlord in the Basic Provisions. Landlord expressly reserves the right to establish and enforce reasonable rules and regulations throughout the Term of this Lease concerning the use of the parking area, and Landlord shall be entitled to tow away vehicles parked in violation of such rules. Tenant agrees that Tenant and its employees will not park in the parking area serving the Building except in that area, if any, specifically designated in writing by Landlord for that purpose. Upon the request of Landlord, Tenant shall provide Landlord on a periodic basis with a current list of Tenant's employees and their respective vehicle license numbers, and shall promptly notify Landlord of any changes in such list.

Landlord's Initials /s/ [ILLEGIBLE]

STC-1

Tenant's Initials /s/ BD, /s/ BL

1.4 Preparation of Premises; Occupancy.

1.4.1 If so provided in the Basic Provisions, Landlord agrees to perform any work identified in Exhibit B as Landlord's work, and to cause the Premises to be ready for occupancy by Tenant on or before the Commencement Date set forth in the Basic Provisions. In the event Landlord is required to perform any work prior to Tenant's occupancy, the Premises shall be deemed ready for occupancy as of the date Landlord has notified Tenant in writing that Landlord has substantially completed all of the work required to be done by Landlord as reflected in Exhibit B, and the initial Term of this Lease shall commence on the date of such notice unless a different date is specified in the Basic Provisions.

1.4.2 If for any reason Landlord cannot deliver possession of the Premises to Tenant on the delivery dates provided in the Basic Provisions, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, but the Term of this Lease shall be extended until the Premises are ready for occupancy by Tenant; provided, however, that if Landlord is unable to deliver possession of the Premises to Tenant within sixty (60) days after the relevant delivery date, Tenant may terminate this Lease by giving written notice to Landlord and thereupon both parties hereto shall be relieved and discharged of all liability hereunder.

1.5 Reserved Rights. After providing Tenant with twenty-four (24) hours prior notice, unless in the case of an emergency, Landlord reserves the right to enter the Premises during normal business hours for any reason upon reasonable notice to Tenant and/or to undertake the following, all without abatement of rent or liability to Tenant:

1.5.1 Inspect the Premises and/or the performance by Tenant of the terms and conditions hereof;

1.5.2 Make such alterations, repairs, improvements or additions to the Premises as required hereunder; change boundary lines of the Common Areas;

1.5.3 Install, use, maintain, repair, alter, relocate or replace any pipes, ducts, conduits, wires, equipment and other facilities in the Building;

1.5.4 Grant easements on the Project (with thirty (30) days prior notice);

1.5.5 Dedicate for public use portions thereof and record covenants, conditions and restrictions ("CC&Rs") affecting the Project and/or amendments to existing CC&Rs which do not unreasonably interfere with Tenant's use of the Premises or impose additional material monetary obligations on Tenant;

1.5.6 Change the name of the Project;

1.5.7 Affix reasonable signs and displays as well as post and maintain any notice deemed necessary by Landlord for the protection of its interest (including, without limitation, notices of nonresponsibility);

1.5.8 Show the Premises to prospective tenants during the last six (6) months of the Term.

2. TERM OF LEASE

2.1 Initial Term. The initial term of the Lease (the "Term") shall begin on the Commencement Date specified in the Basic Provisions. Subject to extension or sooner termination as hereinafter provided, this Lease shall continue for the Term specified in the Basic Provisions. If the Term of this Lease begins on a day other than the first day of a calendar month, the initial Term of this Lease shall be adjusted to commence on the first day of the first full calendar month after the Commencement Date.

2.2 Possession. Tenant's possession of the Premises prior to the Commencement, if any, shall be subject to all the provisions of this Lease (except for the payment of Rent) and shall not advance the expiration date. Tenant shall upon demand acknowledge in writing the Possession Date in the form attached hereto as Exhibit M.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

2.3 Rent Commencement Date. Unless otherwise specified in the Basic Provisions, the "Rent Commencement Date" shall be the same date as the Commencement Date. In the event the Commencement Date does not fall on the first (1st) day of a calendar month, Rent during any partial month shall be prorated on the basis of a thirty (30) day month, and shall be due and payable on or before the Commencement Date.

3. RENT

3.1 Minimum Monthly Rent.

3.1.1 Tenant agrees to pay to Landlord a Minimum Monthly Rent, initially in the amount set forth in the Basic Provisions, during each month of the Term of this Lease. Minimum Monthly Rent for a period constituting less than a full month shall be prorated on the basis of a thirty (30)-day month.

3.1.2 If so provided in the Basic Provisions, the Minimum Monthly Rent shall be adjusted at the times specified and in the manner provided in the Basic Provisions, and Tenant agrees to pay Landlord the Minimum Monthly Rent, as so adjusted, at the times and in the manner provided by this Lease.

3.1.3 Landlord shall have no obligation to notify Tenant of any increase in Minimum Monthly Rent, and Tenant's obligation to pay all Minimum Monthly Rent (and any increases) when due shall not be modified or altered by such lack of notice from Landlord. Acceptance of a payment of Rent that is less than the amount then due shall not be a waiver of Landlord's rights to the balance of such Rent, regardless of Landlord's endorsement of or deposit of any check so stating.

3.2 Additional Rent. All sums other than Minimum Monthly Rent which Tenant is obligated to pay under this Lease, including late charges and interest as set forth in Section 3.3 below, shall be deemed to be additional rent due hereunder, whether or not such sums are designated "additional rent." The term "Rent" means the Minimum Monthly Rent and all additional amounts payable by Tenant under the Lease (including, but not limited to, late charges and interest). Acceptance of a payment of Rent that is less than the amount then due shall not be a waiver of Landlord's rights to the balance of such Rent, regardless of Landlord's endorsement of or deposit of any check so stating.

3.3 Time and Manner of Payment.

3.3.1 Tenant agrees that all Rent payable by Tenant hereunder shall be paid by Tenant to Landlord by check or certified funds not later than the close of business on the day on which first due, without any deduction, setoff, prior notice or demand, except as expressly set forth in this Lease. All Rents shall be paid in lawful money of the United States at such place as Landlord shall designate to Tenant from time to time in writing. Landlord agrees that Tenant may, at Tenant's risk, use United States mail for delivery of Rent. Landlord's receipt and deposit of any check shall not constitute satisfaction of Tenant's rental payment obligations until said check is paid in full by the bank upon which it is drawn.

3.3.2 Should Tenant fail to make any payment of Rent within five (5) business days of the date when such payment first becomes due, or should any check tendered in payment of Rent be returned to Landlord by Tenant's bank for any reason, then Tenant shall pay to Landlord, in addition to such Rental payment, a late processing charge in the amount specified in the Basic Provisions, which the parties agree is a reasonable estimate of the amount necessary to reimburse Landlord for the damages and additional costs not contemplated by this Lease that Landlord will incur as a result of the delinquent payment or returned check, including processing and accounting charges and late charges that may be imposed on Landlord by its lender. If Tenant fails to make payment within said five (5)- business day period, the entire amount then due, including said late charge, shall thereafter bear interest at the then-current federal discount rate in San Francisco plus two percent (2%). Should Tenant fail to make payment of any Rental payment(s) due hereunder within five (5) business days of the date when such payment(s) first become due on three (3) occasions in any twelve (12) month period, Landlord, at its option, may require Tenant to prepay Rent on a quarterly basis thereafter. Moreover, in the event any of Tenant's checks are returned for insufficient funds or other reasons not the fault of Landlord, Tenant agrees to pay Landlord the sum of twenty-five dollars (\$25.00) in addition to any Late Charge and Landlord shall have the right any time thereafter to require that all future payments due from Tenant under this Lease for the next one (1)-year period be made by money order or by certified or cashier's check.

Landlord's Initials /s/ [ILLEGIBLE]

STC-3

Tenant's Initials /s/ BD, /s/ BL

3.3.3 Landlord will apply Tenant's payments first to accrued late charges and attorney's fees, second to accrued interest, then to Minimum Monthly Rent and Common Area Expenses, and any remaining amount to any other outstanding charges or costs.

3.4 Prepaid Rent. Tenant shall pay to Landlord upon execution of this Lease Prepaid Rent, if any, in the amount specified in the Basic Provisions, which shall be allocated toward the payment of rent for the months specified in the Basic Provisions. If Tenant is not in default of any of the provisions of this Lease, the Rent prepaid by Tenant for the last month of the term of this Lease, if any, shall be reduced by the amount so allocated in the Basic Provisions.

3.5 Security Deposit. Tenant shall deposit with Landlord upon execution of this Lease the amount specified in the Basic Provisions as a Security Deposit for the performance by Tenant of its obligation under this Lease. Tenant agrees that if Tenant defaults in its performance of this Lease, or in the payment of any sums owing to Landlord, or in the payment of any other sums required from Tenant under the provisions of this Lease, then Landlord may, but shall not be obligated to, use the Security Deposit, or any portion thereof, to cure such default or to compensate Landlord for any damage, including late charges and costs of enforcement, sustained by Landlord resulting from Tenant's default or nonpayment. If Landlord does so apply any portion of the Security Deposit, Tenant shall immediately pay Landlord sufficient cash to restore the Security Deposit to the amount of the then current Minimum Monthly Rent. If Tenant is not in default at the expiration or termination of this Lease, Landlord shall return the unexpended portion of the Security Deposit to Tenant within sixty (60) days following expiration or termination of this Lease, without interest. Landlord's obligations with respect to the Security Deposit shall be those of debtor, and not of a trustee, and Landlord shall be entitled to commingle the Security Deposit with the general funds of Landlord.

4. INTENTION OF PARTIES

4.1 Negation of Partnership. Nothing in this Lease is intended, and no provision of this Lease shall be construed, to make Landlord a partner of or a joint venturer with Tenant, or associated in any other way with Tenant in the Tenant's operation of the Premises (other than the relationship of landlord and tenant), or to subject Landlord to any obligation, loss, charge or expense resulting from or attributable to Tenant's operation or use of the Premises.

4.2 Real Estate Commissions. Each party represents and warrants to the other that it has not utilized the services of any real estate broker or other person who could claim any fee or commission from the other (other than the person(s) identified on Exhibit F attached hereto) in connection with Tenant entering into this Lease. Tenant warrants to Landlord that Tenant's sole contact with Landlord or with the Premises in connection with this transaction has been directly with Landlord, Landlord's Broker and Tenant's Broker specified in Exhibit F, and that no other broker or finder can properly claim a right to a commission or a finder's fee based upon contacts between the claimant and Tenant. Subject to the foregoing, Tenant agrees to indemnify and hold Landlord harmless from any claims or liability, including reasonable attorneys' fees, in connection with a claim by any person for a real estate broker's commission, finder's fee or other compensation based upon any statement, representation or agreement of Tenant, and Landlord agrees to indemnify and hold Tenant harmless from any such claims or liability, including reasonable attorneys' fees, based upon any statement, representation or agreement of Landlord.

5. PROPERTY TAXES AND ASSESSMENTS

5.1 Personal Property Taxes. Tenant shall pay before delinquency all taxes assessed against any personal property and/or leasehold improvements of Tenant installed or located in or upon the Premises and that become payable during the Term of this Lease. Tenant agrees to cooperate with Landlord to identify to the Assessor all Tenant improvements to the Premises.

5.2 Real Property Taxes. (Continue on Exhibit K attached hereto)

5.2.1 In addition to all other Rent payable by Tenant hereunder, Tenant agrees to pay as additional Rent its proportionate share of Real Property Taxes levied and assessed against the Project. Real Property Taxes for any fractional portion of a calendar year included in the Lease Term shall be prorated on the basis of a 360-day year.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

5.2.2 Each year, Landlord shall notify Tenant of its proportionate share of the Real Property Taxes payable by Tenant hereunder and Tenant shall pay Landlord the amount payable by Tenant at the time and in the manner provided by Article 7 of this Lease.

5.2.3 Tenant's proportionate share of Real Property Taxes shall be the ratio that the square footage of the Premises bears to the total leasable square footage of the Building and other improvements of which the Premises are a part, or if such Building and improvements are not separately assessed, the total leasable square footage of the buildings and improvements constituting the Project. Tenant's proportionate share on the Commencement Date is set forth in the Basic Provisions; said proportionate share is subject to adjustment periodically as of the time each installment of Real Property Taxes is due. Increases in Real Property Taxes resulting under Proposition 13 changes in ownership of the Premises are waived for the initial three (3) years of the Lease in accordance with Exhibit K, Supplemental Terms and Conditions.

5.2.4 Tenant shall pay to Landlord Tenant's proportionate share of the Real Property Taxes in each calendar year; provided, however, Landlord may, at its election, require that Tenant pay any increase in the assessed value of the Project based upon the value of the Tenant Improvements (as defined in the Exhibit B), if any, relative to the value of the other improvements on or to the other buildings in the Project, as reasonably determined by Landlord. Upon Tenant's request, Landlord shall endeavor to provide Tenant with a breakdown of Landlord's determination of Tenant's increased share of Real Property Taxes resulting from the Tenant Improvements.

5.3 Definition of Real Property Taxes. "Real Property Taxes" shall be the sum of the following: all real property taxes; possessory interest taxes; business or license taxes or fees; present or future Mello-Roos assessments; service payments in lieu of such taxes or fees; annual or periodic license or use fees; excise, transit and traffic charges; housing fund assessments, open space charges, childcare fees, school, sewer and parking fees or any other assessments, levies, fees, exactions or charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen (including fees "in-lieu" of any such tax or assessment) which are assessed, levied, charged, conferred or imposed by any public authority upon the Project (or any real property comprising any portion thereof) or its operations, together with all taxes, assessments or other fees imposed by any public authority upon or measured by any rent or other charges payable hereunder, including any gross receipts tax or excise tax levied by any governmental authority with respect to receipt of rental income, or, with respect to or by reason of the development, possession, any tax or assessment levied in connection with the leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion thereof; any documentary transfer taxes upon this transaction or any document to which Tenant is a party creating or transferring an interest in the Premises; together with any tax imposed in substitution, partially or totally, of any tax previously included within the aforesaid definition or any additional tax the nature of which was previously included within the aforesaid definition; together with any and all costs and expenses (including, without limitation, attorneys', administrative and expert witness fees and costs) of challenging any of the foregoing or seeking the reduction in or abatement, redemption or return of any of the foregoing, but only to the extent of any such reduction, abatement, redemption or return. All references to Real Property Taxes during a particular year shall be deemed to refer to taxes accrued during such year, including supplemental tax bills, regardless of when they are actually assessed and without regard to when such taxes are payable. The obligation of Tenant to pay for supplemental taxes effective during the Term shall survive the expiration or early termination of this Lease. Nothing contained in this Lease shall require Tenant to pay any franchise, corporate, estate or inheritance tax of Landlord, or any income, profits or revenue tax or charge upon the net income of Landlord or any documentary transfer tax.

6. LANDLORD'S MANAGEMENT OF PROJECT

6.1 Management of Common Area and Project. Provided that Tenant's access to and use of the Premises is not unreasonably hindered or prevented (except for changes, alterations or modifications required by any federal, state, or local governmental or quasi-governmental body, or by law), the number of parking spaces available to Tenant is not unreasonably hindered or reduced (except for changes, reductions, alterations or modifications required by any federal, state, or local governmental or quasi-governmental body, or by law), and Tenant's proportionate share of Building Operating Expenses and Project Operating Expenses do not increase (except as provided in Section 6.2 below), Landlord shall have the right, in Landlord's sole discretion and expense, from time to time, to do any of the following:

6.1.1 Make changes to the Common Area, including, without limitation, changes in the location, size, shape and number of driveways, entrances, exits, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscape areas, and walkways;

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

6.1.2 Close the Common Areas when and to the extent necessary for maintenance or renovation purposes or to prevent a dedication of any part thereof or the accrual of any rights therein in favor of the public or any third person;

6.1.3 Designate other land outside the boundaries of the Project to be part of the Common Area;

6.1.4 Install, use, maintain, repair, alter, relocate or replace any Common Area or to add additional buildings and improvements to the Common Area;

6.1.5 Use the Common Area while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof;

6.1.6 Remodel or renovate the buildings and improvements constituting the Project, and, in connection therewith, to install pipes, conduits, ducts and similar fixtures beneath or through the Premises, provided that such remodeling or renovation does not substantially change the size, dimension, configuration or nature of the Premises; and/or

6.1.7 Do and perform other such acts and make other such changes in, to or with respect to the Common Area and the Project as Landlord may, in the exercise of sound business judgment, deem to be appropriate or prudent.

6.2 Tenant's Share. Landlord reserves the right to adjust Tenant's stated proportionate share ("Tenant Share") of Project Operating Expenses and/or Building Operating Expenses provided at least one of the following conditions are met:

6.2.1 Where alterations to the Project or the Building result in changes in the Common Areas, the Building or the Project;

6.2.2 Tenant leases additional space within the Building or the Project.

6.3 Rules and Regulations. Landlord shall have the right from time to time to promulgate, amend and enforce against Tenant and all persons upon the Premises, reasonable rules and regulations for the safety, care and cleanliness of the Common Area, Premises and the Project or for the preservation of good order; provided, however, that all such rules and regulations shall apply substantially equally and without discrimination to all tenants of Landlord in the Project. Tenant agrees to conform to and abide by such rules and regulations, and a violation of any of them shall constitute a default by Tenant under this Lease. The current Rules and Regulations are attached to this Lease as Attachment 1.

7. COMMON AREA EXPENSE AND OPERATING COSTS

7.1 Common Area Expenses. Tenant shall pay monthly to Landlord Tenant's Share of the Building Operating Expenses and Tenant's Share of Project Operating Expenses in each calendar year.

7.2 Definition of Operating Expenses. "Common Area Expenses" shall mean collectively the "Building Operating Expenses" and the "Project Operating Expenses".

7.2.1 Building Operating Expenses. "Building Operating Expenses" shall include all reasonable and necessary expenses incurred by Landlord in the ownership, operation, maintenance, repair and management of the Building in which the Premises are located, including, but not limited to the following:

- (i) Non-structural repairs to and maintenance of the roof (and roof membrane), skylights and exterior walls of the Building (including painting);
- (ii) The costs relating to the insurance maintained by Landlord with respect to the Building, except for any deductible amounts in excess of \$50,000 in the aggregate, and earthquake insurance unless required by Landlord's lender;

Landlord's Initials /s/ [ILLEGIBLE]

STC-6

Tenant's Initials /s/ BD, /s/ BL

- (iii) Maintenance contracts for heating, ventilation and air-conditioning (HVAC) systems and elevators, if any;
- (iv) Maintenance, monitoring and operation of the fire/life safety and sprinkler system;
- (v) Capital improvements made to or capital assets acquired for the Building after the Commencement Date that are intended to reduce Building Operating Expenses or are reasonably necessary for the health and safety of the occupants of the Building or are required under any governmental law or regulation, which capital costs, or an allocable portion thereof, shall be amortized at eight percent (8%) per annum over its useful life as commercially reasonable determined by Landlord; and
- (vi) Any other commercially reasonable maintenance costs incurred by Landlord related to the Building and not related to the Project as a whole.

7.2.2 Exclusions from Building Operating Expenses. Building Operating Expenses shall not include the following expenses:

- (i) Replacement of or structural repairs to the roof or the exterior walls;
- (ii) Repairs to the extent covered by insurance proceeds or warranties, or paid by Tenant or other third parties; and
- (iii) Alterations solely attributable to tenants of the Project other than Tenant.
- (iv) Earthquake Insurance (unless required by Landlord's lender);
- (v) Any insurance deductible amounts in excess of \$50,000 in the aggregate.

7.2.3 Project Operating Expenses. "Project Operating Expenses" shall include all reasonable and necessary expenses incurred by Landlord in the ownership, operation, maintenance, repair and management of the Project and/or the Common Area, including, but not limited to the following:

- (i) Repair, maintenance, utility costs and landscaping of the Common Area, including, but not limited to, any and all costs of maintenance, repair and replacement of all parking areas (including bumpers, sweeping, and striping), loading and unloading areas, trash areas, common driveways, sidewalks, outdoor lighting, signs, directories, walkways, parkways, landscaping, irrigation systems, fences and gates and other costs which are allocable to the real property of which the Premises are a part;
- (ii) The costs relating to the insurance maintained by Landlord with respect to the Project, except for any deductible amounts in excess of \$50,000 in the aggregate and earthquake insurance (unless required by Landlord's lender);
- (iii) Trash collection, security services;
- (iv) Capital improvements made to or capital assets acquired for the Project after the Commencement Date that are intended to reduce Project Operating Expenses or are reasonably necessary for the health and safety of the occupants of the Project or are required under any governmental law or regulation, which capital costs, or an allocable portion thereof, shall be amortized at eight percent (8%) per annum over its useful life as commercially reasonable determined by Landlord;
- (v) Real Property Taxes;
- (vi) All costs and fees incurred by Landlord in connection with the management of this Lease and the Premises, including the cost of those services which are customarily performed by a property management services company, together with a management fee to Landlord for accounting and project management services relating to the Building(s) and the Project in an amount equal to four percent (4%) of the sum of the gross rents received by Landlord from all of the tenants in the Project; and

Landlord's Initials /s/ [ILLEGIBLE]

STC-7

Tenant's Initials /s/ BD, /s/ BL

- (vii) Any other commercially reasonable maintenance costs incurred by Landlord related to the Project as a whole and not related solely to the Tenant or the Building in which the Premises are located.

7.2.4 Exclusions from Common Area Expenses. Notwithstanding anything in the definition of Common Area Expenses in the Lease to the contrary, Common Area Expenses shall not include the following, except to the extent specifically permitted by a specific exception to the following:

- (i) Any ground lease rental;
- (ii) Costs incurred by Landlord for the repair of damage to the Project, to the extent that Landlord is reimbursed by insurance proceeds;
- (iii) Costs, including permit, license and inspection costs, incurred with respect to the installation of tenant or other occupants' improvements in the Project or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Project;
- (iv) Depreciation, amortization and interest payments, except as provided herein and except on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party, where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services;
- (v) Marketing costs, leasing commissions, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Project;
- (vi) Costs incurred by Landlord due to the violation by Landlord or any other tenant of the terms and conditions of any lease of space in the Project;
- (vii) Interest, principal, points and fees on debts or amortization on any mortgage or mortgages or any other debt instrument encumbering the Building or the Project (except as specifically permitted above);
- (viii) Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord;
- (ix) Advertising and promotional expenditures and costs of signs in or on the Building or Project identifying the owner of the Building or Project or other tenants' signs;
- (x) Costs arising from Landlord's charitable or political contributions;
- (xi) Costs for sculpture, paintings or other objects of art;
- (xii) Costs associated with the operation of the business of the entity which constitutes Landlord as the same are distinguished from the costs of operation of the Project, including accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Project, costs of any disputes between Landlord and its employees (if any) not engaged in Project operation, disputes of Landlord with Project management, or outside fees paid in connection with disputes with other tenants;
- (xiii) Costs of any "tap fees" or any sewer or water connection fees for the benefit of any particular tenant in the Project;
- (xiv) Any expenses incurred by Landlord for use of any portions of the Project to accommodate events including, but not limited to shows, promotions, kiosks, displays, filming, photography, private events or parties, ceremonies, and advertising beyond the normal expenses otherwise attributable to providing Project services;

Landlord's Initials /s/ [ILLEGIBLE]

STC-8

Tenant's Initials /s/ BD, /s/ BL

- (xv) Any entertainment, dining or travel expenses for any purpose;
- (xvi) Any flowers, gifts, balloons, etc. provided to any entity whatsoever, including, but not limited to, Tenant, other tenants, employees, vendors, contractors, prospective tenants and agents;
- (xvii) Any “finders fees”, brokerage commissions, job placement costs or job advertising costs;
- (xviii) Any “above-standard” cleaning, including, but not limited to construction cleanup or special cleanings associated with parties/events and specific tenant requirements in excess of service provided to Tenant, including related trash collection, removal, hauling and dumping;
- (xix) The cost of any magazine, newspaper, trade or other subscriptions;
- (xx) The cost of any training or incentive programs, other than for tenant life safety information services;
- (xxi) The cost of any “tenant relations” parties, events or promotion not consented to by an authorized representative of Tenant in writing;
- (xxii) “In-house” legal fees;
- (xxiii) Earthquake Insurance (unless required by Landlord’s lender); and
- (xxiv) Any insurance deductible amounts in excess of \$50,000 in the aggregate.

7.3 Payments by Tenant.

7.3.1 Tenant shall pay to Landlord as additional Rent on the first day of each full calendar month of the Term of this Lease, Tenant’s monthly proportionate share of Landlord’s Estimated Expenses (as defined below). If the Term of this Lease begins on a day other than the first day of a month, Tenant shall pay, in advance, its prorated share of the Landlord’s Estimated Common Area Expenses for such partial month.

7.3.2 Estimated Common Area Expenses. “Estimated Expenses” for any particular year shall mean Landlord’s estimate of Common Area Expenses and Real Property Taxes for a calendar year. Tenant shall pay Tenant’s Share (as set forth in the Basic Provisions) of the Estimated Expenses with installments of Minimum Monthly Rent in monthly installments of one-twelfth (1/12th) thereof on the first day of each calendar month during such year. If at any time, but limited to once per year, Landlord determines that Common Area Expenses and Real Property Taxes are projected to vary from the then Estimated Expenses, Landlord may, by notice to Tenant, revise such Estimated Expenses, and Tenant’s monthly installments for the remainder of such year shall be adjusted so that by the end of such calendar year Tenant has paid to Landlord Tenant’s Share of the revised Estimated Expenses for such year.

7.3.3 Adjustment. “Common Area Expenses and Real Property Taxes Adjustment” (or “Adjustment”) shall mean the difference between Tenant’s Share of Estimated Expenses and Tenant’s Share of Common Area Expenses and Real Property Taxes for any calendar year. Total Common Area Costs for any portion of an accounting period not included within the term of this Lease shall be prorated on the basis of a 360-day year. After the end of each calendar year, Landlord shall deliver to Tenant a statement of Tenant’s Share of Common Area Expenses and Real Property Taxes for such calendar year, accompanied by a computation of the Adjustment. If Tenant’s Estimated Expense payments are less than Tenant’s Share, then Tenant shall pay the difference within thirty (30) days after receipt of such statement. Tenant’s obligation to pay such amount effective during the Term shall survive the termination of this Lease. If Tenant’s payments exceed Tenant’s Share, then Landlord shall credit such excess amount to the subsequent Rents due; provided, however, if Tenant is in default, Landlord may, but shall not be required to, credit such amount to Rent arrearages.

7.3.4 Accounting Period. The accounting period for determining Landlord’s Total Operating Costs shall be the calendar year, except that the first accounting period may be prorated and shall commence on the date the Lease term commences and the last accounting period may also be prorated and shall end on the date the Lease term expires or terminates.

Landlord’s Initials /s/ [ILLEGIBLE]

STC-9

Tenant’s Initials /s/ BD, /s/ BL

7.4 Books and Records. Landlord shall keep full and accurate books of account, records and other pertinent data regarding Common Area Expenses. Such books, records and other pertinent data regarding such expenses shall be kept for a period of one (1) year after the close of each calendar year. Provided Tenant is not in default under this Lease, Tenant shall have the right to review, audit, and copy all documents and information pertaining to Common Area Expenses for a period of one (1) year following the receipt of Landlord's Common Area Expense statement. Tenant shall give Landlord no less than twenty (20) business days notice prior to commencing an audit, which audit shall take place during Landlord's normal business hours, and all documents shall remain at Landlord's place of business at all times. In no event, however, will Landlord or its property manager be required to keep separate accounting records for the components of Common Area Expenses or to create any ledgers or schedules not already in existence. Tenant shall have an auditor acceptable to Landlord to conduct such audit at Tenant's sole cost and expense, but in no event shall said auditor be compensated based on savings generated to Tenant as a result of such audit. In the event the audit reveals that there are amount due either Landlord or Tenant, then any amounts due shall be immediately paid by the appropriate party. Tenant shall pay for all costs of the audit unless Tenant's share of Operating Expenses, as determined by the audit, differs by more than five percent (5%) in favor of the Tenant, in which case Landlord shall bear the cost of the audit up to a maximum cost of \$1,000.00 per year. In the event Landlord disputes the findings of such audit, Landlord and Tenant shall have thirty (30) days to resolve such dispute. If, however, Landlord and Tenant have not reached a consensus during such thirty (30) day period, Landlord and Tenant shall submit the dispute for resolution in accordance with the provisions of Article 42, below.

8. USE; LIMITATIONS ON USE

8.1 Tenant's Use of Premises. Tenant agrees that the Premises shall be used and occupied only for the Permitted Uses specified in the Basic Provisions, and for no other use. Tenant shall not use or permit the Premises to be used for any other purpose or purposes or under any other trade name whatsoever without the prior written consent of Landlord, which consent may be withheld or granted at Landlord's sole and absolute discretion. Tenant's use of the Premises shall be in compliance with and subject to all applicable governmental laws, ordinances, statutes, orders and regulations and any CC&R's (including payments thereunder, if any) or any supplement thereto recorded in any official or public records with respect to the Project or any portion thereof. In the event Landlord desires to record CC&R's against the Project after the date of full execution of this Lease, Landlord shall, at its option, either (i) obtain Tenant's consent thereto, which consent shall not be unreasonably withheld (provided Tenant's material rights and obligations under the Lease are not impaired, but provided that any provisions of such CC&R's which require Tenant to pay reasonable assessments such as for common area maintenance and landscaping shall not be deemed to impair Tenant's material rights and obligations under this Lease), conditioned or delayed or (ii) elect not to obtain Tenant's consent thereto, in which event the provisions of this Lease shall prevail over any conflicting provisions of the CC&R's. Tenant further covenants and agrees that it will not use or suffer or permit any person or persons to use the Premises or any part thereof for conducting therein a second-hand store, auction, distress or fire sale or bankruptcy or going-out-of-business sale, or for any use or purpose in violation of the laws of the United States of America or the laws, ordinances, regulations and requirements of the State, County and City wherein the Premises are situated, including in violation of any of the permitted use restrictions outlined in Exhibit N. Tenant, at Tenant's sole cost and expense, shall comply with the rules and regulations attached hereto as Attachment 1, together with such additional rules and regulations as Landlord may from time to time prescribe. Tenant shall not commit waste; overload the floors or structure of the Building in which the Premises are located; subject the Premises, the Building, the Common Area or the Project to any use which would damage the same or increase the risk of loss or violate any insurance coverage; permit any unreasonable odors, smoke, dust, gas, substances, noise or vibrations to emanate from the Premises, take any action which would constitute a nuisance or would disturb, obstruct or endanger any other tenants, take any action which would abrogate any warranties; or use or allow the Premises to be used for any unlawful purpose. Tenant shall promptly comply with the reasonable requirements of any board of fire insurance underwriters or other similar body now or hereafter constituted. Tenant shall not do any act which shall in any way encumber the title of Landlord in and to the Premises, the Building or the Project. Tenant further covenants and agrees that during the term hereof the Premises, and every part thereof, shall be kept by Tenant in a first-class, clean and wholesome condition, free of any objectionable noises, odors or nuisances, and that all fire, safety, health and police regulations shall, in all respects and at all times, be fully complied with by Tenant.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

8.2. Additional Limitation on Use. Tenant's use of the Premises shall be in accordance with the following requirements:

8.2.1 Insurance Hazards. Tenant shall neither engage in nor give permission to others to engage in any activity or conduct that will cause the cancellation of or an increase in the premium for any fire or liability insurance maintained by Landlord, and will pay any increase in the fire or liability insurance premiums attributable to Tenant's use of the Premises. Tenant shall, at Tenant's sole cost, comply with all recommendations of any insurance organization or company pertaining to Tenant's specific use of the Premises necessary for the maintenance of reasonable fire and public liability insurance covering the Project.

8.2.2 Compliance with Law. Tenant shall, at Tenant's sole cost and expense, comply with all of the requirements, ordinances and statutes of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the Premises and the use and occupancy thereof, including any local rules or requirements limiting the hours of Tenant's operations. The judgment of any arbitrator or court of competent jurisdiction, or the admission of Tenant in any action or proceeding against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any such ordinances or statutes in the use of the Premises shall be conclusive of that fact as between Landlord and Tenant.

8.2.3 Waste; Nuisance. Tenant may not display, store or sell merchandise or allow carts, construction debris, trash, portable signs, devices or merchandise of any kind or any other objects to be stored or to remain outside of the Premises. Tenant shall not use, or suffer or permit any person or persons to use the Premises in any manner that will tend to create waste or a nuisance or tend to disturb other tenants of the Project. Tenant shall not place or authorize to have placed or affixed handbills or other advertising materials on automobiles or buildings within the Project, nor shall Tenant place or cause to be placed newspaper racks, advertisements or displays in the Common Area.

8.2.4 Trash and Rubbish Removal. Tenant agrees that all trash and rubbish of Tenant shall be deposited within the appropriate receptacles therefor and that there shall be no trash receptacles permitted on the Premises except such trash receptacles as may be provided or designated by Landlord. If applicable to Tenant's business, Tenant shall be responsible to purchase and maintain its own grease rendering drums (of a design approved by Landlord) and place them in an area designated therefor by Landlord. Tenant shall be solely responsible for clean up costs as a result of any leaking or spillage of its rendering drum or grease collection equipment, whether or not due to vandalism, and shall be solely responsible to arrange and pay for disposal of its grease by a licensed rendering service. Tenant shall, on its own behalf, provide and pay for as a portion of Common Area Expenses the regular removal and disposal of trash and rubbish located in its approved trash receptacles, the location of which shall be reasonably approved by Landlord. In the event Tenant fails to comply with Landlord's trash and rubbish removal procedures set forth above, Tenant shall be liable to Landlord for all costs or damage incurred by Landlord in facilitating trash removal and maintenance of a neat and clean Project. The foregoing notwithstanding, Tenant shall provide and pay for any special or additional trash disposal facilities, equipment or services necessitated by the nature of Tenant's business, including trash receptacles for disposal of perishable food items.

8.3 Intentionally omitted.

8.4 No Representations by Landlord. Tenant agrees that neither Landlord nor any agent of Landlord has made any representation or warranty as to the conduct of Tenant's business or the suitability of the Premises for Tenant's intended purpose. Tenant further agrees that no rights, easements or licenses are acquired by Tenant by implication or otherwise except as expressly set forth in the provisions of this Lease. Tenant will, prior to the delivery of possession of the Premises, inspect the Premises and the Project and become thoroughly acquainted with their condition, and Tenant agrees to take the same "as is", and acknowledges that the taking of possession of the Premises by Tenant shall be conclusive evidence that the Premises and the Project were in good and satisfactory condition at the time such possession was so taken. Tenant acknowledges that: (a) it has been advised by Landlord and/or its brokers to satisfy itself with respect to the condition of the Premises (including the electrical, HVAC and fire sprinkler systems, security, environmental aspects, compliance with laws and regulations, including the Americans with Disabilities Act, and zoning) and the suitability of the Premises for Tenant's permitted use, and (b) Tenant has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to Tenant's occupancy of the Premises. All understandings and agreements heretofore made between the parties hereto are merged in this Lease. Notwithstanding the foregoing, except as otherwise expressly set forth in the Lease, Landlord represents and warrants to Tenant that to Landlord's actual present knowledge, without duty of investigation or inquiry, all of the utilities and building systems (including water, sewer, gas electrical, plumbing, lighting, data and communications drops and HVAC) serving the Premises and all of the Landlord's Work shall be

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

complete, operational and in good working condition on the Commencement Date. Landlord shall, at its sole cost, be responsible for correcting or repairing any defect or deficiency in such utilities and building systems and the Landlord's Work that occurs within one (1) year after the Commencement Date, provided such repairs are not required as a result of the gross negligence or willful misconduct of Tenant or Tenant's agents, subcontractors, or assigns. Landlord shall perform to Tenant's reasonable satisfaction the initial balancing of the HVAC system. Landlord warrants on and as of the Commencement Date that the Building and the Premises (including all of Landlord's Work) shall comply with all applicable laws, regulations and codes, including the Americans with Disabilities Act, and that Landlord shall promptly upon written notice, at its sole cost, correct any noncompliance with such warranty; provided however, and without limiting the provisions of Section 9.1 below, it is expressly acknowledged by Tenant that said warranty shall not apply to: (1) any changes, modifications, amendments, or enactments of any law after the Commencement Date, or (2) any specific or unique use of the Premises by Tenant, or (3) any changes, alterations, modifications or improvements to the Premises conducted by Tenant after the Commencement Date.

In addition, Landlord represents to Tenant, that: (a) Landlord is the sole fee owner of the Building, the Premises and the Project; (b) to Landlord's actual present knowledge, without duty of investigation or inquiry, there are no encumbrances, liens, agreements, covenants in effect that would materially or unreasonably limit Tenant's rights hereunder; (c) to Landlord's actual present knowledge, without duty of investigation or inquiry, Landlord is unaware of any impending condemnation plans, proposed assessments or other adverse conditions relating to the Premises or the Project, ; and (d) to Landlord's actual present knowledge, without duty of investigation or inquiry, and except as described in that certain Phase I Environmental Site Assessment Report, prepared by EMG, dated August 27, 2001, there are no Hazardous Materials in or about the Building or the Premises, and (e) the Building and Premises shall be compliant with all applicable laws, including, but not limited to, the Americans With Disabilities Act as of the Commencement Date.

9. ALTERATIONS.

9.1 Trade Fixtures; Alterations. Tenant may install necessary trade fixtures, equipment and furniture in the Premises, provided that such items are installed and are removable without structural or material damage to the Premises, the Building in which the Premises are located, the Common Area or the Project, with the exception for cosmetic alterations under \$10,000 per occurrence. Tenant shall not construct, nor allow to be constructed, any alterations or physical additions in, about or to the Premises without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed but which, however may be conditioned upon Tenant's compliance with Landlord's reasonable requirements regarding construction of improvements and alterations. Tenant shall submit plans and specifications to Landlord with Tenant's request for approval and shall reimburse Landlord for any commercially reasonable costs which Landlord may incur in connection with granting approval to Tenant for any such alterations and additions, including any commercially reasonable costs or expenses which Landlord may incur in electing to have outside architects and engineers review said matters, but in no event will Tenant be liable for costs in excess of \$1,000.00. If Landlord does not respond to a written request from Tenant within ten (10) business days, then Landlord shall be deemed to disapprove such request. In the event Tenant makes any alterations to the Premises that trigger or give rise to a requirement that the Building or the Premises come into compliance with any governmental laws, ordinances, statutes, orders and/or regulations (such as ADA requirements), Tenant shall be fully responsible for complying, at its sole cost and expense, with same. Tenant shall file a notice of completion after completion of such work and provide Landlord with a copy thereof. Tenant shall provide Landlord with a set of "as-built" drawings for any such work. Tenant shall not commence any alterations to the Premises without first providing Landlord five (5) business days' notice of the date Tenant intends to commence such work. Notwithstanding the foregoing, the terms outlined in Exhibit B, shall be observed as it pertains to Tenant's Alterations.

9.2 Damage; Removal. Tenant shall repair all damage to the Project, the Premises and/or the Building caused by the installation or removal of Tenant's fixtures, equipment, furniture and alterations. Landlord shall have the right upon providing Tenant with sixty (60) days prior written notice from the termination of this Lease, to require tenant to remove any or all trade fixtures, alterations, additions, improvements and partitions made or installed by Tenant after the Commencement Date and restore the Premises to its condition existing prior to the construction of any such items less normal wear and tear; provided, however, Landlord has the absolute right to require Tenant to have all or any portion of such items designated by Landlord to remain on the Premises, in which event they shall be and become the property of Landlord upon the termination of this Lease. All such removals and restoration shall be accomplished in a good and workmanlike manner and so as not to cause any damage to the Premises, the Building, the Common Area or the Project whatsoever.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

9.3 Liens. Tenant shall promptly pay and discharge all claims for labor performed, supplies furnished and services rendered at the request of Tenant and shall keep the Premises free of all mechanics' and materialmen's liens in connection therewith. Tenant shall provide at least thirty (30) days prior written notice to Landlord before any labor is performed, supplies furnished or services rendered on or at the Premises, and Landlord shall have the right to post on the Premises notices of non-responsibility. If any lien is filed, Tenant shall cause such lien to be released and removed within ten (10) days after the date of filing, and if Tenant fails to do so, Landlord may take such action as may be necessary to remove such lien and Tenant shall pay Landlord such amounts expended by Landlord, together with interest thereon at the Applicable Interest Rate from the date of expenditure.

9.4 Standard of Work. All work to be performed by or for Tenant pursuant hereto shall be performed diligently and in a first class, workmanlike manner, and in compliance with all applicable laws, ordinances, regulations and rules of any public authority having jurisdiction over the Premises and/or Tenant and Landlord's insurance carriers. Landlord shall have the right, but not the obligation, to inspect periodically the work on the Premises, and Landlord may require changes in the method or quality of the work.

10. UTILITIES; ESSENTIAL SERVICES; ACCESS

10.1 Utilities.

10.1.1 Tenant's Responsibilities. Tenant shall make all arrangements for and shall pay the charges when due for all water, gas and heat, light, power, telephone service, trash collection and all other services and utilities supplied to the Premises during the entire Term of this Lease, and shall promptly pay all connection and termination charges therefor. In the event the Premises is not separately metered, Tenant shall have the option, subject to Landlord's prior written consent and the terms of this Lease, to cause the Premises to be separately metered at Tenant's sole cost and expense. If Tenant does not elect to cause the Premises to be separately metered, Tenant shall pay a reasonable proration of utilities, as determined by Landlord. If Landlord determines that Tenant's usage of utility service to the Building is excessive, compared with the usage of other tenants of the Building, Landlord may charge Tenant separately for such excessive usage.

10.1.2 Extent of Landlord's Liability. The suspension or interruption in utility services to the Premises for reasons beyond the ability of Landlord to control shall not constitute a default by Landlord or entitle Tenant to any reduction or abatement of rent nor shall Landlord have any liability to Tenant therefore.

10.2 Essential Services. "Essential Services" shall mean and include such services provided by either Landlord, Landlord's agents, or a third party that is an integral part of Tenant's operations within the Premises, such that Tenant shall not be capable of conducting business therein without such service. Landlord shall not be liable to Tenant for interruption in or curtailment of Essential Services unless such interruption or curtailment is solely attributable to the negligence of Landlord. Notwithstanding the foregoing, no interruption or curtailment of Essential Services shall constitute constructive eviction or grounds for rental abatement, unless such interruption or curtailment is continuous and attributable solely to the gross negligence of Landlord or Landlord's agents.

10.3 Access to the Premises. Tenant shall have access to the Premises twenty four (24) hours per day, three hundred sixty five (365) days per year, including normal business holidays. Access to the Premises shall be deemed available if a willing and able employee of Tenant can gain entrance to the Premises through a legal entryway.

11. TENANT'S PERSONAL PROPERTY

11.1 Installation of Property. Landlord shall have no interest in any removable equipment, furniture or trade fixtures owned by Tenant or installed in or upon the Premises solely at the cost and expense of Tenant (the "Tenant's Property"). Prior to creating or permitting the creation of any lien or security or reversionary interest in any removable personal property to be placed in or upon the Premises, Tenant shall obtain for the benefit of Landlord and shall deliver to Landlord the written agreement of the party holding such interest to make such repairs necessitated by the removal of such property and any damage resulting therefrom as may be necessary to restore the Premises to good condition and repair, excepting only

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

reasonable wear and tear, in the event said property is thereafter removed from the Premises by said party, or by any agent or representative thereof or purchaser therefrom, pursuant to the exercise or enforcement of any rights incident to the interest so created, all without any cost or expense to Landlord.

11.2 Removal of Personal Property. (Continued on Exhibit K attached hereto) Tenant shall have the right to remove at its own cost and expense upon the expiration of this Lease Tenant's Property. Prior to the close of business on the last day of the Lease Term, all such personal property shall be removed, and Tenant shall make such repairs necessitated by the removal of said property and any damage resulting therefrom as may be necessary to restore the Premises to good condition and repair, excepting only reasonable wear and tear. Any such property not so removed shall be deemed to have been abandoned or, at the option of Landlord, shall be removed and placed in storage for the account and at the cost and expense of Tenant.

12. REPAIRS AND MAINTENANCE.

12.1 Tenant.

12.1.1 Tenant, at Tenant's sole cost and expense, shall keep and maintain the Premises, including all improvements constructed by Tenant therein, in good order, condition and repair including, but not limited to, the following:

- i) Interior surfaces of walls and wall coverings;
- ii) Intentionally omitted;
- iii) Floors, subfloors, carpeting and other floor coverings;
- iv) Doors, door frames, and door closures and locks;
- v) Interior windows, glass, and plate glass excluding exterior glass cleaning or windows that break from the outside through no fault of Tenant, Tenant's agents, employees, or invitees;
- vi) Ceilings and ceiling systems;
- vii) Thermostats within the Premises;
- viii) Interior electrical distribution and equipment, including lighting systems, switches and electrical panels;
- ix) Interior plumbing, and sprinkler systems, if any, installed therein;
- x) Interior electrical and mechanical systems and wiring;
- xi) Appliances and devices using or containing refrigerants;
- xii) Fixtures and equipment in good repair and in a clean and safe condition;
- xiii) Decorative wall, paint, signs and lighting equipment within the Premises; and
- xiv) Repair and/or replace any and all of the foregoing in a clean and safe condition, in good order, condition and repair.

12.1.2 Tenant shall keep any parking area adjacent to Premises clean and neat at all times, and shall remove immediately therefrom any litter, debris or other unsightly or offensive matter placed or deposited thereon by the agents or customers of Tenant.

12.1.3 Tenant shall as necessary, or when required by governmental authority, make modifications or replacements to the foregoing.

12.1.4 Prior to making any repairs required hereunder (except in the case of an emergency), Tenant shall notify Landlord in writing as to the nature and extent of such damage, and shall provide Landlord with an estimate of the cost and time required to complete such repairs. Without limiting the foregoing, Tenant shall, at Tenant's sole expense (i) immediately replace all broken glass in the Premises with glass equal to or in excess of the specification and quality of the original glass; (ii) repair any area damaged by Tenant, Tenant's agents, employees, invitees and visitors, including any damage caused by any roof penetration, whether or not such roof penetration was approved by Landlord; and (iii) unless otherwise specified in this Lease, provide janitorial services for the interior of the Premises.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

12.1.5 In the event Tenant fails, in the reasonable judgment of Landlord, to maintain the Premises in accordance with the obligations under the Lease, which failure continues at the end of ten (10) days following Tenant's receipt of written notice from Landlord (except with respect to an emergency in which case Landlord may act immediately) stating with particularity the nature of the failure, Landlord shall have the right, but shall not be obligated, to enter the Premises and perform such maintenance, repairs or refurbishing at Tenant's sole cost and expense (including a sum for overhead to Landlord).

12.1.6 Tenant shall maintain written records of maintenance and repairs, as required by any applicable law, ordinance or regulation, and shall use certified technicians to perform such maintenance and repairs, as so required.

12.1.7 Provided Landlord notifies Tenant in writing Tenant shall be required to deliver full and complete copies of all service or maintenance contracts entered into by Tenant for the Premises to Landlord within sixty (60) days after the Commencement Date.

12.1.8 Tenant hereby waives the right to make repairs at Landlord's expense under the provisions of any laws permitting repairs by a tenant at the expense of the landlord to the extent allowed by law, it being intended that Landlord and Tenant have by this Lease made specific provision for such repairs and have defined their respective obligations relating thereto.

12.2 Landlord.

12.2.1 Except as otherwise provided in this Lease, and subject to the following limitations, Landlord shall, at its sole cost and expense, repair damage to the structural components of the roof, the foundation and exterior portions of exterior walls (excluding wall coverings, painting, glass and doors) of the Building; provided, however, if such damage is caused by an act or omission of Tenant, Tenant's employees, agents, invitees, subtenants, or contractors, then such repairs shall be at Tenant's sole expense. Notwithstanding the foregoing, Landlord shall not be required to make any repair resulting from any of the following conditions:

- i) Any alteration or modification to the Building or to mechanical equipment within the Building performed by, for or because of Tenant or to special equipment or systems installed by, for or because of Tenant;
- ii) The installation, use or operation of Tenant's property, fixtures and equipment;
- iii) The moving of Tenant's Property in or out of the Building or in and about the Premises;
- iv) Tenant's use or occupancy of the Premises in violation of Section 8 of this Lease or in the manner not contemplated by the parties at the time of the execution of this Lease;
- v) The acts or omissions of Tenant and Tenant's employees, agents, invitees, subtenants, licensees or contractors;
- vi) Fire and other casualty, except as provided by Section 13 of this Lease; and
- vii) Condemnation, except as provided in Section 15 of this Lease. Landlord shall have no obligation to make repairs under this Section 12.2 until a commercially reasonable time after receipt of written notice from Tenant of the need for such repairs. There shall be no abatement of Rent during the performance of such work. Unless as due to Landlord's gross negligence or willful misconduct, Landlord shall not be liable to Tenant for injury or damage that may result from any defect in the construction or condition of the Premises, nor for any damage that may result from interruption of Tenant's use of the Premises during any repairs by Landlord. Tenant waives any right to repair the Premises, the Building and/or the Common Area at the expense of Landlord under any applicable governmental laws, ordinances, statutes, orders or regulations now or hereafter in effect which might otherwise apply.

12.2.2 Landlord shall have no obligation to make repairs under this Section 12.2 until a commercially reasonable time after receipt of written notice from Tenant of the need for such repairs. There shall be no abatement of Rent during the performance of such work. Unless due to Landlord's gross negligence or willful misconduct, Landlord shall not be liable to Tenant for injury or damage that may result from any defect in the construction or condition of the Premises, nor for any damage that may result from interruption of Tenant's use of the Premises during any repairs by Landlord. Tenant waives any right to repair the Premises, the Building and/or the Common Area at the expense of Landlord under any applicable governmental laws, ordinances, statutes, orders or regulations now or hereafter in effect which might otherwise apply.

Landlord's Initials /s/ [ILLEGIBLE]

STC-15

Tenant's Initials /s/ BD, /s/ BL

13. INDEMNITY AND INSURANCE

13.1 Indemnification. Tenant hereby indemnifies and holds Landlord and Landlord's partners, employees, and agents (collectively the "Landlord Parties") harmless from and against any and all claims (except claims resulting from Landlord's gross negligence or willful misconduct) arising from any activity, work, or thing done, permitted or suffered by Tenant or its agents or employees in or about the Premises, and further Tenant shall indemnify and hold Landlord and the Landlord Parties harmless from and against any and all claims arising from any breach or default in the performance by Tenant of any obligation to be performed by Tenant under the terms of this Lease, or arising from any act or negligence of Tenant, or any of its agents, contractors, employees, or invitees, and from and against all costs, attorneys' fees, expenses and liabilities incurred in, or related to, any such claim or any action or proceeding brought thereon. In case any action or proceeding shall be brought against Landlord and/or the Landlord Parties by reason of any such claim, Tenant, upon notice from Landlord and/or the Landlord Parties, shall defend Landlord and the Landlord Parties at its own expense by counsel of Landlord's own choosing and reasonably acceptable to Tenant and Tenant's lender. Subject to the foregoing, Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises from any cause except to the extent as may be caused by the gross negligence or willful misconduct of Landlord, and Tenant hereby waives all claims with respect thereto against Landlord.

Landlord hereby indemnifies and holds Tenant, Tenant's employees and agents (collectively the "Tenant Parties") harmless from and against any and all claims (except claims resulting from Tenant's or Tenant Parties' gross negligence or willful misconduct) arising from any activity, work, or thing done, permitted or suffered by Landlord and its agents and employees in or about the Premises, and further Landlord shall indemnify and hold Tenant and the Tenant Parties harmless from and against any and all claims arising from any breach or default in the performance by Landlord of any obligation to be performed by it under the terms of this Lease, or arising from any grossly negligent or willful act or negligence of Landlord, or any of its agents, contractors, employees, or invitees, and from and against all costs, attorneys' fees, expenses and liabilities incurred in, or related to, any such claim or any action or proceeding brought thereon. In case any action or proceeding shall be brought against Tenant or any of the Tenant Parties by reason of any such claim, Landlord, upon notice from Tenant and the Tenant Parties, shall defend Tenant at its own expense by counsel of Tenant's own choosing and reasonably satisfactory to Landlord and Landlord's lender.

13.2 Exemption of Landlord from Liability. Tenant hereby agrees that Landlord shall not be liable for injury or damage which may be sustained by the person, goods, wares, merchandise or property of Tenant, its employees, invitees or customers, or by 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 or lighting fixtures of the same, whether the said damage or injury results from conditions arising upon the Premises or from other sources; provided, however, that notwithstanding the foregoing, Landlord shall not be relieved from liability with respect to such injury or damage resulting from Landlord's gross negligence or willful misconduct. The parties acknowledge and agree that Landlord shall not be liable to Tenant for any damages arising from any act or neglect of any other tenant of the Project, including such tenant's employees, agents, vendors and invitees.

13.3 Public Liability and Property Damage.

13.3.1 Insurance Coverage. Tenant agrees to maintain in force throughout the term hereof, at Tenant's sole cost and expense, such insurance, including liability insurance against liability to the public incident to the use of or resulting from any accident occurring in or about the Premises, of the types and with the initial limits of liability specified in the Basic Provisions. Said policies shall contain an "Additional Insured-Managers or Lessors of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damages caused by heat, smoke or fumes from a hostile fire. The policy shall contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Tenant's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Tenant nor relieve Tenant of any obligation hereunder. All insurance carried by Tenant shall be primary to and not contributory with any similar insurance carried by Landlord, whose insurance shall be considered excess insurance only.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

13.3.2 Adjustments to Coverage. Tenant further agrees to review the amount of its insurance coverage with Landlord every three (3) years to the end that the protection coverage afforded thereby shall be in proportion to the initial protection coverage. If the parties are unable to agree upon the amount of said coverage prior to the expiration of each such three (3) year period, then the amount of coverage to be provided by Tenant's carrier shall be adjusted to the amounts of coverage recommended in writing by an insurance broker selected by Landlord.

13.3.3 Notification of Incidents. Tenant shall notify Landlord within twenty-four (24) hours after the occurrence of any accidents or incidents in the Premises, the Building, Common Areas or the Project which could give rise to a claim under any of the insurance policies required under this Article 13.

13.4 Tenant's Property Insurance. Tenant, at its own cost and expense, shall maintain on all of Tenant's Property a policy of standard fire and extended coverage insurance, with vandalism and malicious mischief endorsements, to the extent of at least one hundred percent (100%) of their replacement cash value. The proceeds of any such policy that become payable due to damage, loss or destruction of such property shall be used by Tenant for the repair or replacement thereof.

13.5 Proof of Insurance. Each policy of insurance required of Tenant by this Lease shall be a primary policy, issued by an insurance company licensed in the state where the Premises are located and shall maintain during the policy term a "General Policyholder's Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be reasonably satisfactory to Landlord. Tenant shall not do or permit to be done anything which invalidates the required insurance policies. Tenant shall, prior to the Commencement Date, deliver to Landlord certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. Tenant shall, at least thirty (30) days prior to the expiration of such policies, furnish Landlord with evidence of renewals or "insurance binders" evidencing renewal thereof, or Landlord may order such insurance and charge the cost thereof to Tenant, which amount shall be payable by Tenant to Landlord upon demand.

13.6 Casualty Insurance. Landlord shall maintain casualty insurance on the Building in which the Premises is situated, and on all other buildings in the Project, if any, insuring against loss by fire and the perils covered by an extended coverage endorsement, in an amount not less than eighty percent (80%) of their full replacement cost and as otherwise required by any mortgage lender of the improvements comprising the Project. Tenant shall be added by landlord on policy as an Additional Insured.

13.7 Subrogation. Landlord and Tenant intend that their respective property loss risks shall be borne by reasonable insurance carriers to the extent above provided as required herein, and Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against each other for to the extent of such losses, and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right to of the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that the waiver of subrogation shall not affect the right of the insured to recover thereunder, so long as no material additional premium is charged therefor.

14. DAMAGE AND DESTRUCTION.

14.1 Casualty. If the Premises or the Building(s) in which the Premises are located should be damaged, destroyed, or rendered inaccessible by fire or other casualty, Tenant shall give immediate written notice to Landlord. Within forty-five (45) days after receipt from Tenant of such written notice, Landlord shall notify Tenant in writing ("Landlord's Repair Estimate") whether the necessary repairs can reasonably be made within ninety (90) days.

14.1.1 Rent Abatement. If Tenant cannot access or is required to vacate all or a portion of the Premises due to the casualty, the Rent payable hereunder shall be abated proportionately on the basis of the size of the area of the Premises which is rendered inaccessible or which must be vacated due to such casualty (e.g., the number of square feet of floor area of the Premises that is vacated compared to the total square footage of the floor area of the Premises) from the Casualty Date; provided, however, such casualty was not caused by Tenant or Tenant's agents, contractors or invitees.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

14.1.2 Less Than 90 Days. If Landlord's Repair Estimate indicates that rebuilding or repairs can reasonably be completed within ninety (90) days after the date on which the casualty occurred ("Casualty Date"), this Lease shall not terminate, and provided that insurance proceeds are available to fully repair the damage, Landlord shall repair the Premises, except that Landlord shall not be required to rebuild, repair or replace Tenant's property which may have been placed in, on or about the Premises by or for the benefit of Tenant. In the event that Landlord should fail to substantially complete such repairs within ninety (90) days after the Casualty Date (such period to be extended for delays caused by Tenant or because of any items of Force Majeure, as hereinafter defined), and Tenant has not re-occupied the Premises, Tenant shall have, as Tenant's exclusive remedy, the right, within ten (10) days after the expiration of such ninety (90) day period, to terminate this Lease by delivering written notice to Landlord, whereupon all rights hereunder shall cease and terminate thirty (30) days after Landlord's receipt of such notice.

14.1.3 Greater Than 90 Days. If Landlord's Repair Estimate indicates that rebuilding or repairs cannot be completed within ninety (90) days after the Casualty Date, either Landlord or Tenant may terminate this Lease by giving written notice within ten (10) days after the date of Landlord's Repair Estimate; and this Lease shall terminate and the Rent shall be abated from the date Tenant vacates the Premises. In the event that neither party elects to terminate this Lease, Landlord shall promptly commence and diligently pursue to completion the repairs to the Building or Premises, provided insurance proceeds are available to repair the damage (except that Landlord shall not be required to rebuild, repair or replace Tenant's property which may have been replaced in, on or about the Premises by or for the benefit of Tenant).

14.1.4 Changes in Zoning, Ordinances or Applicable Laws. Should then applicable laws or zoning ordinances preclude the restoration or replacement of the Premises in the manner hereinbefore provided, then Landlord shall have the right to terminate this Lease immediately upon verification thereof by giving written notice of termination to Tenant, and thereupon both parties hereto shall be released from all further liability hereunder, except that Tenant shall remain liable under the provisions of Articles 9, and 13, and Landlord shall remain liable under Articles 9, 13 and 42.

14.2 Tenant's Fault. In the event that the Premises or any portion of the Building are located is damaged as a result of the negligence or breach of this Lease by Tenant or any of Tenant's parties, Tenant shall not have the right to terminate the Lease as set forth above nor shall the Rent be reduced during the repair of such damage. In such event, Tenant shall be liable to Landlord for the cost of the repair caused thereby to the extent such cost is not covered by insurance proceeds from policies of insurance required to be maintained pursuant to the provisions of this Lease.

14.3 Uninsured Casualty. Subject to Section 7.2.2 any deductible amount payable under the property insurance for the Building(s) in which the Premises are located shall be an Operating Expense. In the event that the Premises or any portion of the Building(s) is damaged to the extent Tenant is unable to use the Premises and such damage is not covered by insurance proceeds received by Landlord or in the event that the holder of any indebtedness secured by the Premises requires that the insurance proceeds be applied to such indebtedness, then Landlord shall have the right, at Landlord's option, either to (i) repair such damage as soon as reasonably possible at Landlord's expense or (ii) give written notice to Tenant within thirty (30) days after the date of the occurrence of such damage of Landlord's intention to terminate this Lease as of the date of the occurrence of such damage. In the event Landlord elects to terminate this Lease, Tenant shall have the right within ten (10) days after receipt of such notice to give written notice to Landlord of Tenant's intention to pay the cost of repair of such damage, in which event, following the securitization of Tenant's funding commitment in a form reasonably acceptable to Landlord, this Lease shall continue in full force and effect. Landlord shall make such repairs as soon as reasonably possible, and Tenant shall reimburse Landlord for such repairs within fifteen (15) days after receipt of an invoice from Landlord. If Tenant does not give such notice within the ten (10) day period, this Lease shall terminate automatically as of the Casualty Date.

14.4 Waiver. With respect to any damage or destruction which Landlord is obligated to repair or may elect to repair, Tenant waives all rights to terminate this Lease pursuant to rights otherwise presently or hereafter accorded by law to the extent that such termination by Tenant is inconsistent with the rights and obligations of the parties under this Lease.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

14.5 Force Majeure. "Force Majeure," as used in this Section 14 only and shall not apply elsewhere unless otherwise specified, means delays resulting from causes beyond the reasonable control of Landlord, including, without limitation, any delay caused by any action, inaction, order, ruling, moratorium, regulation, statute, condition or other decision of any private party or governmental agency having jurisdiction over any portion of the Project, over the construction anticipated to occur thereon or over any uses thereof, or by delays in inspections or in issuing approvals by private parties or permits by governmental agencies, or by fire, flood, inclement weather, strikes, lockouts or other labor or industrial disturbance (whether or not on the part of agents or employees of Landlord engaged in the construction of the Premises), civil disturbance, order of any government, court or regulatory body claiming jurisdiction or otherwise, act of public enemy, war, riot, sabotage, blockage, embargo, failure or inability to secure materials, supplies or labor through ordinary sources by reason of shortages or priority, discovery of hazardous or toxic materials, earthquake, or other natural disaster, delays caused by any dispute resolution process, or any cause whatsoever beyond the reasonable control (excluding financial inability) of the party whose performance is required or any of its contractors or other representatives, whether or not similar to any of the causes hereinabove stated.

14.6 Substantial Destruction During Last Six (6) Months. In addition, in the event that the Premises or the Building(s) in which the Premises are located is destroyed or damaged to any substantial extent during the last six (6) months of the Term of this Lease, then notwithstanding anything contained in this Article 14, either party hereto shall have the option to terminate this Lease by giving written notice to the other of the exercise of such option within thirty (30) days after the exercising party becomes aware of such damage or destruction, in which event this Lease shall cease and terminate as of the date of such notice.

15. CONDEMNATION

15.1 Entire Leased Premises. Should title or possession of the whole of the Premises be taken by duly constituted authority in condemnation proceedings under the exercise of the right of eminent domain, or should a partial taking render the remaining portion of the Premises impractical for Tenant's intended use as contemplated in this Lease, then this Lease shall terminate upon the vesting of title or taking of possession.

15.2 Partial Taking.

15.2.1 Landlord shall have the right to terminate this Lease by giving thirty (30) days prior written notice to Tenant within thirty (30) days after the nature and extent of the taking is finally determined if any portion of the Premises or the Building and other improvements in which the Premises are situated is taken by eminent domain. If Landlord does not terminate this Lease as provided herein, then this Lease shall remain in full force and effect. In such event, Landlord shall promptly make any necessary repairs or restoration at the cost and expense of Landlord, and the Minimum Monthly Rent and Tenant's proportionate share of Landlord's Common Area Expenses from and after the date of the taking shall be reduced in the proportion that the value of the area of the portion of the Premises taken bears to the total value of the Premises immediately prior to the date of such taking or conveyance.

15.2.2 Tenant waives the provisions of Section 1265.130 of the California Code of Civil Procedure permitting a petition by Tenant to the Superior Court to terminate this Lease in the event of a partial taking of the Premises.

15.3 Transfer Under Threat of Condemnation. Any sale or conveyance by Landlord to any person or entity having the power of eminent domain, either under threat of condemnation or while condemnation proceedings are pending, shall be deemed to be a taking by eminent domain under this Article 15.

15.4 Awards and Damages. All payments made on account of any taking by eminent domain shall be made to and retained by Landlord, except that Tenant shall be entitled to make a separate claim to the condemning authority any award to Tenant specifically made by the condemning authority as a result of such separate action (a) for the reasonable removal and relocation costs of any removable property that Tenant has the right to remove, or for loss and damage to any such property that Tenant elects or is required not to remove; and/or (b) for Tenant's loss of goodwill.

15.5 Arbitration. Any dispute concerning the extent to which a taking by condemnation renders the Premises unsuitable for continued occupancy and use by Tenant shall be submitted to arbitration pursuant to Article 42 below.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

16. ASSIGNING, SUBLETTING AND HYPOTHECATING

16.1 Landlord's Consent Required. Tenant shall not voluntarily or by operation of law assign, license, franchise, transfer, mortgage, hypothecate, or otherwise encumber all or any part of Tenant's interest in this Lease or in the Premises, and shall not sublet, franchise, change ownership or license all or any part of the Premises with the exception of an Affiliate of Tenant as set forth below, without the prior written consent of Landlord in each instance, which consent shall not be unreasonably withheld, and any attempted assignment, license, franchise, transfer, mortgage, encumbrance, subletting or change of ownership without such consent shall be wholly void, shall confer no rights upon any third parties, and shall at the sole and exclusive option of Landlord terminate this Lease. Without in any way limiting Landlord's right to refuse to give such consent for any other reason or reasons, Landlord reserves the right to refuse to give such consent, and such refusal shall be deemed to be reasonable, if in Landlord's sole but commercially reasonable discretion and opinion:

16.1.1 The proposed new tenant's character, reputation, business, or use is not consistent with the character and quality of the Project;

16.1.2 The financial worth of the proposed new tenant is inadequate as determined by generally accepted industry standards to capitalize the business to be conducted in the Premises;

16.1.3 The credit rating of the proposed new tenant (based on industry standard credit guidelines);

16.1.4 The intended use of the Premises by the proposed new tenant is illegal, conflicts with the Permitted Use, competes with then-existing uses in the Project or violates a then-existing exclusive or an exclusive which Landlord is then negotiating; and/or

16.1.5 The intended alteration of the Premises as a result of the proposed new tenant's use or other requirements is material or substantial.

16.2 Tenant's Application. In the event that Tenant desires at any time to assign this Lease or to sublet the Premises or any portion thereof, Tenant shall submit to Landlord, at least sixty (60) days prior to the proposed "effective date" of the assignment or sublease, in writing: (i) a notice of application to assign or sublease, setting forth the proposed effective date, which shall be no less than sixty (60) or more than one hundred eighty (180) days after the sending of such notice; (ii) the name of the proposed subtenant or assignee; (iii) the nature of the proposed subtenant's or assignee's business to be carried on in the Premises; (iv) the terms and provisions of the proposed sublease or assignment; (v) a current financial statement of the proposed subtenant or assignee; and (vi) such other information as Landlord may reasonably request.

16.3 Additional Terms Regarding Subletting and Assignment. The following additional terms shall apply to any proposed sublease of the Premises by Tenant:

16.3.1 If Tenant sublets all or a portion of the Premises at a square foot rental rate in excess of Tenant's then-existing rental rate, Tenant and Landlord shall split any profits 50/50, after customary subleasing expenses;

16.3.2 In no event shall any proposed subtenant be an existing occupant of any space in the Project or an Affiliate of any such occupant, unless such proposed subtenant, or its Affiliate, is expanding its existing space in the Project and is not otherwise competing with Landlord for any space in the Project (e.g., existing option to renew, pending negotiations, etc.). As used herein, an "Affiliate" means a corporation, partnership, limited liability company, or other business entity that directly or indirectly controls, is controlled by, or is under common control with such occupant;

16.3.3 In no event shall Tenant sublet all or portion of the Premises to a person or entity with whom Landlord or its agents is negotiating or has negotiated within the past six (6) months regarding the lease of space in the Project; and

16.3.4 Tenant shall have the right, without the prior written consent of Landlord, but upon prior written notice to Landlord as set forth below, to assign or sublet all or any portion of its interest in the sublease to an Affiliate (hereinafter defined) so long as (i) the Affiliate delivers to Landlord a written notice of the assignment and an assumption agreement whereby the Affiliate assumes and agrees, jointly and severally with Tenant, to perform observe and abide by all of the terms, conditions, obligations and provisions of the Lease applicable to Tenant and (ii) the entity remains an Affiliate. No subletting or assignment by Tenant made pursuant to this Section shall relieve Tenant of any of its primary obligations under the Lease. As used herein, the term "Affiliate" of Tenant shall mean any other entity which, directly or indirectly, controls, is controlled by or is under common control with Tenant. For this purpose, "control" shall mean the direct or indirect power to vote more than forty-nine percent (49%) of the voting securities of any entity or otherwise to direct the management of any entity.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

Notwithstanding anything to the contrary in the Master Lease or the Lease, Tenant shall be permitted (without the consent of Landlord or the Master Lessor) to merge, consolidate with, or be acquired by, another entity and/or to sell substantially all of its assets, so long as the surviving entity or the purchaser(s) of substantially all of Tenant's assets assumes all obligations of Tenant under the Lease in accordance with the terms herein.

16.4 Recapture. If Tenant proposes to assign this Lease to a party which is not or which does not propose to operate a permitted use or is not qualified to do so, Landlord may, at its option, exercisable upon written notice to Tenant within thirty (30) days after Landlord's receipt of the notice from Tenant set forth in Section 16.2 above, elect to recapture the Premises and terminate this Lease. If Tenant proposes to sublease all or part of the Premises to a party which does not intend to use the Premises for a permitted use, Landlord may, at its option, exercisable upon written notice to Tenant within thirty (30) days after Landlord's receipt of the notice from Tenant set forth in Section 16.2 above, elect to recapture such portion of the Premises as Tenant proposes to sublease and, upon such election by Landlord, this Lease shall terminate as to the portion of the Premises recaptured. In the event a portion only of the Premises is recaptured, the rent payable under this Lease shall be proportionately reduced. If Tenant shall, however, elect to rescind its notice of assignment or sublease, pursuant to written demand to Landlord given within fifteen (15) days after Tenant's receipt of Landlord's notice of recapture, then Landlord shall not have the said right of recapture with respect to the notice so rescinded.

The parties hereto acknowledge and agree that the provisions of this Article are a material inducement for Landlord's execution of this Lease and that Tenant's sole purpose for executing this Lease is to obtain possession of the Premises and not to engage in the business of leasing and/or subleasing commercial space. The parties further acknowledge and agree that Landlord's recapture of the Premises, or any portion thereof, as hereinabove described, shall be deemed to be reasonable and shall not violate or conflict with the provisions of Section 16.1 concerning Landlord's reasonable refusal to consent to a proposed transfer.

If Landlord shall not elect to recapture pursuant to this Section 16.4, and if Landlord shall consent to the proposed assignment or sublease, then Tenant may thereafter enter into the proposed assignment or sublease, provided that (i) such assignment or sublease is executed within ninety (90) days after the date that Landlord shall grant its consent, and (ii) the terms and provisions of the executed assignment or sublease are the same as those presented to Landlord in the notice given by Tenant pursuant to Section 16.2 above.

BY PLACING THEIR INITIALS BELOW, LANDLORD AND TENANT CERTIFY THAT THIS SECTION 16.4 HAS BEEN FULLY AND FREELY NEGOTIATED.

/s/ [ILLEGIBLE]
LANDLORD

/s/ BD, /s/ BL
TENANT

16.5 Fees for Review. In the event that Tenant shall request to assign, transfer, mortgage, pledge, hypothecate or encumber this Lease or any interest therein, or shall sublet the Premises or any part hereof, Tenant shall pay to Landlord a non-refundable fee for Landlord's time and processing efforts and for expenses incurred by Landlord in connection with reviewing such transaction (including any administrative expenses for Landlord's property manager), the amount of such non-refundable fee shall be One Thousand Dollars (\$1,000.00). In addition to such fee, Tenant shall pay to Landlord in the event Landlord retains the services of any attorney to review the transaction, all reasonable attorneys' fees incurred by Landlord in connection therewith, but in no event great than One Thousand Dollars (\$1,000). Tenant shall pay such nonreimbursable fee and such attorneys' fees to Landlord within ten (10) days after written request therefore and said nonreimbursable fee shall apply even if Landlord does not consent to the proposed transfer.

16.6 Collection. Any rental payments or other sums received from Tenant or any other person in connection with this Lease shall be conclusively presumed to have been paid by Tenant or on Tenant's behalf. Landlord shall have no obligation to accept any rental payments or other sum from any person other than Tenant unless (i) Landlord has been given prior written notice to the contrary by Tenant; and (ii) Landlord has consented to payment of such sums by such person other than Tenant. If this Lease be assigned to, or if the Premises or any part thereof be sublet or occupied by, anybody other than Tenant, Landlord may (but shall not be obligated to) collect rent from the assignee, subtenant or occupant and apply the net amount collected to the rent herein reserved and retain any excess rent so collected, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of Tenant's covenant set forth in the first sentence of Section 16.1 above, nor shall such assignment, subletting, occupancy or collection be deemed an acceptance by Landlord of the assignee, subtenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

16.7 Waiver. Notwithstanding any assignment or sublease, or any indulgences, waivers or extensions of time granted by Landlord to any assignee or sublessee, or any failure by Landlord to take action against any assignee or sublessee, Tenant agrees that Landlord may, at its option, proceed against Tenant without having taken action against or joined such assignee or sublessee, provided that Tenant shall have the benefit of any indulgences, waivers and extensions of time granted to any such assignee or sublessee. The subsequent acceptance of rent or other sums hereunder by Landlord shall not be deemed a waiver of any preceding default other than the failure of Tenant to pay the particular rental or other sums, or portion thereof so accepted, regardless of Landlord's knowledge of such preceding default at the time of acceptance of such rent or other sum.

16.8 Assumption of Obligations. Each assignee or transferee, other than Landlord, shall assume all obligations of the Tenant under this Lease and shall be and remain liable jointly and severally with Tenant for the payment of the rent and for the due performance of all the terms, covenants, conditions and agreements herein contained on Tenant's part to be performed, for the term of this Lease. No assignment shall be binding on Landlord unless such assignee shall deliver to Landlord an executed instrument in a form which contains a covenant of assumption by the assignee satisfactory in substance and form to Landlord (the "Assumption Document"). The failure or refusal of the assignee to execute the Assumption Document shall not release or discharge the assignee from its liability, and shall provide Landlord with an option to terminate said assignment.

16.9 No Release. No assignment, including pursuant to Section 16.3.4 above, or subletting shall affect the continuing primary liability of Tenant hereunder (which, following such assignment or subletting, shall be joint and several with the assignee or subtenant), and Tenant shall not be released from performing any of the terms, covenants and conditions of this Lease. Notwithstanding the foregoing, if Tenant assigns the Lease to an entity that has a greater net worth than Tenant at the time of the assignment, Tenant shall be relieved of all liability under this Lease.

16.10 Implied Assignment. If the Tenant hereunder is a corporation or limited liability company which, under the then current laws of the state where the Project is situated, is not deemed a public corporation, limited liability company or is an unincorporated association or partnership, the transfer, assignment or hypothecation of any stock or interest in such corporation or limited liability company, association or partnership in the aggregate in excess of forty-nine percent (49%) or more shall be deemed an assignment within the meaning and provisions of this Article 16. If Tenant shall select or appoint some person or entity other than Tenant to manage and control the business conducted in the Premises, and the result thereof shall be substantially similar to the result of a sublease or assignment, then such selection or appointment shall be deemed an assignment within the meaning and provisions of this Article 16.

16.11. Remedies Against Landlord. Tenant's remedy for any breach of this Article 16 by Landlord shall be limited to injunctive relief.

17. DEFAULT

17.1 Events of Defaults. The occurrence of any of the following events shall, at Landlord's option, constitute an "Event of Default":

17.1.1 Intentionally omitted;

17.1.2 Failure to pay Rent on the date when due and the failure continuing for a period of five (5) business days after such payment is due;

17.1.3 Failure to perform Tenant's covenants and obligations hereunder (except default in the payment of Rent) where such failure continues for a period of thirty (30) days after written notice from Landlord; provided, however, if the nature of the default is such that more than thirty (30) days are reasonably required for its cure, Tenant shall not be deemed to be in default if Tenant commences the cure within the thirty (30) day period and diligently and continuously prosecutes such cure to completion;

17.1.4 The making of a general assignment by Tenant for the benefit of creditors; the filing of a voluntary petition by Tenant or the filing of an involuntary petition by any of Tenant's creditors seeking the rehabilitation, liquidation or reorganization of Tenant under any

Landlord's Initials /s/ [ILLEGIBLE]

STC-22

Tenant's Initials /s/ BD, /s/ BL

law relating to bankruptcy, insolvency or other relief of debtors and, in the case of an involuntary action, the failure to remove or discharge the same within sixty (60) days of such filing; the appointment of a receiver or other custodian to take possession of substantially all of Tenant's assets or this leasehold; Tenant's insolvency or inability to pay Tenant's debts or failure generally to pay Tenant's debts when due; any court entering a decree or order directing the winding up or liquidation of Tenant or of substantially all of Tenant's assets; Tenant taking any action toward the dissolution or winding up of Tenant's affairs; the cessation or suspension of Tenant's use of the Premises; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets or this leasehold;

17.1.5 The making of any material misrepresentation or omission by Tenant or any successor in interest of Tenant in any materials delivered by or on behalf of Tenant to Landlord or Landlord's lender pursuant to this Lease;

17.1.6 The occurrence of an Event of Default set forth in Section 17.1.4 or 17.1.5 with respect to any guarantor of this Lease, if applicable;

17.1.7 The occurrence of an Event of Default as otherwise designated as an Event of Default in the Lease.

17.2 Remedies.

17.2.1 Termination. In the event of an occurrence of any Event of Default, per Section 17.1 of this Lease, and after any applicable cure period under California state law and as provided under this Lease, Landlord shall have the right to give a written termination notice to Tenant (which notice may be the notice given under Section 17.1 above, if applicable and which notice shall be in lieu of any notice required by the California Code of Civil Procedure Section 1161, et seq.) and, on the date specified in such notice, this Lease shall terminate unless on or before such date all arrears of Rent and all other sums payable by Tenant under this Lease and all costs and expenses incurred by or on behalf of Landlord hereunder shall have been paid by Tenant and all other Events of Default at the time existing shall have been fully remedied to the satisfaction of Landlord.

17.2.1(A) Repossession. Following termination, without prejudice to other remedies Landlord may have, Landlord may (i) peaceably re-enter the Premises upon voluntary surrender by Tenant or remove Tenant therefrom and any other persons occupying the Premises, using such legal proceedings as may be available; (ii) repossess the Premises or relet the Premises or any part thereof for such term (which may be for a term extending beyond the Term), at such rental and upon such other terms and conditions as Landlord in Landlord's sole and reasonable discretion shall determine, with the right to make reasonable alterations and repairs to the Premises; and (iii) remove all personal property therefrom.

17.2.1(B) Unpaid Rent. Landlord shall have all the rights and remedies of a landlord provided by applicable law, including the right to recover from Tenant: (i) the worth, at the time of award, of the unpaid Rent that had been earned at the time of termination; (ii) the worth, at the time of award, of the amount by which the unpaid Rent that would have been earned after the date of termination until the time of award exceeds the amount of loss of rent that Tenant proves could have been reasonably avoided; (iii) the worth, at the time of award, of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of the loss of rent that Tenant proves could have been reasonably avoided; and (iv) any other amount, and court costs, necessary to compensate Landlord for all detriment proximately caused by Tenant's default. The phrase "worth, at the time of award," as used in (i) and (ii) above, shall be computed at the Applicable Interest Rate, and as used in (iii) above, shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

17.2.2 Continuation. Even though an Event of Default may have occurred, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession; and Landlord may enforce all of Landlord's rights and remedies under this Lease, including the remedy described in California Civil Code Section 1951.4 ("lessor" may continue Lease in effect after "lessee's" breach and abandonment and recover rent as it becomes due, if "lessee" has the right to sublet or assign, subject only to reasonable limitations) to recover Rent as it becomes due. Landlord, without terminating this Lease, may, during the period Tenant is in default, enter the Premises and relet the same or any portion thereof to third parties for Tenant's account, and Tenant shall be liable to Landlord for all costs Landlord incurs in reletting the Premises, including, without limitation, brokers' commissions, expenses of remodeling the Premises and like costs. Reletting may be for a period shorter or longer than the remaining Term. Tenant shall continue to pay the Rent on the date the same is due. No act by Landlord hereunder, including acts of maintenance, preservation or efforts to lease the Premises or the appointment of a receiver upon application of Landlord to protect Landlord's interest under this Lease, shall terminate this Lease unless Landlord notifies Tenant that Landlord elects to

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

terminate this Lease. In the event that Landlord elects to relet the Premises, the rent that Landlord receives from reletting shall be applied to the payment of, first, any indebtedness from Tenant to Landlord other than Base Rent and Tenant's Share of Operating Expenses and Real Property Taxes; second, all costs, including maintenance, incurred by Landlord in reletting; and, third, Base Rent and Tenant's Share of Operating Expenses and Real Property Taxes under this Lease. After deducting the payments referred to above, any sum remaining from the rental Landlord receives from reletting shall be held by Landlord and applied in payment of future Rent as Rent becomes due under this Lease. In no event, and notwithstanding anything in Section 16 to the contrary, shall Tenant be entitled to any excess rent received by Landlord. If on the date Rent is due under this Lease, the rent received from the reletting is less than the Rent due on that date, Tenant shall pay to Landlord, in addition to the remaining Rent due, all costs, including maintenance, which Landlord incurred in reletting the Premises that remain after applying the rent received from reletting as provided hereinabove. So long as this Lease is not terminated, Landlord shall have the right to remedy any default of Tenant, to maintain or improve the Premises, to cause a receiver to be appointed to administer the Premises and new or existing subleases and to add to the Rent payable hereunder all of Landlord's reasonable costs in so doing, with interest at the Applicable Interest Rate from the date of such expenditure.

17.3 Cumulative. Each right and remedy of Landlord provided herein or now or hereafter existing at law, in equity, by statute or otherwise shall be cumulative and shall not preclude Landlord from exercising any other rights or remedies provided in this Lease or now or hereafter existing at law or in equity, by statute or otherwise. No payment by Tenant of a lesser amount than the Rent nor any endorsement on any check or letter accompanying any check or payment as Rent shall be deemed an accord and satisfaction of full payment of Rent; and Landlord may accept such payment without prejudice to Landlord's right to recover the balance of such Rent or to pursue other remedies.

18. INTENTIONALLY OMITTED

19. LANDLORD'S AND TENANT'S RIGHT TO CURE DEFAULTS

Landlord, at any time after Tenant commits a default in the performance of any of Tenant's obligations under this Lease, shall be entitled to cure such default, or to cause such default to be cured, at the sole cost and expense of Tenant provided Tenant fails to cure such default within the appropriate notice period set forth in Section 17.2. If, by reason of any said default by Tenant, Landlord incurs any expense or pays any sum, or performs any act requiring Landlord to incur any expense or to pay any sum, including reasonable fees and expenses paid or incurred by Landlord in order to prepare and post or deliver any notice permitted or required by the provisions of this Lease or otherwise permitted or contemplated by law, then the amount so paid or incurred by Landlord shall be immediately due and payable to Landlord by Tenant as additional rent. Tenant hereby authorizes Landlord to deduct said sums from any security deposit held by Landlord. If there is no security deposit, or if Landlord elects not to use any such security deposit, then such sums shall be paid by Tenant immediately upon demand by Landlord, and shall bear interest at the then existing federal reserve discount rate in San Francisco plus two percent (2%) per annum from the date of such demand until paid in full.

Landlord shall not be deemed to be in default in the performance of any obligation under this Lease, and Tenant shall have no rights to take any action against Landlord, unless and until Landlord has failed to perform the obligation within thirty (30) days after written notice by Tenant to Landlord specifying in reasonable detail the nature and extent of the failure; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be deemed to be in default if it commences performance within the thirty (30) day period and thereafter diligently pursues the cure to completion. In the event that Landlord fails to perform the obligation within thirty (30) days after written notice by Tenant to Landlord, or if having commenced such performance, Landlord does not diligently pursue it to completion, then Tenant may elect to cure said default Landlord's expense. Tenant shall document the actual and reasonable costs incurred by Tenant to perform such cure, and supply said documentation to Landlord with a written request for reimbursement, and Landlord shall reimburse Tenant for all such costs within thirty (30) days after receipt of such request for reimbursement, with interest at the Lease Interest Rate accruing from the date Tenant incurred such costs. In the event Owner fails to reimburse Tenant within such thirty (30) day period, Tenant may offset such reimbursement amount from amounts to be paid by Tenant to Landlord hereunder.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

20. WAIVER OF BREACH; ACCORD AND SATISFACTION

Any waiver by any party hereto of any breach by any party of any covenant or provision of this Lease shall be effective only if in writing and signed by the waiving party and shall not be, nor be construed to be, a waiver of any subsequent breach of the same or any other term or provision hereof. Landlord's receipt and deposit of a partial payment from Tenant of any sum due hereunder shall not constitute a waiver by Landlord of the right to require payment of the balance due, nor constitute an accord or satisfaction of Tenant's obligation, unless expressly agreed by Landlord in writing.

21. SUBORDINATION; ESTOPPEL

21.1 Subordination and Attornment. Tenant covenants and agrees that, within ten (10) business days from Landlord's written request, it will execute without further consideration instruments reasonably requested by Landlord or Landlord's mortgagee subordinating this Lease in the manner requested by Landlord to all ground or underlying leases and to the lien of any mortgage and/or any deed of trust or other encumbrance which may now or hereafter affect the Premises and/or the Project, or any portion thereof, together with all renewals, modifications, consolidations, replacements or extensions thereof; provided that any lienor or encumbrancer relying on such subordination or such additional agreements will covenant with Tenant that this Lease shall remain in full force and effect, and Tenant shall not be disturbed in the event of sale, foreclosure or other actions so long as Tenant is not in default hereunder. Tenant agrees to attorn to the successor in interest of Landlord following any transfer of such interest either voluntarily or by operation of law and to recognize such successor as Landlord under this Lease. However, if Landlord or any such ground lessor or mortgagee so elects, this Lease shall be deemed prior in lien to any ground lease, mortgage, deed of trust or other encumbrance upon or including the Premises regardless of date of recording, and Tenant will execute a statement in writing to such effect at Landlord's request.

21.2 Assignment. In the event that any mortgagee or its respective successor in title shall succeed to the interest of Landlord hereunder, the liability of such mortgagee or successor shall exist only so long as it is the owner of the Premises or any interest therein, or is the tenant under any ground or underlying lease referred to in Section 21.1 above. No additional rent or any other charge shall be paid more than ten (10) days prior to the due date thereof and payments made in violation of this provision shall (except to the extent that such payments are actually received by a mortgagee) be a nullity as against any mortgagee and Tenant shall be liable for the amount of such payments to such mortgagee.

21.3 Conditions for Tenant's Termination. No act or failure to act on the part of Landlord which would entitle Tenant under the terms of this Lease, if any, or by law, to be relieved of Tenant's obligations hereunder or to terminate this Lease, shall result in a release or termination of such obligations or a termination of this Lease unless (i) Tenant shall have first given written notice of Landlord's act or failure to act to Landlord's mortgagees of record, if any, specifying the act or failure to act on the part of Landlord which could or would give basis to Tenant's rights, and (ii) such mortgagees, after receipt of such notice, have failed or refused to correct or cure the condition complained of within a "reasonable time" thereafter; but nothing contained in this Section 21.3 shall be deemed to impose any obligation on any such mortgagee to correct or cure any such condition. "Reasonable time" as used above means and includes a reasonable time to obtain possession of the mortgaged premises if the mortgagee elects to do so, and a reasonable time to correct or cure the condition if such condition is determined to exist.

21.4 Estoppel Certificates. Within ten (10) business days after written request by Landlord, Tenant shall execute and deliver to Landlord an estoppel statement in the form of Exhibit L attached hereto and incorporated herein by this reference, or in such other form as Landlord may reasonably request, or as a prospective purchaser or encumbrancer of the Premises or Project may reasonably request. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises or of all or any portion of the Project. Tenant's failure to deliver such statement within ten (10) business days of Landlord's written request therefor shall constitute the irrevocable, binding agreement of Tenant (i) that this Lease is in full force and effect, without modification except as may be represented by Landlord, (ii) that there are no uncured defaults in Landlord's performance hereunder, (iii) that not more than one monthly installment of the Minimum Monthly Rent has been paid in advance, and (iv) that any terms or conditions of such estoppel certificate as may be required by a prospective purchaser or encumbrancer of the Premises are satisfied and agreed to by the parties. Further, such failure to deliver such certificate (showing any exceptions to any of the statements of fact required thereby) shall constitute a material breach of this Lease. Notwithstanding the foregoing, Tenant shall also have the right to request an estoppel from Landlord in a form as Tenant may reasonably request.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

22. SIGNS AND ADVERTISING (Continued on Exhibit I attached hereto)

Tenant shall have the right, at Tenant's sole cost and expense, to install, place and maintain a new sign to display its trade name at a location approved by Landlord, which sign shall conform to the reasonable requirements of Landlord as outlined in Exhibit I hereto, and all governmental agencies having jurisdiction as to size and format. Except as required above, Tenant shall not erect or install any exterior signs or window or door signs, or window or door lettering or placards, or any other advertising media visible from the common areas (whether on or up to twenty-four [24] inches behind the windows), without obtaining Landlord's prior written consent in each instance, which consent shall not be unreasonably withheld. Tenant shall not install any exterior decoration, banner or painting, or build any fences, or install any radio or television antennae, loud speakers, sound amplifiers or similar devices on the roof or exterior walls of the Premises, or make any material changes to the improvements within the Premises visible from any portion of the common area of the Project without Landlord's prior written consent in each instance, which consent shall not be unreasonably withheld. Landlord may, in its discretion, require Tenant to procure material, payment and/or performance bonds from Tenant's sign contractor, as a condition to granting its consent. As used in this Article 22, Landlord's refusal to consent to certain signage or other media shall be deemed to be reasonable if such signage or other media shall not conform to Landlord's sign criteria set forth in Exhibit I attached hereto. Landlord's failure to approve Tenant's signage proposal within five (5) business days after Tenant's request therefor shall be deemed a disapproval. Tenant agrees and covenants to comply with all of Landlord's sign criteria as set forth in Exhibit I attached hereto and the rules and regulations promulgated by the responsible governmental authorities. Landlord shall have the right from time to time to promulgate amendments thereto and additional and new sign criteria. After delivery of a copy of such amendments and additional and new sign criteria, Tenant shall cause all signage thereafter installed to comply therewith. A violation of any of such sign criteria shall constitute a default by Tenant under this Lease. If there is a conflict between the said sign criteria and any of the provisions of this Lease, the provisions of this Lease shall prevail. Landlord's approval of Tenant's preliminary plans, specifications and sign design shown therein shall constitute Landlord's initial approval of Tenant's signs. No freestanding sign shall be allowed on the Premises.

23. RIGHTS RESERVED TO LANDLORD

23.1 Right of Entry. Landlord reserves to itself and shall at any and all times have the right, upon forty-eight (48) hours' prior notice to Tenant, to enter the Premises, at reasonable times, to inspect the same, to display the Premises to prospective purchasers or tenants, to post and maintain any notice deemed necessary by Landlord for the protection of its interest (including, without limitation, notices of nonresponsibility), to repair the Premises or any other portion of the Project, and to install, use, maintain and replace equipment, machinery, pipes, conduits and wiring throughout, beneath or above the Premises, which serve other parts of the Project, if any; all without being deemed guilty of any eviction of Tenant and without abatement of rent; and Landlord may, in order to carry out such purposes, erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, and keep and store upon the Premises all tools, materials and equipment necessary for such purposes, provided that the business of Tenant shall be interfered with as little as is reasonably practicable. With respect to the exercise of such rights and the carrying on of such activities by Landlord or any agent, contractor or employee of Landlord, except for their gross negligence or intentionally wrongful acts, Tenant hereby waives any claim for damages for any injury to property or person or any injury or inconvenience to or interference with Tenant's business, for any loss of occupancy or quiet enjoyment of the Premises, or for any other loss occasioned thereby; and Tenant hereby releases Landlord, its agents, contractors and employees, except for their gross negligence or intentionally wrongful acts, from any and all claims for such damages or loss. Landlord shall have the right to use any and all means which Landlord may deem proper to open doors to the Premises in an emergency in order to obtain entry, and any entry to the Premises obtained by Landlord by any of such means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, or an eviction of Tenant from, the Premises or any portion thereof, and any damages caused on account thereof shall be paid by Tenant. In addition, in an emergency situation Landlord shall only be required to give Tenant prior notice if and to the extent reasonable under the circumstances.

23.2 Additional Rights of Landlord. Landlord further reserves to itself and shall at any and all times have the right:

23.2.1 To change the street address of the Premises and/or the name or street address of the Project;

23.2.3 To install and maintain signs in the Project at such locations as Landlord shall deem advisable, other than within the Premises;

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

23.2.4 To decorate, remodel, alter or otherwise repair the Premises for reoccupancy during the last six (6) months of the term hereof if, during or prior to such time, Tenant has vacated the Premises;

23.2.5 To grant to anyone the exclusive right to conduct any business or render any service in the Project, provided such exclusive right shall not operate to completely exclude Tenant from the use expressly permitted by this Lease; and

23.2.6 To effect such other tenancies in the Project as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of the Project. Tenant does not rely on the fact nor does Landlord represent that any specific tenant or number of tenants shall, or shall not, during the term of this Lease occupy any space in the Project.

24. SALE OR TRANSFER OF PREMISES; LANDLORD'S RIGHT TO MORTGAGE

24.1 Sale or Transfer by Landlord. If Landlord sells or transfers all or any portion of the Premises, or the Building, improvements and land of which the Premises are a part, then Landlord, on consummation of the sale or transfer, shall be released from any liability thereafter accruing under the Lease. If any security deposit or prepaid rent has been paid by Tenant, Landlord shall transfer the security deposit or prepaid rent to Landlord's successor and on such transfer Landlord shall be discharged from any further liability with respect thereto.

24.2 Landlord's Right to Mortgage. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any mortgages or deeds of trust which may hereafter be executed covering the Project or the Premises, the real property thereunder, or any portion thereof, for the full amount of all advances made or to be made thereunder and without regard to the time of character of such advance, together with interest thereon, and subject to all the terms and provisions thereof; provided that Landlord or the holder of the security interest will recognize Tenant's rights under this Lease.

25. SURRENDER; WAIVER OF REDEMPTION; HOLDING OVER

25.1 Surrender of Premises. Tenant shall have no obligation to remove any alterations, additions, improvements, or changes made to the Premises after the Commencement Date, unless specifically stated in Landlord's consent, at the expiration or early termination of the Lease. Tenant shall have no right or obligation to remove any of Landlord's Work or any other alterations, additions, improvements, or changes made by or on behalf of Landlord at the Premises. Tenant shall surrender to Landlord the Premises and all alterations and additions thereto broom clean and in good order, repair and condition (except for ordinary wear and tear). Tenant shall remove all personal property and trade fixtures prior to the expiration of the Term, including any signs, notices and displays placed by Tenant. Tenant shall perform all reasonably necessary restoration, including, without limitation, restoration made reasonably necessary by the removal of Tenant's personal property or trade fixtures prior to the expiration or termination of this Lease. Tenant shall have no obligation to change the character of or possible uses for the Building. Landlord can elect to retain or dispose of, in any manner, any alterations, utility installations, trade fixtures or personal property that Tenant does not remove from the Premises on expiration or termination of the Lease term as allowed or required by this Lease. Title to any such alterations, utility installations, trade fixtures or personal property that Landlord elects to retain or dispose of on expiration of the Lease term shall automatically vest in Landlord. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of any such alterations, utility installations, trade fixtures or personal property. Tenant shall be liable to Landlord for Landlord's costs for storing, removing and disposing of any alterations, utility installations, trade fixtures or personal property and shall indemnify and hold Landlord harmless from the claim of any third party to an interest in such alterations, utility installations, trade fixtures or personal property.

25.2 Holding Over. Tenant shall have no legal right to holdover. If Tenant holds over the Premises or any part thereof after expiration of the term of this Lease, such holding over shall, at Landlord's option, constitute a month-to-month tenancy, at a rent equal to one hundred twenty-five percent (125%) of the Minimum Monthly Rent in effect immediately prior to such holding over and shall otherwise be on all the other terms and conditions of this Lease. Landlord's acceptance of any payment provided hereunder shall not be construed as Landlord's permission for Tenant to hold over. Acceptance of rent by Landlord following expiration or termination shall not constitute a renewal of this Lease or extension of the Lease term except as specifically set forth above. If Tenant fails to surrender the Premises upon expiration or earlier termination of this Lease, Tenant shall indemnify and hold Landlord harmless from and against all loss or liability resulting or arising out of Tenant's failure to surrender the Premises, including, but not limited to, any amounts required to be paid to any tenant or prospective tenant who was to have occupied the Premises after the expiration or earlier termination of this Lease and any related attorney's fees and brokerage commissions.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

26. **HAZARDOUS MATERIALS**

26.1 **Definitions.**

26.1.1 **Hazardous Material.** Hazardous Material means any substance:

- (i) the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action, policy, or common law; or
- (ii) which is or becomes defined as a “hazardous waste”, “hazardous substance”, “hazardous materials”, “toxic substances”, pollutant, or contaminant under any federal, state, or local statute, regulation, rule, or ordinance or amendments thereto including, without limitation, the Federal Water Pollution Control Act (33 U.S.C. Section 1251, et seq.), Resource Conservation & Recovery Act (42 U.S.C. Section 6901 et seq.), Safe Drinking Water Act (42 U.S.C. Section 300(f) et seq.), Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), the Clean Air Act (42 U.S.C. Section 7401 et seq.), Comprehensive Environmental Response of Compensation and Liability Act (42 U.S.C. Section 9601 et seq.), California Health & Safety Code (Sections 25100 et seq. and 39000 et seq.), California Water Code (Section 13000 et seq.), and other comparable state laws relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, disposal or transportation of Hazardous Materials; or
- (iii) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency, or instrumentality of the United States, the State of California or any political subdivision thereof.

26.1.2 **Environmental Requirements.** Environmental Requirements means all applicable present and future statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, concessions, franchises, and similar items, of all government agencies, departments, commissions, boards, bureaus, or instrumentalities of the United States, states, and political subdivisions thereof and all applicable judicial, administrative, and regulatory decrees, judgments, and orders relating to the protection of human health or the environment, including, without limitation: (a) all requirements, including but not limited to those pertaining to reporting, licensing, permitting, investigation, and remediation of emissions, discharges, releases, or threatened releases of Hazardous Materials, chemical substances, pollutants, contaminants, or hazardous or toxic substances, materials or wastes whether solid, liquid, or gaseous in nature, into the air, surface water, groundwater, or land, relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of chemical substances, pollutants, contaminants, or hazardous or toxic substances, materials, or wastes, whether solid, liquid, or gaseous in nature; and (b) all requirements pertaining to the protection of the health and safety of employees or the public.

26.1.3 **Environmental Damages.** Environmental Damages means all claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability), encumbrances, liens, costs, and expenses of investigation and defense of any claim, whether or not such claim is untimely defeated, and of any good faith settlement of judgment, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including without limitation reasonable attorneys’ fees and disbursements and consultants’ fees, any of which are incurred at any time as a result of Tenant’s use, storage, or disposal of Hazardous Materials on the Premises or the existence of a violation of Environmental Requirements on the Premises, and including without limitation: (a) damages for personal injury, or injury to property or natural resources occurring upon or off of the Premises, foreseeable or unforeseeable, including, without limitation, lost profits, consequential damages, the cost of demolition and rebuilding of any improvements on real property, interest and penalties including but not limited to claims brought by or on behalf of employees of Tenant with respect to which Tenant waives any immunity to which it may be entitled under any industrial or worker’s compensation laws; (b) fees incurred for the services of attorneys, consultants, contractors, experts, and laboratories and all other costs incurred in connection with the investigation or remediation of such Hazardous Materials in violation of Environmental Requirements including, but not limited to, the preparation of any feasibility studies or reports or the performance of any cleanup, remediation, removal, response, abatement, containment, closure, restoration, or monitoring work required by any federal, state, or local governmental agency or political subdivision, or reasonably

Landlord’s Initials /s/ [ILLEGIBLE]

Tenant’s Initials /s/ BD, /s/ BL

necessary to make full economic use of the Premises or any other property in a manner consistent with its current use or otherwise expended in connection with such conditions, and including without limitation any attorneys' fees, costs, and expenses incurred in enforcing this Lease or collection of any sums due hereunder; (c) liability to any third person or government agency to indemnify such person or agency for costs expended in connection with the items referenced above; and (d) diminution in the value of the Premises, and damages for the loss of business and restriction on the use of or adverse impact on the marketing of rentable or usable space or of any amenity of the Premises.

26.2 Prohibited Uses. Tenant shall not cause or give permission for the use (except for minimal quantities of any substance which technically could be considered a Hazardous Material provided (i) such substance is of a type normally used by Tenant, and (ii) Tenant complies with all legal requirements applicable to such Hazardous Material) of any substances, materials or wastes subject to regulation under legal requirements from time to time in effect concerning hazardous, toxic or radioactive materials, on or about the Premises, unless Tenant shall have received Landlord's prior written reasonable consent.

26.3 Obligation to Indemnify, Defend, and Hold Harmless. Tenant and its successors, assigns and guarantors, agreed to indemnify, defend, reimburse, and hold harmless (a) Landlord and its agents, successors and assigns, (b) any other person who acquires a portion of the Premises in any manner, including but not limited to the purchase, at a foreclosure sale or otherwise through the exercise of the rights and remedies of Landlord under this agreement, and (c) the directors, officers, shareholders, employees, partners, agents, contractors, subcontractors, experts, licensees, affiliates, lessees, mortgagees, trustees, heirs, devisees, successors, assigns, and invitees of such persons, from and against any and all Environmental Damages arising from the presence of Hazardous Materials used, stored, disposed of or brought upon, about, or beneath the Premises by Tenant, or Tenant's agents, contractors, vendors or invitees (collectively the "Tenant Parties") or any such Hazardous Materials migrating from the Premises, or arising in any manner as a result of the Tenant Parties' violation of any Environmental Requirements and the Tenant Parties' activities thereon, unless to the extent such Environmental Damages exist as a direct result of the negligence or willful misconduct of Landlord.

Tenant's obligation hereunder shall include, but not be limited to, the burden and expense of defending all claims, suits, and administrative proceedings (with counsel reasonably approved by Landlord), conducting all negotiations of any description, and paying and discharging, when and as the same become due, any and all judgments, penalties or other sums due against such indemnified persons and to remediate the Premises pursuant to Section 26.4 below. Landlord at its sole expense may employ additional counsel of its choice to associate with counsel representing Tenant. Notwithstanding anything contained herein to the contrary, Tenant shall in no event be held liable or responsible (including without limitation, for the removal or encapsulation thereof) for any Hazardous Materials migrating from the Premises or existing in or upon the Premises prior to the date Tenant accepts possession of the same.

Tenant's obligations hereunder shall survive the expiration or earlier termination of this Lease, the discharge of all other obligations owned by the parties to each other, and any transfer of title to the Premises (whether by sale, foreclosure, deed in lieu of foreclosure or otherwise).

The obligations of Tenant under this paragraph shall not apply to any Environmental Damages, the violation of any Environmental Requirements or the presence of any Hazardous Material to the extent that such condition or event arose or existed prior to the effective date of this Lease, migrated onto the Premises prior to or after the effective date of this Lease through no violation of Environmental Requirements by Tenant or its agents, or was not caused by Tenant, Tenant's agents, employees or invitees. As a result of any pre-existing Environmental Damages or the presence of any Hazardous Materials prior to the date Tenant accepts possession of the Premises, in the event any legal requirement or governmental entity requires the Premises to be inspected, tested or surveyed for the presence of any Hazardous Materials prior to or during Tenant's occupancy of the Premises, Landlord, at its sole cost and expense, shall perform such required activities.

26.4 Obligation to Remediate. Pursuant to Section 26.3 of the Lease, Tenant shall, upon demand of Landlord, and at its sole cost and expense, promptly take all actions to remediate the Premises which are required by any federal, state, or local government agency or political subdivision or which are reasonably necessary to mitigate Environmental Damages for which Tenant is obligated above. Such actions shall include, but not be limited to, the investigation of the environmental condition of the Premises, the preparation of any feasibility studies, reports, or remedial plans, and the performance of any cleanup, remediation,

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

containment, operations, maintenance, monitoring, or restoration work, whether on or off the Premises. Tenant shall further take all actions necessary to restore the Premises to a substantially similar condition existing prior to Tenant's introduction of Hazardous Material upon, about or beneath the Premises, notwithstanding any lesser standards of remediation allowed under applicable law or governmental policies. All such work shall be performed by one or more contractors, selected by Tenant and reasonably approved in advance and in writing by Landlord. Tenant shall proceed continuously and diligently with such investigatory and remedial actions, provided that in all cases such actions shall be in accordance with all applicable requirements of government entities. Any such actions shall be performed in a good, safe, and workmanlike manner and shall minimize any impact on the businesses conducted on the Premises and/or those businesses conducted at the Project. Tenant shall pay all costs in connection with such investigatory and remedial activities, including but not limited to all power and utility costs, and any and all taxes or fees that may be applicable to such activities. Tenant shall promptly provide to Landlord copies of testing results and reports that are generated in connection with the above activities and that are submitted to any government entity. Promptly upon completion of such investigation and remediation, Tenant shall permanently seal or cap all monitoring wells and test holes to industrial standards in compliance with applicable federal, state, and local laws and regulations, remove all associated equipment, and restore the Premises which shall include, without limitation, the repair of any surface damage, including paving, caused by such investigation or remediation hereunder. Within thirty (30) days of demand therefor, Tenant shall provide Landlord with a bond, letter of credit, or similar financial assurance evidencing that the necessary funds are available to perform the obligation established by this paragraph.

26.5 Notification. If Tenant shall become aware of or receives notice of any actual, alleged, suspected, or threatened violation of Environmental Requirements, or liability of Tenant for Environmental Damages in connection with the Premises or past or present activities of any person thereon, including but not limited to notice or other communication concerning any actual or threatened investigation, inquiry, lawsuit, claim, citation, directive, summons, proceeding, complaint, notice, order, writ, or injunction, relating to same, then Tenant shall deliver to Landlord, within ten (10) days of the receipt of such notice or communication by Tenant, a written description of said violation, liability, correcting information, or actual threatened event or condition, together with copies of any documents evidencing same. Receipt of such notice shall not be deemed to create any obligation on the part of Landlord to defend or otherwise respond to any such notification.

26.6 Termination of Lease. Upon the expiration or earlier termination of the Lease term, Tenant shall surrender possession of the Premises to Landlord free of contamination attributable to Hazardous Materials that are in excess of concentrations permitted by any applicable Environmental Requirements and that Tenant is obligated to remediate pursuant to Section 26.3 above. Tenant shall further take all actions necessary to restore the Premises to a substantially similar condition existing prior to Tenant's introduction of Hazardous Material upon, about or beneath the Premises, notwithstanding any lesser standards of remediation allowed under applicable law or governmental policies. In addition to all other remedies available to Landlord hereunder, Tenant expressly agrees that even though Tenant's right of occupancy shall have terminated, Tenant shall remain liable to pay Landlord an amount per month (or a pro rata portion thereof) equal to one hundred twenty-five percent (125%) of the Minimum Monthly Rent in effect for the month immediately preceding the month of expiration or earlier termination (less any amounts received by Landlord from any other occupant of the Premises during this period), until Tenant shall have surrendered possession of the Premises to Landlord free of any such Hazardous Materials.

26.7 Toxic Substances Disclosure. The parties acknowledge the obligation of Tenant to advise Landlord concerning Hazardous Materials located upon the Premises pursuant to the provisions of California Health and Safety Code Section 25359.7. The parties hereby agree that this Section 26.7 constitutes the notice required pursuant to said statute and Landlord hereby waives its right to further notice pursuant to such statute to the extent described herein. The parties acknowledge that Tenant shall maintain and use certain substances upon the Premises which may be classified as "hazardous substances" to clean and maintain the Premises. The parties acknowledge that the use of any of such substances which may be a "hazardous substance" within the scope of Health and Safety Code Section 25359.7 shall not constitute a breach of this Lease and shall require no further notice from Tenant. Tenant agrees, however, that the use of other Hazardous Materials upon the Premises is not subject to the terms of this notice and waiver and Tenant shall be obligated to report the existence of such other Hazardous Materials pursuant to the requirements of Health and Safety Code Section 25359.7.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

26.8 Landlord's Warranty. To the best of Landlord's knowledge, Landlord represents and warrants that no Environmental Damages, violations of any Environmental Requirements or the presence of any Hazardous Material exist with respects to the Premises.

27. INTENTIONALLY OMITTED

28. WRITTEN NOTICES

Whenever under this Lease a provision is made for any demand, notice or declaration of any kind or where it is deemed desirable or necessary by either party to give or serve any such notice, demand or declaration to the other, it shall be in writing and (i) served personally, (ii) sent by registered or certified mail, return receipt requested, with postage prepaid, or (iii) sent by a private overnight express carrier, addressed to Tenant or Landlord, as the case may be, at the notice address specified for each in the Basic Provisions. Either party may by like notice at any time and from time to time designate a different address to which notices shall be sent. Mailed notices shall be effective upon the earlier of (a) actual receipt as evidenced by the return-receipt or (b) three (3) days after mailing. Notices sent by overnight carrier shall be effective as of the next business day. Notices personally served shall be effective immediately upon delivery.

29. JOINT AND SEVERAL LIABILITY

Each person or entity named as a Tenant in this Lease, or who hereafter becomes a party to this Lease as a tenant in the Premises, or as a permitted assignee or subtenant of Tenant, shall be jointly and severally liable for the full and faithful performance of each and every covenant and obligation required to be performed by Tenant under the provisions of this Lease.

30. BINDING ON SUCCESSORS, ETC.

Landlord and Tenant agree that each of the terms, conditions, and obligations of this Lease shall extend to and bind, or inure to the benefit of (as the case may require), the respective parties hereto, and each of their respective heirs, executors, administrators, representatives, and permitted successors and assigns.

31. ATTORNEYS' FEES

In the event that any legal action is instituted by either of the parties hereto to enforce or construe any of the terms, conditions or covenants of this Lease, or the validity thereof, the party prevailing in any such action shall be entitled to recover from the other party all court costs and a reasonable attorneys' fee to be set by the court or arbitrator, and the costs and fees incurred in enforcing any judgment entered therein.

32. FURTHER ASSURANCES

Each of the parties hereto agrees to perform all such acts (including, but not limited to, executing and delivering such instruments and documents) as reasonably may be necessary to fully effectuate each and all of the purposes and intent of this Lease.

33. CONSTRUCTION OF LEASE

The term and provisions of this Lease shall be construed in accordance with the laws of the State of California as they exist on the date hereof.

The parties agree that the terms and provisions of this Lease embody their mutual intent and that they are not to be construed more liberally in favor of, or more strictly against, any party hereto.

When the context in which words are used in this Lease indicates that such is the intent, words in the singular number shall include the plural and vice versa, and words in the masculine gender shall include the feminine and neuter genders and vice versa.

The Article, Section and subsection headings contained in this Lease are for purposes of identification and reference only and shall not affect in any way the meaning or interpretation of any provision of this Lease.

Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

Except as otherwise provided herein, wherever in this Lease the consent of a party is required to any act by or for the other party, such consent shall not be unreasonably withheld or delayed. Landlord's actual reasonable costs and expenses (including architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Tenant for any Landlord consent shall be paid by Tenant upon receipt of an invoice and supporting documentation therefore. Landlord's consent to any act, assignment or subletting shall not constitute an acknowledgment that no default or breach by Tenant of this Lease exists, nor shall such consent be deemed a waiver of any then existing default or breach. The failure to specify herein any particular condition to Landlord's consent shall not preclude the imposition by Landlord at the time of the consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given.

The word "Tenant" shall be deemed and taken to mean each and every person or party mentioned as a tenant herein, whether or not one or more, and if there shall be more than one tenant, any notice required or permitted by the terms of this Lease may be given by or to any one thereof and shall have the same force and effect as if given by or to all thereof. The use of the neuter singular pronoun to refer to Tenant shall be deemed a proper reference even though Tenant may be an individual, a partnership, a corporation, a limited liability company, or a group of two or more individuals or corporations. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Tenant and to either corporations, limited liability companies, associations, partnership or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

34. PARTIAL INVALIDITY

If any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable, 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.

35. RECORDING

Neither this Lease nor any memorandum of this Lease shall be recorded without the prior written consent of Landlord and its mortgage lenders.

36. COMPLETE AGREEMENT

It is understood that there are no oral agreements or representations between the parties hereto affecting this Lease, and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements or representations and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. There are no representations or warranties between the parties other than those contained in this Lease and all reliance by the parties hereto with respect to representations and warranties is solely upon the representations and warranties contained in this document. This Lease, and the Attachments and Exhibits hereto, constitute the entire agreement between the parties and may not be altered, amended, modified, or extended except by an instrument in writing signed by the parties hereto.

37. NO IMPLICATION OF EXCLUSIVE USE

Nothing contained in this Lease shall be deemed to give Tenant an express or implied exclusive right to operate any particular type of business in the Project.

38. TENANT A CORPORATION OR LIMITED LIABILITY COMPANY

In the event Tenant (or Tenant's general partner) hereunder shall be a corporation or limited liability company, the parties executing this Lease on behalf of the Tenant hereby covenant and warrant that Tenant (or Tenant's general partner) is a duly qualified corporation or company and all steps have been taken prior to the date hereof to qualify Tenant to do business in the state wherein the Project is situated and all franchise and corporate taxes have been paid to date; and all future forms, reports, fees and other documents necessary to comply with applicable law will be filed when due. Each individual executing this Lease on behalf of said corporation or company represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation or company in accordance with the bylaws of said corporation (or operating agreement of said company), and that this Lease is binding upon said corporation or company in accordance with its terms.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

39. SUBMISSION OF DOCUMENT

The submission of this document for examination and negotiation does not constitute an offer to lease, or a reservation of, or option for, the Premises. This document shall become effective and binding only upon execution and delivery hereof by Tenant and by Landlord (or, when duly authorized, by Landlord's agent or employee). No act or omission of any agent of Landlord or of Landlord's broker shall alter, change or modify any of the provisions hereof.

40. NO PERSONAL OBLIGATION OF LANDLORD

The obligations of Landlord under this Lease do not constitute personal obligations of the individual limited partners of the limited partnership which is Landlord herein, and Tenant shall look solely to the real estate that is the subject of this Lease and to no other assets of Landlord for satisfaction of any liability in respect of this Lease and will not seek recourse against the partners of the limited partnership which is Landlord herein, nor against any of its or their assets for such satisfaction.

41. EXCAVATION

Landlord shall have the right to utilize the land on which the Project is located (the "Land") for purposes of excavation and shall have the right to authorize the use of, and grant licenses and easements over, the Land to owners of adjacent property or governmental authorities for excavation purposes. If an excavation is made upon the Land or any of the Land adjacent to the Building by Landlord or said owner of adjacent property, Tenant shall license and authorize Landlord or said owner to enter on to the Premises for the purpose of performing such work in connection with the excavation as may be necessary or prudent to preserve the Building from injury or damage. Tenant shall have no claim for damages or indemnity against Landlord or any right to abatement of rent in connection therewith, unless such excavation materially affects Tenant's use of the Premises.

42. ARBITRATION

Any dispute between the parties hereto (except for any event of default or dispute regarding the payment of rent, either (or both) of which Landlord shall be entitled to its remedies under Article 17 hereof, and except for any dispute for which the Superior Court for the location in which the Premises are situated has jurisdiction by virtue of the California Code of Civil Procedure, Section 1161 *et. seq* [as the same may be recodified or amended from time to time]) shall be determined by arbitration. Whenever any such dispute arises between the parties hereto in connection with the Premises or this Lease and either party give written notice to the other that such dispute shall be determined by arbitration, then within thirty (30) days after the giving of the notice, both parties shall select and hire one member of the panel of Judicial Arbitration and Mediation Services, Inc. ("Judge"). The Judge shall be a retired judge experienced with commercial real property lease disputes in the County in which the Premises are located. As soon as reasonably possible, but no later than forty (40) days after the Judge is selected, the Judge shall meet with the parties at a location reasonably acceptable to Landlord, Tenant and the Judge. The Judge shall determine the matter within ten (10) days after any such meeting. Each party shall pay half the costs and expenses of the Judge.

If Judicial Arbitration and Mediation Services, Inc. ceases to exist, and either party gives written notice to the other that a dispute shall be determined by arbitration, then, unless agreed otherwise in writing by the parties, all arbitrations hereunder shall be governed by California Code of Civil Procedure Sections 1280 through 1294.2, inclusive, as amended or recodified from time to time, to the extent they do not conflict with this Article. Within ten (10) days after delivery of such notice, each party shall select an arbitrator with at least five (5) years' experience in commercial real property leases in the County in which the Premises are located and advise the other party of its selection in writing. The two arbitrators so named shall meet promptly and seek to reach a conclusion as to the matter to be determined, and their decision, rendered in writing and delivered to the parties hereto, shall be final and binding on the parties. If said arbitrators shall fail to reach a decision within ten (10) days after the appointment of the second arbitrator, said arbitrators shall name a third arbitrator within the succeeding period of five (5) days. Said three (3) arbitrators thereafter shall meet promptly for consideration of the matter to be determined and the decision of any two (2) of said arbitrators rendered in writing and delivered to the parties hereto shall be final and binding on the parties.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

If either party fails to appoint an arbitrator within the prescribed time, and/or if either party fails to appoint an arbitrator with the qualifications specified herein, and/or if any two arbitrators are unable to agree upon the appointment of a third arbitrator within the prescribed time, then the Superior Court of the County in which the Premises is located may, upon request of any party, appoint such arbitrators, as the case may be, and the arbitrators as a group shall have the same power and authority to render a final and binding decision as where the appointments are made pursuant to the provisions of the preceding paragraph. All arbitrators shall be individuals with at least five (5) years' experience negotiating or arbitrating disputes arising out of commercial real property leases in the County where the Premises are located. All determinations by arbitration hereunder shall be binding upon Landlord and Tenant.

Any determination by arbitration hereunder may be entered in any court having jurisdiction.

END OF THE STANDARD TERMS & CONDITIONS

Landlord's Initials /s/ [ILLEGIBLE]

STC-34

Tenant's Initials /s/ BD, /s/ BL

ATTACHMENT 1
RULES AND REGULATIONS

1. No automobile, recreational vehicle or any other type of vehicle or equipment shall remain upon the Common Area longer than 24 hours, and no vehicle or equipment of any kind shall be dismantled or repaired or serviced on the Common Area. All vehicle parking shall be restricted to areas designated and marked for vehicle parking. The foregoing restrictions shall not be deemed to prevent temporary parking for loading or unloading of vehicles in designated areas.
2. Tenant and its agents and invitees shall not obstruct the sidewalks, common halls, passageways, driveways, entrances and exits of any Building; such facilities shall be used only for ingress to and egress from the Premises and other buildings, if any, in the Project.
3. Signs will conform to sign standards and criteria established from time to time by Landlord. Excepting any signs specifically permitted in the Lease, no other signs, placards, pictures, banners, advertisements, names or notices shall be inscribed, displayed or printed or affixed on or to any part of the outside or inside of the building without the written consent of Landlord, and Landlord shall have the right to remove any such non-conforming signs, placards, pictures, banners, advertisements, names or notices without notice to and at the expense of Tenant.
4. No antenna, aerial, discs, dishes or other such device shall be erected on the roof or exterior walls of the Building or on the grounds without the written consent of the Landlord in each instance. Any device so installed without such written consent shall be subject to removal without notice at any time.
5. No loud speakers, televisions, phonographs, radios or other devices shall be used in a manner so as to be heard or seen outside of the Premises without the prior written consent of the Landlord.
6. The outside areas adjoining the Premises shall be kept clean and free from dirt and rubbish by the Tenant to the satisfaction of Landlord, and Tenant shall not place or permit any obstruction or materials in such areas or permit any work to be performed outside the Premises.
7. No open storage shall be permitted in the Project.
8. All garbage and refuse shall be placed in containers placed at the locations designated for refuse collection, in the manner specified by Landlord. All trash and refuse shall be stored in adequate containers within the Premises and removed at regular intervals to the common pickup station authorized by Landlord. Tenant shall be responsible for complete dismantling of all boxes and cartons and for cleanup of any clutter resulting from the dumping of trash. Cartons and boxes are not to be stored outside the Premises and trash of any kind shall not be burned in or about the Premises.
9. Other than any internal vending machines in Tenant's break room, no vending machine or machines of any description shall be installed, maintained or operated upon the Common Area without Landlord's prior written consent.
10. Tenant shall not disturb, solicit, or canvass any occupant of the Building and shall cooperate to prevent same.
11. No noxious or offensive trade or activity shall be carried on in any units or on any part of the Common Area, nor shall anything be done thereon which would in any way interfere with the quiet enjoyment of each of the other tenants of the Project or which would increase the rate of insurance or overburden utility facilities from time to time existing in the Project.
12. All moving of furniture, freight or equipment of any kind shall be done at the times and in the manner prescribed by Landlord and through entrances prescribed for such purpose by Landlord. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building. Safes or other heavy objects shall be placed upon wooden strips of such thickness as Landlord determines necessary to properly distribute the weight. All damage done to the Premises, the Building, the Project and/or Common Areas by moving or maintaining any such safe or other property shall be repaired at Tenant's cost.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

13. The delivery or shipping of merchandise, supplies and fixtures to and from the Premises shall be subject to such rules and regulations as in the judgment of the Landlord are necessary for the proper operation of the Project.
14. Plumbing facilities shall be used only for the purpose for which they were constructed. Tenant shall pay the expense of any breakage, stoppage, or damage resulting from misuse or from the deposit of any substance into the plumbing facilities by Tenant or its agents or invitees.
15. Tenant shall assure that all water faucets or water apparatus and all electricity have been shut off before Tenant or its agents or invitees leave the Building, so as to prevent waste or damage.
16. Tenant, upon termination of its tenancy, shall deliver to Landlord all keys to stores, offices, rooms and restroom facilities that were furnished to Tenant or that Tenant has had made. Tenant shall pay Landlord the costs of replacing any lost keys and, at the option of Landlord, the costs of changing locks necessitated by the loss or theft of keys furnished to Tenant.
17. Tenant shall notify Landlord promptly of any damage to the Premises, the Building, the Project and/or the Common Areas resulting from or attributable to the acts of others.
18. Upon request of the Landlord, Tenant shall furnish to Landlord a current list of the names, vehicle descriptions and vehicle license numbers of each of Tenant's agents or employees who utilize the parking facilities of the Building.
19. Upon the request of Landlord, Tenant shall employ and use at Tenant's sole cost and expense a licensed pest exterminator selected by Landlord at such intervals as Landlord may request.
20. Landlord reserves the right to make such amendments to these Rules and Regulations from time to time as are nondiscriminatory and not inconsistent with the Lease.
21. Landlord shall use its best efforts to enforce the Rules and Regulations on a uniform basis as to all tenants in the Project, but Landlord shall not be responsible to Tenant or to any persons for the nonobservance or violation of these rules and regulations by any other tenant or other person. Tenant shall be deemed to have read these rules and to have agreed to abide by them as a condition to its occupancy of the Premises.

END ATTACHMENT 1

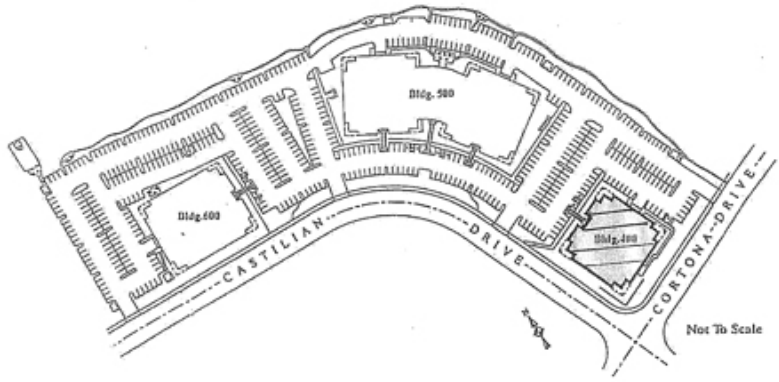
Landlord's Initials /s/ [ILLEGIBLE]

ATT-2

Tenant's Initials /s/ BD, /s/ BL

EXHIBIT A
SITE PLAN

EXHIBIT A
PREMISES



Landlord's Initials /s/ [ILLEGIBLE]

A-1

Tenant's Initials /s/ BD, /s/ BL

EXHIBIT B

LANDLORD'S WORK

Tenant accepts the Premises in their "as is" condition and Landlord has no obligation to make improvements to the Premises or provide an improvement allowance other than the following:

1. Landlord's Work. At Landlord's sole cost and expense, Landlord shall prepare the Premises to be delivered to Tenant in a condition that meets all of the following requirements (the "Landlord's Work"):

- a) Any necessary repairs and/or replacements for all existing HVAC units, per an HVAC report provided by Pacific Climate Control; and
- b) Free of any furniture, fixtures, equipment, inventory or signage; and
- c) The Premises shall be delivered to Tenant in broom clean condition and free from debris with all Building systems in good working order; and
- d) Landlord shall provide Tenant up to \$2,000 of space planning services with PK architecture for each suite.

2. Tenant Improvements.

2.1 In addition to Landlord's Work, Tenant shall have the right to make improvements to the interior of the Premises (the "Tenant Improvements"). Tenant shall make the Tenant Improvements at Tenant's sole cost and expense (subject to the Tenant Improvement Allowance set forth below). All Tenant Improvements shall be subject to the consent of Landlord, which consent shall not be unreasonably withheld, delayed or conditioned. Any such Tenant Improvements (except trade fixtures) shall at once become a part of the Premises and shall be surrendered to Landlord upon the expiration or sooner termination of this Lease. All work with respect to the Tenant Improvements must be done in a good and workmanlike manner and diligently prosecuted to completion to the end that the improvements on the Premises shall at all times be a complete unit except during the period of work.

2.2 Landlord grants to Tenant a one-time Tenant Improvement Allowance not to exceed a total of \$25.00 per square foot, per suite (\$218,950 for Suite 200 and \$246,925 for Suite 210) for the Tenant's Improvements, including any applicable soft costs. Said allowance shall be disbursed for each suite upon presentation by Tenant to Landlord of: (i) copies of Tenant's paid invoices for costs associated with Tenant Improvements to the applicable suite; and (ii) all applicable unconditional final lien waivers. If Tenant does not utilize the Tenant Improvement Allowance for either suite by December 31, 2017, the Tenant Improvement Allowance for the applicable suite shall become null and void and Tenant shall forever lose its right to utilize said allowance.

3. Tax Matters. Landlord and Tenant agree that any improvement costs incurred by Landlord shall be allocated for depreciation and income tax purposes, solely by the Landlord. It will be the intention of Landlord to allocate Landlord's contribution to such improvement items that have the shortest useful life. The parties agree to abide by the allocation of improvement costs as determined by Landlord, and agree to report the transaction for income tax purposes as so allocated by Landlord

END EXHIBIT B

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

EXHIBIT C
INTENTIONALLY OMITTED

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

EXHIBIT D
INTENTIONALLY OMITTED

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

EXHIBIT E
INTENTIONALLY OMITTED

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

EXHIBIT F
REAL ESTATE COMMISSIONS

Landlord and Tenant warrant to the other that it has had no dealings with any real estate broker or agents in connection with the negotiation of this Lease excepting only Hayes Commercial Group and The Towbes Group, Inc. and it knows of no other real estate broker or agent who is entitled to a commission in connection with this Lease.

END EXHIBIT F

Landlord's Initials /s/ [ILLEGIBLE]

F-1

Tenant's Initials /s/ BD, /s/ BL

EXHIBIT G

TENANT'S OPTION TO RENEW

1. Grant of Options

Landlord hereby grants to Tenant, on the terms and conditions set forth below, two (2) successive options to renew this Lease. The first renewal option shall be for a renewal term of three (3) years. The second renewal option shall be for a renewal term of three (3) additional years, to commence at the expiration of the preceding renewal term. Each renewal term shall be subject to all of the provisions of this Lease, including but not limited to the provisions for any increase in Minimum Monthly Rent. The failure of Tenant to exercise its option for any renewal term shall nullify the option of the Tenant for any succeeding renewal terms. The options granted to Tenant in this Lease are personal to Tenant and cannot be exercised by anyone other than Tenant and only while Tenant is in full possession of the Premises.

2. Conditions to Exercise

The right of Tenant to exercise its renewal options is subject to Tenant's compliance with all of the following conditions precedent:

(a) The Lease shall be in effect at the time written notice of exercise is received and on the last day of the existing Lease term; and

(b) Tenant shall not be in default at any time in the twelve (12) months prior to the time notice of exercise is given or at any time from the time notice of exercise is given to the last day of the existing Lease term; and

(c) At least six (6) months and not more than twelve (12) months before the last day of the existing Lease term, Tenant shall have given Landlord written notice of exercise of option, which notice, once given, shall be irrevocable and binding on the parties hereto. Notwithstanding the time Tenant elects to exercise its option, the process of determining the Fair Market Rental Rate (as defined below) shall not be commenced by Landlord and Tenant earlier than six (6) months prior to the commencement of the applicable option term; and

(d) Tenant shall not have incurred more than two (2) late charge processing charges nor more than two (2) notices of nonpayment under Section 3.3 of the Standard Terms and Conditions during the preceding twenty-four (24) months; and

(e) Neither Landlord nor Tenant has exercised any right to terminate this Lease due to damage to or destruction of the Premises or the building and improvements of which the Premises are a part, or any condemnation or conveyance under threat of condemnation.

3. Minimum Monthly Rent

(a) The Minimum Monthly Rent at the beginning of the first option term shall be adjusted to the then "Fair Market Rental Rate," however in no event shall the rent at the beginning of the first option term be less than the rent paid in the last month of the third year of the Initial Term, as adjusted pursuant to Section E.2 of the Basic Provisions of the Lease. The Minimum Monthly Rent at the beginning of the second option term shall be adjusted to the then "Fair Market Rental Rate," however in no event shall the rent at the beginning of the second option term be less than the rent paid in the last month term immediately preceding the second option term, as adjusted pursuant to Section E.2 of the Basic Provisions of the Lease.

(b) For purposes of this Lease, the term "Fair Market Rental Rate" shall mean the annual amount per rentable square foot that Landlord has accepted in current transactions between non-affiliated parties from renewal and non-equity tenants for comparable space, for a comparable use, for a comparable period of time ("Comparable Transactions") in the Project and what a comparable landlord of a comparable building with comparable vacancy factors would accept in Comparable Transactions. In any determination of Comparable Transactions appropriate consideration shall be given to the annual rental rates per rentable square foot, the type of escalation clause (e.g., whether increases in additional rent are determined on a net or gross basis, and if gross, whether such increases are determined according to a base year or a base dollar amount expense stop), abatement provisions reflecting free rent and/or no rent during the period of construction or subsequent to the commencement date as to the space in question, length of the lease term, size and location of premises being leased, and other generally applicable conditions of tenancy for such Comparable Transactions.

(c) Landlord shall determine the Fair Market Rental Rate by using its good faith judgment. Landlord shall provide written notice of such amount within twenty (20) days after Tenant provides the notice to Landlord exercising Tenant's option rights which require a calculation of the Fair Market Rental Rate; provided however that, in no event, shall Landlord be

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

required to deliver such notice to Tenant more than one hundred eighty (180) days prior to the first day of the renewal term for which such determination is being made. Tenant shall have fifteen (15) days ("Tenant's Review Period") after receipt of Landlord's notice of the new rental within which to accept such rental or to reasonably object thereto in writing. In the event Tenant objects, Landlord and Tenant shall attempt to agree upon such Fair Market Rental Rate using their best good faith efforts. If Landlord and Tenant fail to reach agreement within fifteen (15) days following Tenant's Review Period ("Outside Agreement Date"), then each party shall place in a separate sealed envelope their final proposal as to Fair Market Rental Rate and such determination shall be submitted to arbitration as provided below. Failure of Tenant to so elect in writing within Tenant's Review Period shall conclusively be deemed its approval of the Fair Market Rental Rate determined by Landlord.

(d) If both parties make timely individual determinations of the Fair Market Rental Rate under Article 2, the disagreement shall be resolved by arbitration under this Article 3. Except as provided below, the determination of the arbitrator(s) shall be limited to the sole issue of whether Landlord's or Tenant's submitted Fair Market Rental Rate is the closest to the actual Fair Market Rental Rate as determined by the arbitrator(s), taking into account the requirements of subsection (a) above. The arbitrator(s) must be a licensed real estate appraiser who has been active in the appraisal of corporate business parks properties in the City in which the Premises are located over the five-year (5-year) period ending on the date of his or her appointment as an arbitrator. Within fifteen (15) days after the Outside Agreement Date, Landlord and Tenant shall each appoint one arbitrator and notify the other party of the arbitrator's name and business address. Within ten (10) days after the appointment of the second arbitrator, the two (2) arbitrators shall decide whether the parties will use Landlord's or Tenant's submitted Fair Market Rental Rate and shall notify Landlord and Tenant of their decision. If either Landlord or Tenant fails to appoint an arbitrator within fifteen (15) days after the Outside Agreement Date, the arbitrator timely appointed by one of them shall reach a decision and notify Landlord and Tenant of that decision within thirty (30) days after the arbitrator's appointment. If each party appoints an arbitrator in a timely manner, but the two (2) arbitrators either fail to agree on whether the Landlord's or Tenant's submitted Fair Market Rental Rate is closest to the actual Fair Market Rental Rate, or one (1) arbitrator's actual determination of the Fair Market Rental Rate varies from the other arbitrator's actual determination of the Fair Market Rental Rate by greater than five percent (5%), then the two (2) arbitrators shall immediately appoint a third arbitrator (who shall be qualified under the same criteria set forth above for qualification of the initial two (2) arbitrators) and provide notice to Landlord and Tenant of the third arbitrator's name and business address. Provided, however, if the arbitrators' respective determinations of the actual Fair Market Rental Rate vary by five percent (5%) or less, then the Actual Fair Market Rental Rate shall be determined by taking the average of the two (2) determinations. Within twenty (20) days after the appointment of the third arbitrator, the third arbitrator's determination shall be limited solely to the determination of which of the prior two (2) arbitrators' determinations is the closest to the actual Fair Market Rental Rate as determined by the third arbitrator, taking into account the requirements of subsection (b) above. If the third arbitrator is unable or unwilling to select one (1) of the two (2) prior determinations, the arbitrator(s) shall be dismissed without delay and the issue of the Fair Market Rental Rate shall be submitted to arbitration in Santa Barbara, California, under the commercial arbitration rules then existing of JAMS or its successor, subject to the provisions of this Exhibit G. If both Landlord and Tenant fail to appoint an arbitrator in a timely manner, or if the two (2) arbitrators appointed by Landlord and Tenant fail to appoint a third arbitrator, the Fair Market Rental Rate shall be submitted to arbitration in Santa Barbara, California, under the commercial arbitration rules then existing of JAMS or its successor, subject to the provisions of this Exhibit G. The arbitrator's decision shall be binding on Landlord and Tenant. The cost of any arbitration required herein shall be paid by the losing party.

(e) The Minimum Monthly Rent for the option term, established as provided above, shall be adjusted on the first day of the first October following the commencement of the option term and the first day of October every year of the option term thereafter in accordance with Section E.2 of the Basic Provisions of the Lease and set forth in a written amendment to Lease executed by the parties.

4. Options Personal

Each Option granted to Tenant in this Lease is personal to Tenant and may not be exercised or be assigned voluntarily or involuntarily by or to any person or entity than Tenant. The Options herein granted to Tenant are not assignable separate or apart from this Lease.

END EXHIBIT G

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

EXHIBIT H

ADDITIONAL GOVERNMENTAL CONDITIONS AND REQUIREMENTS

1. To the extent such use is approved by Landlord in writing in connection with the lease to which this Exhibit H is attached, any tenant proposing to store, handle, or use hazardous materials within the provisions of AB 2185/2187, shall, prior to occupying the premises subject to lease and bringing such hazardous materials onto the Project, shall submit a hazardous materials business plan (the "Hazardous Materials Business Plan") thirty (30) days prior to occupancy to the County of Santa Barbara Health Care Services Department ("HCS") for review and approval. All Hazardous Materials Business Plans shall be referred to in project lease documents and attached in full thereto and in any deed transfers and leases. No tenant shall be entitled to store, handle, or use any hazardous materials in, on or about the Project, nor shall such tenant be entitled to occupy the premises, until HCS has approved the Hazardous Materials Business Plan.

2. Any tenant required to submit a Hazardous Materials Business Plan in connection with its proposed use shall submit an updated Hazardous Materials Business Plan annually thereafter.

3. Any tenant required to submit a Hazardous Materials Business Plan in connection with its proposed use shall pay inspection fees, based on the hourly inspection rate for an environmental audit to be conducted by HCS at the termination of a lease and prior to reoccupation of such structure or part thereof if hazardous materials were in use on the leased premises. The Landlord shall, within 10 days' notice of termination of said lease, notify HCS of the need for an environmental audit. HCS shall perform such an audit in a timely manner to prevent economic hardship to Landlord and shall certify that the premises are available for reoccupation or specify cleanup measures that will render the premises safe for reoccupation. The tenant whose lease is being terminated shall be responsible for any cleanup that may be required as a result of the audit.

4. To the extent such use is approved by Landlord in writing in connection with the lease to which this Exhibit is attached, any tenant generating hazardous waste in, on or about the Project shall submit to the HCS a plan outlining measures for the minimization of the hazardous waste stream from the proposed operation in addition to a Hazardous Materials Business Plan.

5. To the extent such use is approved by Landlord in writing in connection with the lease to which this Exhibit is attached, all tenants shall restrict vehicle washing and other cleaning activities to areas that can be properly drained into a sanitary sewer.

END EXHIBIT H

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

**EXHIBIT I
SIGN PLAN**

CASTILIAN TECHNICAL CENTER

**SIGNAGE CRITERIA-EXHIBIT I
TENANT IDENTIFICATION-EXTERIOR BUILDING MOUNTED**

THE TENANT SHALL BE REQUIRED TO SUBMIT DUPLICATE SCALED DRAWINGS OF THEIR SIGN DESIGN FOR APPROVAL BY THE LANDLORD PRIOR TO PERMIT APPLICATION, FABRICATION AND INSTALLATION.



A-DESIGN AND FABRICATION:

BUSINESS IDENTIFICATION EXTERIOR WALL-MOUNT:

- 1) One sign of individual plastic injection molded or plex faced foam letters shall be allowed per Tenant.
- 2) If Tenant occupies an entire building offering more than one street frontage, more than one sign may be allowed with Landlord's prior written approval.
- 3) Overall signage height shall not exceed 75% of the designated sign band width.
- 4) One line of copy/lettering shall be allowed per sign; variance for more than one line of copy/lettering shall require the Landlord's prior written approval.
- 5) With one line of copy/lettering, maximum letter height shall not exceed 15", minimum letter height shall be 12".
- 6) With two lines of copy/lettering, the letter height of the first line shall be as described in A-5, the letter height of the second line shall be 8".
- 7) The use of logos shall be only in conjunction with the individual letters and shall be included in the designated sign band area.
- 8) Width logo requests shall be considered on an individual basis; only copyright secured or trademark registered logos shall be approved by the Landlord.
- 9) Individual letter style/font shall be per Tenant's selection, shall be fabricated of plastic injection molded or plex faced foam, and shall require Landlord's prior written approval.
- 10) The signage color shall be black; any variation shall require the Landlord's prior written approval.
- 11) All signs of the Tenant signage shall be finished the same color as the face.

B-INSTALLATION:

BUSINESS IDENTIFICATION EXTERIOR WALL-MOUNT:

- 1) Installation of the individual lettering of the Tenant's signage shall be with silicone adhesive or equivalent by gluing directly to the building.
- 2) All signage, including any approved logo, shall be installed within the designated sign band area, using a template for proper placement.
- 3) Multi-level building Tenants shall install their business identification lettering within the designated sign band area justified left or right, depending on the location of their leased space in the building.
- 4) Single building Tenants shall be allowed to install their signage centered within the designated sign band area.
- 5) The Tenant is responsible for the installation and maintenance of all its signage.
- 6) The Tenant shall be responsible for the repair of any damage to the building caused by installation, maintenance or removal of its signs.
- 7) The Tenant shall be responsible for the removal of its signs prior to vacating the premises, including restoration of the surface to its original condition.
- 8) No drilling, flashing, moving or neon style signage shall be allowed.

THE TENANT SHALL BE RESPONSIBLE FOR ALL ADA REQUIRED SIGNAGE WITHIN THEIR PREMISES.

ONLY C-45 LICENSED SIGN CONTRACTORS SHALL BE ALLOWED TO FABRICATE AND INSTALL CASTILIAN TECHNICAL CENTER SIGNAGE.

ALL EXTERIOR SIGNAGE IS SUBJECT TO APPROVAL BY THE COUNTY OF SANTA BARBARA, AND MUST HAVE A SIGN PERMIT FROM THE COUNTY OF SANTA BARBARA PRIOR TO INSTALLATION.

A COPY OF THE APPROVED SIGN PERMIT MUST BE SUBMITTED TO THE LANDLORD PRIOR TO INSTALLATION.

PLEASE have your sign manufacturer submit two copies of scaled drawings for approval to THE TOWBES GROUP, INC., 21 East Victoria, Suite 200, Santa Barbara, CA 93101

END OF EXHIBIT I

Landlord's Initials *[Signature]*

Tenant's Initials *[Signature]*

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

EXHIBIT J
INTENTIONALLY OMITTED

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

EXHIBIT K

SUPPLEMENTAL TERMS AND CONDITIONS

THESE SUPPLEMENTAL TERMS AND CONDITIONS constitute an integral part of this Lease to which they are attached. Any other provisions of this Lease shall be resolved in favor of these Supplemental Terms and Conditions.

K.1. Landlord's Operating and Maintenance Costs *(Continued from Basic Provisions Section F)*

- a. Tenant's pro rata share ("Tenant's Share") of the Operating Expenses (Article 6.2) shall be as follows:
- i) Effective on the Commencement Date, Tenant's Share of the Common Area Expenses shall initially be twelve and 18/100 percent (12.18%).
 - ii) Effective on the seventh month following the Commencement Date, Tenant's Share of the Common Area Expenses shall initially be twenty-four and 37/100 percent (24.37%).
 - iii) Effective on the Second Delivery Date, Tenant's Share of the Common Area Expenses shall initially be thirty-eight and 11/100 percent (38.11%).
 - iv) Effective on the fourth month following the Second Delivery Date, Tenant's Share of the Common Area Expenses initially shall be fifty-one and 85/100 percent (51.85%).
- b. Tenant's monthly proportionate share of Landlord's estimated Total Operating Costs for the year ended December 31, 2015, shall be \$0.52 per square foot per month. (Article 7.3)

K.2. Signs and Advertising *(Continued from Article 22 of the Standard Terms and Conditions)*

Upon the Effective Date, Tenant shall have the right, at Tenant's sole cost and expense, to place and maintain a sign to display its trade name on the Building directory, and Premises entry door. Upon the date which Existing Tenant vacates suite 210, Tenant shall have the right, at Tenant's sole cost and expense, to place and maintain a prominent sign to display its trade name on the exterior of the Building in the same location as the Existing Tenant's exterior signage. All such signage shall conform to the requirements of Landlord and of all governmental authority(ies) having jurisdiction thereover as to location, size and format. Such sign will be subject to the same terms and conditions set forth in Article 22 of the Standard Terms and Conditions.

K.3. Expansion Right

Landlord hereby grants to Tenant, on the terms and conditions set forth below, a right of expansion (the "Expansion Right") with respect to the spaces, on the first (1st) floor of the Building located at 90 Castilian Drive commonly known as Suite 110 and Suite 120, consisting of approximately 9,449 rentable square feet and 7,855 rentable square feet, respectively (each a "Specific Expansion Space"). As of the date of this Lease Suite 110 is occupied by FLIR with a lease in effect that will expire on December 31, 2015 and Suite 120 is occupied by The Towbes Group, Inc. with a lease in effect that will expire on September 30, 2015 (the "Current Tenants"). The Expansion Right can be exercised on the Specific Expansion Spaces collectively or separately in accordance to the following terms and conditions:

- a. Tenant may only exercise its Expansion Right by providing Landlord with written notice (the "Expansion Notice") of its exercise of the Expansion Right any time after the Effective Date, but no later than six (6) months following the Effective Date. Upon delivery of the Expansion Notice, Tenant's Expansion Right shall be immediately effective and irrevocable for the relevant Specific Expansion Space(s) under the terms set forth herein.
- b. If Tenant does not exercise its Expansion Right within the time periods specified above, then the Expansion Right shall terminate for the Specific Expansion Space(s) and Landlord shall be free to lease the Specific Expansion Space(s) to anyone on any terms at any time during the Term of the Lease, without any obligation to provide Tenant with a further right to lease the Specific Expansion Space(s).

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

c. The Expansion Right shall be personal to the originally named Tenant and shall be exercisable only by the originally named Tenant. The originally named Tenant may exercise the Expansion Right only if that Tenant occupies the Premises originally leased hereunder as of the date of the Expansion Notice. Tenant shall not have the right to lease a Specific Expansion Space if Tenant is in material or monetary default under this Lease (beyond all applicable notice and cure periods in the Lease) as of the date of the attempted exercise of the Expansion Right by Tenant or (at Landlord's option) as of the scheduled Delivery Date of the Specific Expansion Space(s) to Tenant.

d. If Tenant timely and validly exercises the Expansion Right, Landlord shall deliver the Specific Expansion Space(s) to Tenant, vacant and ready for any Tenant improvement work, on a date selected by Landlord (the "Delivery Date") that is no later than one hundred twenty (120) days after the date upon which the Current Tenants vacate their respective suites. Landlord shall not be liable to Tenant or otherwise be in default under this Lease if Landlord is unable to deliver the Specific Expansion Space(s) to Tenant on the projected Delivery Date due to the failure of any other tenant to timely vacate and surrender to Landlord the Specific Expansion Spaces(s).

f. If Tenant exercises the Expansion Right as required herein, then, beginning on the Delivery Date and continuing for the balance of the Term (including any extensions): (a) the Specific Expansion Space(s) shall be part of the Premises under this Lease (so that the term "Premises" in this Lease shall refer to the space in the Premises immediately before the Delivery Date plus the Specific Expansion Space(s)); (b) Tenant's Base Rent shall be immediately adjusted to reflect the increased rentable area of the Premises (9,449 rentable square feet and/or 7,855 rentable square feet) and thereafter adjusted annually in accordance with the terms of the Lease; (d) Tenant's share of Operating Expenses shall be adjusted to reflect the increased rentable area of the Premises; (e) the Security Deposit shall be increased by an amount equal to the increase in total Minimum Monthly Rent, and (f) Tenant shall be entitled to use an additional 3.24 unreserved parking spaces in the parking area of the Project for each additional 1,000 rentable square feet being added to the Leased Premises in accordance with the terms of the Lease. Tenant's lease of the Specific Expansion Space(s) shall be on the same terms and conditions as affect the original Premises from time to time, except as otherwise provided herein. Tenant's obligation to pay Rent with respect to the Specific Expansion Space(s) shall begin ninety (90) days after the Delivery Date of each Specific Expansion Space. The Specific Expansion Space(s) shall be leased to Tenant in its "as-is" condition, except that Landlord shall, at its sole cost and expense prior to the Delivery Date: (i) complete any necessary repairs and/or replacements for all existing HVAC units, per an HVAC report provided by Pacific Climate Control; (ii) deliver the Specific Expansion Space(s) free of any furniture, fixtures, equipment, inventory or signage and in broom clean condition, free from debris with all Building systems in good working order; (iii) provide Tenant up to \$2,000 of space planning services with PK architecture for each Specific Expansion suite being added; and (iv) provide Tenant a \$25 per square foot of the Specific Expansion Space(s) being added as a Tenant Improvement Allowance to be used for interior improvements and subject to the same terms and conditions set forth in Exhibit B. If Tenant does not utilize this Tenant Improvement Allowance within twelve (12) months following the Delivery Date(s) of the Specific Expansion Space(s), the Tenant Improvement Allowance for the applicable suite shall be null and void and Tenant shall forever lose its right to utilize said allowance.

g. If Tenant exercises the Expansion Right as required herein, Landlord and Tenant shall, within twenty (20) days after the Delivery Date(s), confirm in writing the addition of the Specific Expansion Space(s) to the Premises on the terms and conditions set forth herein. The written confirmation shall be set forth in a written amendment to Lease executed by both parties, and shall confirm: (a) the actual Delivery Date(s); (b) the rentable area of the Premises with the addition of the Specific Expansion Space(s); (c) the percentage that constitutes Tenant's share of Operating Expenses, as adjusted in accordance with the terms of the Lease to reflect the increased rentable area of the Premises; (d) the rental commencement date for the Specific Expansion Space(s); and (e) any other term that either party reasonably requests be confirmed with respect to the Lease.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

K.4. Right of First Offer

Subject to the terms and conditions contained herein, Landlord grants to Tenant a continuing right of first offer ("First Offer Right") with respect to space on the first (1st) floor of the Building (together or separately) located at 90 Castilian Drive commonly known as Suites 100 & 101, consisting of approximately 7,855 rentable square feet and 9,449 rentable square feet, respectively (the "First Offer Space"), as follows:

a. Landlord shall provide Tenant with written notice ("First-Offer Notice") from time to time if Landlord decides to offer the First-Offer Space to a third-party. The First Offer Notice shall: (a) describe the First-Offer Space that will become available for lease ("Specific First-Offer Space"); (b) include an attached floor plan identifying such space; (c) state the projected Delivery Date; and state the fundamental lease terms that Landlord is willing to offer such space to third-parties, including Minimum Monthly Rent, any tenant improvement allowance, and the duration of the lease (collectively the "Specific Terms and Conditions").

b. If Tenant wishes to exercise Tenant's First-Offer Right with respect to the Specific First-Offer Space on the Specific Terms and Conditions, Tenant shall, within ten (10) business days after delivery of the First-Offer Notice to Tenant, deliver notice to Landlord of Tenant's irrevocable exercise its First-Offer Right with respect to all the Specific First-Offer Space. Tenant must elect to exercise its First-Offer Right, if at all, only with respect to all the space offered by Landlord to Tenant at any particular time, and Tenant may not elect to lease only a portion of that space.

c. If Tenant does not exercise its First-Offer Right within the response period specified above, the First-Offer Right shall terminate for the Specific First-Offer Space and Landlord shall be free to lease that space to the third party, without any obligation to provide Tenant with a further right to lease that space. Notwithstanding the foregoing, if the third party does not lease the Specific First-Offer Space within ninety (90) days of Tenant not exercising its First-Offer Right, Tenant's First Offer Right shall be reinstated.

d. The First-Offer Right shall be personal to the originally named Tenant and shall be exercisable only by such Tenant (and not any assignee, sublessee, or other transferee of Tenant's interest in this Lease). Tenant may exercise the First-Offer Right only if Tenant occupies all of the Premises leased hereunder as of the date of the First-Offer Notice. Tenant agrees that it shall not have the right to lease First-Offer Space if an Event of Default under this Lease has occurred and is continuing as of the date of the attempted exercise of the First-Offer Right by Tenant or as of the scheduled date of delivery of the Specific First-Offer Space to Tenant.

e. If Tenant timely and validly exercises the First-Offer Right, Landlord shall deliver the Specific First-Offer Space to Tenant on a date selected by Landlord ("Delivery Date"). Landlord shall not be liable to Tenant or otherwise be in default under this Lease if Landlord is unable to deliver the Specific First Offer Space to Tenant on the projected Delivery Date due to the failure of any other tenant to timely vacate and surrender to Landlord the Specific First-Offer Space or any portion of it.

f. If Tenant timely and validly exercises the First-Offer Right, then, beginning on the Delivery Date and continuing for the balance of the Term (including any extensions): (a) the Specific First-Offer Space shall be part of the Premises under this Lease (so that the term "Premises" in this Lease shall refer to the space in the Premises immediately before the Delivery Date plus the Specific First-Offer Space); and (b) Tenants share of Operating Expenses shall be adjusted to reflect the increased rentable area of the Premises. Tenant's lease of the Specific First-Offer Space shall be on the same terms and conditions as affect the original Premises from time to time, except for changes required by the Specific Terms and Conditions.

g. If Tenant timely and validly exercises the First-Offer Right, Landlord and Tenant shall, within twenty (20) days after Landlord's delivery of the Specific First-Offer Space to Tenant, confirm in writing the addition of the Specific First-Offer Space to the Premises on the terms and conditions set forth herein. The written confirmation shall confirm: (a) the actual Delivery Date; (b) the rentable area of the Premises with the addition of the Specific First-Offer Space; (c) the percentage that constitutes Tenant's share of Common Area Expenses, as adjusted in accordance with the terms of the Lease to reflect the increased rentable area of the Premises; (d) the rental commencement date for the Specific First-Offer Space; (e) the number of non-exclusive parking spaces allocated to Tenant (which shall be in the same ratio specified in "Parking" in the Basic Lease Provisions section of this Lease); (f) the Expiration Date; (g) the Specific Terms and Conditions; and (h) any other term that either party requests be confirmed with respect to the Specific First-Offer Space.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

K.5. Real Property Taxes (Continued from Section 5.2 of the Standard Terms and Conditions)

Real Property Taxes shall not include any of the following and Tenant shall not be obligated to pay any of the following, whether as additional rent or otherwise: (i) any charge, penalty or assessment resulting from Landlord's delinquent payment of Real Property Taxes; or (ii) any increase in Real Property Taxes resulting under Proposition 13 from reassessment of the Project (or any portion thereof) as a result of a sale or transfer of the Project (or any portion thereof) that occurs within the initial three (3) year Term of the Lease.

END EXHIBIT K

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

EXHIBIT L
TENANT ESTOPPEL CERTIFICATE

To: _____ (“Bank”)

Attn: _____

Re: Lease Dated: _____

Current Landlord: _____

Current Tenant: _____

Square Feet: Approximately: _____

Floor(s): _____

Located at: _____

(“Tenant”) hereby certifies that as of _____, 20__:

1. Tenant is the present owner and holder of the tenant’s interest under the lease described above, as it may be amended to date (the “Lease”) with _____ Landlord (who is called “Borrower” for the purposes of this Certificate). *(USE THE NEXT SENTENCE IF THE LANDLORD OR TENANT NAMED IN THE LEASE IS A PREDECESSOR TO THE CURRENT LANDLORD OR TENANT.)* [The original landlord under the Lease was _____, and the original tenant under the Lease was _____.] The Lease covers the premises commonly known as _____ (the “Premises”) in the building (the “Building”) at the address set forth above.

2. (a) A true, correct and complete copy of the Lease (including all modifications, amendments, supplements, side letters, addenda and riders of and to it) is attached to this Certificate as Exhibit A. As used herein, the defined term “Lease” includes all such modifications, amendments, supplements, side letters, addenda and riders.

(b) The Lease provides that in addition to the Premises, Tenant has the right to use or rent _____ assigned/unassigned] parking spaces near the Building or in the garage portion of the building during the term of the Lease.

(c) The term of the Lease commenced on _____, 20__ and will expire on _____, 20__ including any presently exercised option or renewal term. Except as specified in Paragraph(s) _____ of the Lease (copy attached), Tenant has no option or right to renew, extend or cancel the Lease, or to lease additional space in the Premises or Building, or to use any parking (*IF APPLICABLE*) [other than that specified in Section 2(b) above].

(d) Tenant has no option or preferential right to purchase all or any part of the Premises (or the land of which the Premises are a part). Tenant has no right or interest with respect to the Premises or the Building other than as Tenant under the Lease.

(e) The annual minimum rent currently payable under the Lease is \$ _____ and such rent has been paid through _____, 20__.

(f) Additional rent is payable under the Lease for (i) operating, maintenance or repair expenses, (ii) property taxes, (iii) consumer price index cost of living adjustments, or (iv) percentage of gross sales adjustments (*i.e.*, adjustments made based on underpayments of percentage rent). Such additional rent has been paid in accordance with Borrower’s rendered bills through _____, 20__. The base year amounts for additional rental items are as follows: (1) operating, maintenance or repair expenses \$ _____, (2) property taxes \$ _____, and (3) consumer price index _____ (please indicate base year CPI level).

(g) Tenant has made no agreement with Borrower or any agent, representative or employee of Borrower concerning free rent, partial rent, rebate of rental payments or any other similar rent concession.

(h) Borrower currently holds a security deposit in the amount of \$ _____ which is to be applied by Borrower or returned to Tenant in accordance with Paragraph(s) _____ of the Lease. Tenant acknowledges and agrees that Bank shall have no responsibility or liability for any security deposit, except to the extent that any security deposit shall have been actually received by Bank.

Landlord’s Initials /s/ [ILLEGIBLE]

Tenant’s Initials /s/ BD, /s/ BL

3. (a) The Lease constitutes the entire agreement between Tenant and Borrower with respect to the Premises, has not been modified changed, altered or amended and is in full force and effect in the form attached as Exhibit A. There are no other agreements, written or oral, which affect Tenant's occupancy of the Premises.

(b) All insurance required of Tenant under the Lease has been provided by Tenant and all premiums have been paid.

(c) To the best knowledge of Tenant, no party is in default under the Lease. To the best knowledge of Tenant, no event has occurred which, with the giving of notice or passage of time, or both, would constitute such a default.

(d) The interest of Tenant in the Lease has not been assigned or encumbered. Tenant is not entitled to any credit against any rent or other charge or rent concession under the Lease except as set forth in the Lease. No rental payments have been made more than one month in advance.

4. All contributions required to be paid by Borrower to date for improvements to the Premises have been paid in full and all of Borrower's obligations with respect to tenant improvements have been fully performed. Tenant has accepted the Premises, subject to no conditions other than those set forth in the Lease.

5. Neither Tenant nor any guarantor of Tenant's obligations under the Lease is the subject of any bankruptcy or other voluntary or involuntary proceeding, in or out of court, for the adjustment of debtor-creditor relationships.

6. (a) As used here, "Hazardous Substance" means any substance, material or waste (including petroleum and petroleum products) which is designated, classified or regulated as being "toxic" or "hazardous" or a "pollutant" or which is similarly designated, classified or regulated, under any federal, state or local law, regulation or ordinance.

(b) Tenant represents and warrants that it has not used, generated, released, discharged, stored or disposed of any Hazardous Substances on, under, in or about the Building or the land on which the Building is located (IF APPLICABLE) [, other than Hazardous Substances used in the ordinary and commercially reasonable course of Tenant's business in compliance with all applicable laws]. (IF APPLICABLE).

7. Tenant hereby acknowledges that Borrower (CHOOSE ONE) [intends to encumber/has encumbered] the property containing the Premises with a Deed of Trust in favor of Bank. Tenant acknowledges the right of Borrower, Bank and any and all of Borrower's present and future lenders to rely upon the statements and representations of Tenant contained in this Certificate and further acknowledges that any loan secured by any such Deed of Trust or further deeds of trust will be made and entered into in material reliance on this Certificate.

8. Tenant hereby agrees to furnish Bank with such other and further estoppel as Bank may reasonably request.

By: _____
Name: _____
Title: _____

END EXHIBIT L

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

EXHIBIT M

COMMENCEMENT DATE MEMORANDUM

With respect to that certain Multi-Tenant Industrial Lease (“Lease”) dated February 9 2015, between AppFolio, Inc., a Delaware corporation (“Tenant”), and Nassau Land Company, L.P., a California limited partnership (“Landlord”), whereby Landlord leased to Tenant and Tenant leased from Landlord approximately 18,635 rentable square feet of the building located at 90 Castilian Drive, Suites 200 & 201, Goleta, CA (“Premises”), Tenant hereby acknowledges and certifies to Landlord as follows:

- (1) Landlord delivered possession of the Premises to Tenant in a substantially completed condition on _____;
- (2) The rental commencement date is _____;
- (3) The Premises contain _____ square feet of space; and
- (4) Tenant has accepted and is currently in possession of the Premises and the Premises are acceptable for Tenant’s use.

IN WITNESS WHEREOF, this Commencement Date Memorandum is executed this ____ day of _____, 20__.

“Tenant”
APPFOLIO, INC., a Delaware corporation

By: /s/ Brian Donahoo
Its: President and CEO

By: /s/ Brett Little
Its: VP Finance

END EXHIBIT M

Landlord’s Initials /s/ [ILLEGIBLE]

Tenant’s Initials /s/ BD, /s/ BL

EXHIBIT N
PROHIBITED USES

The following types of operations and activities are expressly prohibited on the Premises:

1. automobile/truck maintenance, repair or fueling;
2. battery manufacturing or reclamation;
3. ceramics and jewelry manufacturing or finishing;
4. chemical (organic or inorganic) storage, use or manufacturing;
5. drum recycling;
6. dry cleaning;
7. electronic components manufacturing;
8. electroplating and metal finishing;
9. explosives manufacturing, use or storage;
10. hazardous waste treatment, storage, or disposal;
11. leather production, tanning or finishing;
12. machinery and tool manufacturing;
13. medical equipment manufacturing and hospitals;
14. metal shredding, recycling or reclamation;
15. metal smelting and refining;
16. mining;
17. paint, pigment and coating operations;
18. petroleum refining;
19. plastic and synthetic materials manufacturing;
20. solvent reclamation;
21. tire and rubber manufacturing;
22. above- and/or underground storage tanks; and
23. residential use or occupancy.

END EXHIBIT N

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

EXHIBIT O
INTENTIONALLY OMITTED

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

EXHIBIT P

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Attention: _____

(Space Above For Recorder's Use)

SUBORDINATION, NONDISTURBANCE
AND ATTORNMENT AGREEMENT

This SUBORDINATION, NONDISTURBANCE AND ATTORNMENT AGREEMENT ("Agreement"), dated as of _____, 20__, executed by _____ ("Tenant"), and _____, a _____ ("Landlord"), in favor of _____, a _____, as Agent ("Lender"), is entered into with reference to the following facts:

A. Tenant is presently leasing certain premises (the "Premises") comprising a portion of the real property (the "Property") described in Exhibit A, attached hereto and incorporated herein by this reference, pursuant to a lease (as modified from time to time, the "Lease") dated _____ 20__, between Tenant and Landlord.

B. Lender has made or agreed to make a loan or loans to Landlord (the "Loan") and, in connection therewith, Landlord has executed a deed of trust (as modified from time to time, the "Deed of Trust") and an assignment of leases (the "Assignment of Leases"), assigning to Lender Landlord's interests in the Property, including Landlord's interests as landlord under the Lease.

IN CONSIDERATION OF THE FOREGOING, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Tenant and Landlord hereby agree as follows:

A G R E E M E N T

1. Certifications by Tenant, Tenant hereby certifies to Lender as follows:

1.1 The Lease is in full force and effect, Tenant is presently occupying the Premises pursuant thereto, and Tenant has not transferred its interests in the Lease or agreed to do so.

1.2 A true and complete copy of the Lease, together with all amendments, supplements and other modifications thereto (oral or written), has been delivered to Lender by Tenant prior to the execution of this Agreement, _____ is attached hereto as Exhibit B.

1.3 No rent or other amount has been prepaid under the Lease, except as follows (if none, state "None"): _____

1.4 No deposit of any nature has been made in connection with the Lease (other than deposits the nature and amount of which are expressly described in the Lease), except as follows (if none, state "None"): _____

1.5 Tenant is currently paying base rent under the Lease in the amount of \$_____ per month. Tenant's estimated share of common area charges, insurance, real estate taxes and administrative and overhead charges is currently being paid at the rate of \$_____ per month. Tenant has paid a total of \$_____ of percentage rent for the 12-month period ending _____, 20__.

1.6 The Lease is the only agreement between Landlord and Tenant with respect to the Premises, and Tenant claims no rights with respect to the Premises or the Property other than those set forth in the Lease, except as follows (if none, state "None"):

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

1.7 To the best of Tenant's knowledge, there are no existing defenses or offsets against amounts due or to become due to Landlord under the Lease, and there are no existing uncured defaults by Landlord under the Lease, nor has any event occurred which, with the passage of time or the giving of notice or both, would constitute such a default, except as follows (if none, state "None"):

1.8 Landlord has performed all of its obligations to Tenant with respect to the construction of improvements; Landlord has offered no free rent period, building allowance or similar concession(s) to induce Tenant to enter into the Lease except as set forth in the Lease; and Landlord has no other obligations to Tenant in connection with the Lease, matured or not yet matured, except as set forth in the Lease.

1.9 To the best of Tenant's knowledge, no circumstance presently exists, and no event has occurred, that would prevent the Lease from becoming effective or would entitle Tenant to terminate the Lease.

2. Consent to Assignment. Tenant understands that Landlord has assigned or will assign the Lease to Lender in connection with the Loan, and Tenant hereby consents to such assignment. Tenant is not aware of any prior assignment of the Lease by Landlord, except as follows (if none, state "None"):

3. No Modification of Lease; Lender Consents. Tenant shall not, without Lender's prior written consent, (a) amend, supplement, terminate (except to the extent permitted under Section 4, below) or otherwise modify the Lease; or (b) accept (and/or act in reliance on) the release, relinquishment or waiver by Landlord of any right with respect to the Lease. Any such termination, modification, acceptance or other action taken without such prior consent shall, at Lender's option, be void. Without limiting the generality of the foregoing, (i) any assignment or subletting by Tenant (or by any assignee or subtenant) which requires Landlord's consent shall also require Lender's consent, which consent shall not be unreasonably withheld and shall, at Lender's option, be void if such consent is not obtained, and (ii) any alteration to the Premises which requires Landlord's consent shall also require Lender's consent, which consent shall not be unreasonably withheld. Tenant shall not pay any rent or other amount due to Landlord under the Lease more than 10 days in advance of the due date.

4. Lender Cure Rights. Tenant shall not exercise any termination remedy upon a default by Landlord with respect to the Lease unless Tenant has first given Lender written notice of such default (at the address shown below or any other address hereafter supplied to Tenant by Lender) and such default is not cured within 30 days thereafter; provided that, if such default is nonmonetary, is curable by Lender, and (a) is of such a nature that it cannot reasonably be cured within 30 days or (b) the cure thereof by Lender requires Lender to have possession of the Property, then in either such event Tenant shall not exercise any termination remedy so long as Lender is diligently taking all steps required for Lender to cure the default (including pursuit of possession of the Property, to the extent required).

ADDRESS FOR NOTICES TO LENDER:

Attention: _____
with a copy to: _____

Attention: _____

5. Payments to Lender. Tenant shall make all payments under the Lease to Lender upon receiving a direction to pay from Lender, and shall comply with any such direction to pay without determining whether any default exists with respect to the Loan.

6. Agreements by Landlord. Landlord hereby agrees as follows:

6.1 Tenant shall have no liability to Landlord for any amount otherwise owing to Landlord under the Lease in the event that (a) Tenant receives a written demand from Lender to pay such amount to Lender and (b) Tenant thereafter pays such amount to Lender.

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

6.2 Tenant shall be entitled to assume that any such demand by Lender is valid and shall be under no obligation, and shall have no right, to inquire as to its validity, nor shall any claim by Landlord that such demand is invalid affect Tenant's right and obligation to pay all amounts demanded to Lender and thereupon be discharged of Tenant's obligation to pay such amounts to Landlord.

7. Subordination. All of Tenant's rights and interests with respect to the Premises and the Property under the Lease and all related documents (including, without limitation, any options to purchase and rights of first offer and first refusal) are and shall remain subject and subordinate to Lender's rights and interests in the Property under the Deed of Trust, the Assignment of Leases and all related loan and security documents, and to all amendments, supplements and other modifications now or hereafter executed with respect thereto, including without limitation modifications that substantially increase the obligations to Lender to which Tenant's interests are subordinated. Without limiting the generality of the foregoing, the provisions of the above-described loan and security documents shall prevail over any inconsistent provisions of the Lease relating to the disposition of insurance and condemnation awards.

8. Nondisturbance and Attornment. In the event of any judicial or nonjudicial foreclosure of the Deed of Trust or transfer by deed in lieu thereof, the Lease shall not terminate, nor shall Tenant's rights thereunder be disturbed, except in accordance with the terms of the Lease or any amendment or other applicable agreement executed by Tenant with respect thereto; provided, however, that the transferee of Landlord's interests pursuant to such foreclosure or other transfer shall not be (a) liable for any act or omission of any prior landlord under the Lease (including, without limitation, the breach of any representation or warranty made by any prior landlord unless such breach is caused by such transferee), (b) obligated to cure any default of any prior landlord under the Lease (other than nonmonetary default that remain uncured at the time of foreclosure) (c) subject to any offsets or defenses which Tenant is entitled to assert against any prior landlord under the Lease, (d) bound by any payment of any amount owing under the Lease to any prior landlord which was made more than 10 days prior to the date due, (e) bound by any amendment or other modification to the Lease which was made subsequent to the date of this Agreement without the prior written consent of Lender (which shall not be unreasonably withheld) and which could adversely affect the landlord's interests, or (f) liable for the return to Tenant of any security or other deposit paid by Tenant to any prior landlord under the Lease except to the extent that such transferee actually receives such deposit. Tenant shall attorn to and accept any such transferee as the landlord under the Lease for the unexpired balance of the Lease term, and shall execute any document reasonably requested by such transferee to evidence such attornment. Tenant shall not be named in any foreclosure action related to the Deed of Trust.

9. Further Assurances. Each party hereto shall execute, acknowledge and deliver to each other party all documents, and shall take all actions reasonably required by such other party from time to time to confirm or effect the matters set forth herein, or otherwise to carry out the purposes of this Agreement.

10. Reference and Arbitration.

10.1 Mandatory Arbitration. Any controversy or claim between or among the parties that arises from or relates to this Agreement (including any controversy or claim based on or arising from an alleged tort) shall at the request of any party be determined by arbitration. The arbitration shall be conducted in accordance with the United States Arbitration Act (Title 9, U.S. Code), notwithstanding any choice of law provision in this Agreement and under the Commercial Rules of the AAA. The arbitrator(s) shall give effect to statutes of limitation in determining any claim. Any controversy concerning whether an issue is arbitrable shall be determined by the arbitrator(s). Judgment upon the arbitration award may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

10.2 Real Property Collateral. Notwithstanding the provisions of Section 10.1, no controversy or claim shall be submitted to arbitration without the consent of all parties if, at the time of the proposed submission, such controversy or claim arises from or relates to an obligation that is secured by real property collateral. If all parties do not consent to submission of such a controversy or claim to arbitration, the controversy or claim shall be determined by a referee in accordance with California Code of Civil Procedure Sections 638 et seq. The parties shall designate to the court a referee or referees selected under the auspices of the American Arbitration Association ("AAA") in the same manner as arbitrators are selected in AAA-

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

sponsored proceedings. The presiding referee of the panel, or the referee if there is a single referee, shall be an active attorney or retired judge. Judgment upon the award rendered by such referee or referees shall be entered in the court in which such proceeding was commenced in accordance with California Code of Civil Procedure Sections 644 and 645.

10.3 Provisional Remedies, Self-Help and Foreclosure. No provision of this Section 10 shall limit the right of any party to this Agreement to exercise self-help remedies such as setoff, foreclosure against or sale of any real or personal property collateral or security, or to obtain provisional or ancillary remedies (including provisional remedies such as claim and delivery and ancillary remedies such as the issuance of temporary restraining orders and preliminary injunctions pending submission of any action or cause of action to judicial reference or arbitration as otherwise required hereunder) from a court of competent jurisdiction before, after, or during the pendency of any arbitration or other proceeding. The exercise of a remedy does not waive the right of any party to resort to arbitration or reference.

11. Attorneys' Fees. In the event that any litigation, reference or arbitration shall be commenced concerning this Agreement, the party prevailing in such proceeding shall be entitled to recover, in addition to such other relief as may be granted, its reasonable costs and expenses, including, without limitation, reasonable attorneys' fees and costs (including the allocated costs for in-house counsel), whether or not taxable, as awarded by a court of competent jurisdiction, referee or arbitrator.

12. Reliance by Lender. Tenant understands that Lender will rely upon this Agreement in making the Loan and/or in entering into certain agreements and/or granting certain consents in connection therewith. Notice of acceptance of this Agreement by Lender is waived.

13. Miscellaneous. This Agreement shall bind, and shall inure to the benefit of, the successors and assigns of the parties. This document may be executed in counterparts with the same force and effect as if the parties had executed one instrument, and each such counterpart shall constitute an original hereof. This Agreement shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, Tenant and Landlord have caused this Agreement to be duly executed as of the date first written above.

"Tenant"

a _____
By: _____
Name: _____
Its: _____
Date: _____

Landlord consents to, and agrees to be bound by, the provisions of Sections 4 through 13, inclusive, of the foregoing Agreement.

"Landlord"

a _____
By: _____
Name: _____
Its: _____
Date: _____

"Lender"

a _____
By: _____
Name: _____
Its: _____
Date: _____

END EXHIBIT P

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

APPFOLIO, INC.

**2007 STOCK INCENTIVE PLAN
(Amending and Restating the AppFolio, LLC 2006 Equity Incentive Plan)**

This 2007 STOCK INCENTIVE PLAN (the "Plan") is hereby established by AppFolio, Inc., a Delaware corporation (the "Company"), as of February 14, 2007 (the "Effective Date"), in order to amend and restate the AppFolio, LLC 2006 Equity Incentive Plan.

RECITALS

WHEREAS, AppFolio, LLC, a Delaware limited liability company ("AppFolio, LLC") adopted the 2006 Equity Incentive Plan ("Prior Agreement") as of October 12, 2006;

WHEREAS, AppFolio, LLC has converted into the Company;

WHEREAS, the Board (as defined below) and a majority of the unit holders of the AppFolio, LLC and the stockholders of the Company, have elected to amend and restate the Prior Agreement;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, the Prior Agreement is completely amended and restated, as of the Effective Date, to read as follows:

ARTICLE 1.**PURPOSES OF THE PLAN**

1.1 Purposes. The purposes of the Plan are (a) to enhance the Company's ability to attract and retain the services of qualified employees, officers, directors (including non-employee officers and directors), and consultants and other service providers upon whose judgment, initiative and efforts the successful conduct and development of the Company's business largely depends, and (b) to provide additional incentives to such persons or entities to devote their utmost effort and skill to the advancement and betterment of the Company, by providing them an opportunity to participate in the ownership of the Company and thereby have an interest in the success and increased value of the Company.

ARTICLE 2.**DEFINITIONS**

For purposes of this Plan, the following terms shall have the meanings indicated:

2.1 Administrator. "Administrator" means the Board, or if the Board delegates responsibility for any matter to the Committee, the term Administrator shall mean the Committee.

2.2 Affiliated Company. "Affiliated Company" means any "Parent" or "Subsidiary" of the Company, whether now existing or hereafter created or acquired.

2.3 Board. "Board" means the Board of Directors of the Company.

2.4 Change in Control. “Change in Control” means:

(a) a merger or consolidation in which (i) the Company is a constituent party, or (ii) a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation, except in the case of either clause (i) or (ii) any such merger or consolidation involving the Company or a subsidiary of the Company in which the shares of capital stock of the Company outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock which represent, immediately following such merger or consolidation, more than a majority by voting power of the capital stock of (A) the surviving or resulting corporation or (B) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation;

(b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or a subsidiary of the Company of all or substantially all the assets of the Company and the subsidiary of the Company taken as a whole (except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Company);

(c) the sale or transfer, in a single transaction or series of related transactions, by the stockholders of the Company of more than a majority by voting power of the then-outstanding capital stock of the Company to any person or entity or group of affiliated persons or entities; or

(d) the approval by the stockholders of a plan or proposal for the liquidation or dissolution of the Company.

2.5 Code. “Code” means the Internal Revenue Code of 1986, as amended from time to time.

2.6 Committee. “Committee” means a committee of one or more persons appointed by the Board to administer the Plan, as set forth in Section 7.1 hereof.

2.7 Common Stock. “Common Stock” means the Common Stock of the Company, subject to adjustment pursuant to Section 4.2 hereof.

2.8 Consultant. “Consultant” means any consultant or advisor if: (i) the consultant or advisor renders bona fide services to the Company or any Affiliated Company; (ii) the services rendered by the consultant or advisor are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company’s securities; and (iii) the consultant or advisor is a natural person who has contracted directly with the Company or any Affiliated Company to render such services.

2.9 Continuous Service. “Continuous Service” means (i) employment by the Company, or by a Parent or Subsidiary (as such terms are defined herein) of the Company, or by a corporation or other entity issuing or assuming an option in a transaction similar to those transactions described in Section 424(a) of the Code, which is uninterrupted except for vacations, illness (except for permanent disability, as defined in Section 22(e)(3) of the Code), or leaves of absence which are approved in writing by the Company or any of such other employers, if applicable, or (ii) so long as a Participant is engaged as a consultant or Service Provider to the Company or other entity referred to in clause (i) above.

2.10 Covered Employee. “Covered Employee” means the chief executive officer of the Company (or the individual acting in such capacity) and the four (4) other individuals that are the highest compensated officers of the Company for the relevant taxable year for whom total compensation is required to be reported to stockholders under the Exchange Act. Provisions in this Plan making reference to a Covered Employee shall apply only at such time that the Company is Publicly Held.

2.11 Disability. “Disability” means permanent and total disability as defined in Section 22(e)(3) of the Code. The Administrator’s determination of a Disability or the absence thereof shall be conclusive and binding on all interested parties.

2.12 Effective Date. “Effective Date” means the date on which the Plan is adopted by the Board, as set forth on the first page hereof.

2.13 Exchange Act. “Exchange Act” means the Securities and Exchange Act of 1934, as amended.

2.14 Exercise Price. “Exercise Price” means the purchase price per share of Common Stock payable upon exercise of an Option.

2.15 Fair Market Value. “Fair Market Value” on any given date means the value of one share of Common Stock, determined as follows:

(a) If the Common Stock is then listed or admitted to trading on a Nasdaq market system or a stock exchange which reports closing sale prices, the Fair Market Value shall be the closing sale price on the date of valuation on such Nasdaq market system or principal stock exchange on which the Common Stock is then listed or admitted to trading, or, if no closing sale price is quoted on such day, then the Fair Market Value shall be the closing sale price of the Common Stock on such Nasdaq market system or such exchange on the next preceding day for which a closing sale price is reported.

(b) If the Common Stock is not then listed or admitted to trading on a Nasdaq market system or a stock exchange which reports closing sale prices, the Fair Market Value shall be the average of the closing bid and asked prices of the Common Stock in the over-the-counter market on the date of valuation.

(c) If neither (a) nor (b) is applicable as of the date of valuation, then the Fair Market Value shall be determined by the Administrator in good faith using any reasonable method of valuation, which determination shall be conclusive and binding on all interested parties.

2.16 Incentive Option. “Incentive Option” means any Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

2.17 Incentive Option Agreement. “Incentive Option Agreement” means an Option Agreement with respect to an Incentive Option.

2.18 NASD Dealer. “NASD Dealer” means a broker-dealer that is a member of the National Association of Securities Dealers, Inc.

2.19 Nonqualified Option. “Nonqualified Option” means any Option that is not an Incentive Option. To the extent that any Option designated as an Incentive Option fails in whole or in part to qualify as an Incentive Option, including, without limitation, for failure to meet the limitations applicable to a 10% Stockholder or because it exceeds the annual limit provided for in Section 5.6 below, it shall to that extent constitute a Nonqualified Option.

2.20 Nonqualified Option Agreement. “Nonqualified Option Agreement” means an Option Agreement with respect to a Nonqualified Option.

2.21 Option. “Option” means any option to purchase Common Stock granted pursuant to the Plan.

2.22 Option Agreement. “Option Agreement” means the written agreement entered into between the Company and the Optionee with respect to an Option granted under the Plan.

2.23 Optionee. “Optionee” means a Participant who holds an Option.

2.24 Parent. “Parent” means “Parent Corporation” as that term is defined in Section 424(e) of the Code.

2.25 Participant. “Participant” means an individual or entity who holds an Option or Restricted Stock under the Plan.

2.26 Publicly Held. “Publicly Held” means, with respect to the Company, any point in time in which any class of common equity securities of the Company are required to be registered under Section 12 of the Exchange Act.

2.27 Purchase Price. “Purchase Price” means the purchase price per share of Restricted Stock.

2.28 Restricted Stock. “Restricted Stock” means shares of Common Stock issued pursuant to Article 6 hereof, subject to any restrictions and conditions as are established pursuant to such Article 6.

2.29 Service Provider. “Service Provider” means a Consultant or other natural person the Administrator authorizes to become a Participant in the Plan and who provides services to (i) the Company, (ii) an Affiliated Company, or (iii) any other business venture designated by the Administrator in which the Company (or any entity that is a successor to the Company) or an Affiliated Company has a significant ownership interest.

2.30 Subsidiary. “Subsidiary” means “subsidiary corporation” as that term is defined in Section 424(f) of the Code.

2.31 Stock Purchase Agreement. “Stock Purchase Agreement” means the written agreement entered into between the Company and a Participant with respect to the purchase of Restricted Stock under the Plan.

2.32 10% Stockholder. “10% Stockholder” means a person who, as of a relevant date, owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of an Affiliated Company.

ARTICLE 3.

ELIGIBILITY

3.1 Incentive Options. Only employees of the Company or of an Affiliated Company (including officers of the Company and members of the Board if they are employees of the Company or of an Affiliated Company) are eligible to receive Incentive Options under the Plan.

3.2 Nonqualified Options and Restricted Stock. Employees of the Company or of an Affiliated Company, officers of the Company and members of the Board (whether or not employed by the Company or an Affiliated Company), and Service Providers are eligible to receive Nonqualified Options or acquire Restricted Stock under the Plan.

3.3 Section 162(m) Limitation. Subject to the provisions of Section 4.2, no employee of the Company or of an Affiliated Company shall be eligible to be granted Options covering more than 645,200 shares of Common Stock during any calendar year. The foregoing shall not apply, however, until the first date upon which the Company is Publicly Held, and following the date that the Company is Publicly Held, this Section 3.3 shall not apply until the earliest time as required by Section 162(m) of the Code and the rules and regulations thereunder.

ARTICLE 4.

PLAN SHARES

4.1 Shares Subject to the Plan.

(a) A total of 3,630,000 shares of Common Stock may be issued under the Plan, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof. For purposes of this limitation, in the event that (a) all or any portion of any Option or Restricted Stock granted or offered under the Plan can no longer under any circumstances be exercised, or (b) any shares of Common Stock are reacquired by the Company which were initially the subject of an Incentive Option Agreement, Nonqualified Option Agreement or Stock Purchase Agreement, the shares of Common Stock allocable to the unexercised portion of such Option, or such Stock Purchase Agreement, or the shares so reacquired, shall again be available for grant or issuance under the Plan.

(b) A total of 3,630,000 shares of Common Stock may be issued pursuant to Incentive Options, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof.

4.2 Changes in Capital Structure. In the event that the outstanding shares of Common Stock are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, reverse stock split, combination of shares, reclassification, stock dividend, or other change in the capital structure of the Company, then appropriate adjustments shall be automatically made to the aggregate

number and kind of shares subject to this Plan, the number and kind of shares and the price per share subject to outstanding Option Agreements and Stock Purchase Agreements and the limit on the number of shares under Section 3.3, all in order to preserve, as nearly as practical, but not to increase, the benefits to Participants.

ARTICLE 5.

OPTIONS

5.1 Option Agreement. Each Option granted pursuant to this Plan shall be evidenced by an Option Agreement that shall specify the number of shares subject thereto, the Exercise Price per share, and whether the Option is an Incentive Option or Nonqualified Option. As soon as is practical following the grant of an Option, an Option Agreement shall be duly executed and delivered by or on behalf of the Company to the Optionee to whom such Option was granted. Each Option Agreement shall be in such form and contain such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable, including, without limitation, the imposition of any rights of first refusal and resale obligations upon any shares of Common Stock acquired pursuant to an Option Agreement; provided, however, that any changes or amendments to the terms of Section 2 or 3 of any Option Agreement shall require the approval of the Board of Directors.

5.2 Exercise Price. The Exercise Price per share of Common Stock covered by each Incentive Option shall be determined by the Administrator, subject to the following: (a) the Exercise Price of an Incentive Option shall not be less than 100% of Fair Market Value on the date the Incentive Option is granted, and (b) if the person to whom an Incentive Option is granted is a 10% Stockholder on the date of grant, the Exercise Price shall not be less than 110% of Fair Market Value on the date the Option is granted. The Exercise Price per share of Common Stock covered by each Nonqualified Option shall not be less than 100% of Fair Market Value on the date the Nonqualified Option is granted. However, an Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424 of the Code.

5.3 Payment of Exercise Price. Payment of the Exercise Price shall be made upon exercise of an Option and may be made, in the discretion of the Administrator, subject to any legal restrictions, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock acquired pursuant to the exercise of an Option (provided that shares acquired pursuant to the exercise of options granted by the Company must have been held by the Optionee for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes), which surrendered shares shall be valued at Fair Market Value as of the date of such exercise; (d) the Optionee's promissory note in a form and on terms acceptable to the Administrator; provided that an amount equal to at least the aggregate par value of the shares purchased upon exercise of an Option shall be paid in such other form of consideration permitted under the Delaware General Corporation Law; (e) the cancellation of indebtedness of the Company to the Optionee; (f) the waiver of compensation due or accrued to the Optionee for services rendered; (g) provided that a public market for the Common Stock exists, a "same day sale" commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and to sell a portion of the shares so purchased to pay for the Exercise Price and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the Exercise Price directly to the Company; (h) provided that a public market for the Common Stock exists, a "margin" commitment from the Optionee and an NASD Dealer whereby the

Optionee irrevocably elects to exercise the Option and to pledge the shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the Exercise Price directly to the Company; or (i) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable corporate law.

5.4 Term and Termination of Options. The term and provisions for termination of each Option shall be as fixed by the Administrator, but no Option may be exercisable more than ten (10) years after the date it is granted. An Incentive Option granted to a person who is a 10% Stockholder on the date of grant shall not be exercisable more than five (5) years after the date it is granted.

5.5 Vesting and Exercise of Options. Each Option shall vest and become exercisable in one or more installments at such time or times and subject to such conditions, including without limitation the achievement of specified performance goals or objectives, as shall be determined by the Administrator. An Option granted to an employee who is not an officer, a director or Consultant of the Company must vest at a rate of at least twenty percent (20%) per year over a period of five (5) years from the date of grant, subject to reasonable conditions such as continued employment. Notwithstanding the foregoing, to the extent required by applicable law, each Option shall provide that the Optionee shall have the right to exercise the vested portion of any Option held at termination for at least thirty (30) days following termination for any reason, and that the Optionee shall the right to exercise the Option for at least six (6) months if such termination was due to the death or Disability of the Optionee.

5.6 Annual Limit on Incentive Options. To the extent required for “incentive stock option” treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock shall not, with respect to which Incentive Options granted under this Plan and any other plan of the Company or any Affiliated Company become exercisable for the first time by an Optionee during any calendar year, exceed \$100,000.

5.7 No transferability of Options. Except as otherwise provided by the Administrator in an Option Agreement and as permissible under applicable law, no Option shall be assignable or transferable except by will or the laws of descent and distribution, and during the life of the Optionee shall be exercisable only by such Optionee.

5.8 Rights as Stockholder. An Optionee or permitted transferee of an Option shall have no rights or privileges as a stockholder with respect to any shares covered by an Option until such Option has been duly exercised, and certificates representing shares purchased upon such exercise have been issued to such person.

5.9 Unvested Shares. The Administrator shall have the discretion to grant Options which are exercisable for unvested shares of Common Stock. Should the Optionee cease being an employee, a Service Provider, an officer, director or Consultant of the Company while owning such unvested shares, the Company shall have the right to repurchase, at the exercise price paid per share, any or all of those unvested shares. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Administrator and set forth in the document evidencing such repurchase right. The Administrator may not impose a vesting schedule upon any Option grant

or the shares of Common Stock subject to that Option that is more restrictive than twenty percent (20%) per year vesting, with the initial vesting to occur not later than one (1) year after the Option grant date. However, the foregoing limitation shall not be applicable to any Option grants made to individuals who are officers, directors or Consultants of the Company.

ARTICLE 6.

RESTRICTED STOCK

6.1 Issuance and Sale of Restricted Stock. The Administrator shall have the right to issue shares of Common Stock subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant ("Restricted Stock"). Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives. The Purchase Price of Restricted Stock shall be determined by the Administrator, provided that (a) the Purchase Price shall not be less than eighty-five percent (85%) of Fair Market Value of the stock on the date the Restricted Stock is granted or at the time the purchase is consummated, or (b) if the person to whom a right to purchase Restricted Stock is granted is a ten percent (10%) Stockholder on the date of grant, the Purchase Price shall not be less than one hundred percent (100%) of Fair Market Value of the stock on the date the Restricted Stock is granted or at the time the purchase is consummated.

6.2 Restricted Stock Purchase Agreements. A Participant shall have no rights with respect to the shares of Restricted Stock covered by a Stock Purchase Agreement until the Participant has paid the full Purchase Price to the Company in the manner set forth in Section 6.3 hereof and has executed and delivered to the Company the Stock Purchase Agreement. Each Stock Purchase Agreement shall be in such form, and shall set forth the Purchase Price and such other terms, conditions and restrictions of the Restricted Stock, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable.

6.3 Payment of Purchase Price. Subject to any legal restrictions, payment of the Purchase Price may be made, in the discretion of the Administrator, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Participant that have been held by the Participant for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes, which surrendered shares shall be valued at Fair Market Value as of the date of such acceptance; (d) the Participant's promissory note in a form and on terms acceptable to the Administrator; provided that an amount equal to at least the aggregate par value of the shares purchased pursuant to a Stock Purchase Agreement shall be paid in such other form of consideration permitted under Delaware General Corporation Law; (e) the cancellation of indebtedness of the Company to the Participant; (f) the waiver of compensation due or accrued to the Participant for services rendered; or (g) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable corporate law.

6.4 Rights as a Stockholder. Upon complying with the provisions of Section 6.2 hereof, a Participant shall have the rights of a stockholder with respect to the Restricted Stock purchased pursuant to a Stock Purchase Agreement, including voting and dividend rights, subject to the terms, restrictions and conditions as are set forth in such Stock Purchase Agreement. Unless the Administrator shall determine otherwise, certificates evidencing shares of Restricted Stock shall remain in the possession of the Company until such shares have vested in accordance with the terms of the Stock Purchase Agreement.

6.5 Restrictions. Shares of Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided in the Stock Purchase Agreement. In the event of termination of a Participant's employment, service as a director of the Company or Service Provider for any reason whatsoever (including death or disability), the Stock Purchase Agreement may provide that, in the discretion of the Administrator, that the Company shall have the right, exercisable at the discretion of the Administrator, to repurchase (i) at the original Purchase Price, any shares of Restricted Stock which have not vested as of the date of termination, (provided that the right to repurchase at the original Purchase Price shall lapse at the rate of at least twenty percent (20%) per year over five (5) years from the date of the Stock Purchase Agreement for Participants other than officers, directors and Consultants of the Company), and (ii) at Fair Market Value, any shares of Restricted Stock which have vested as of such date, on such terms as may be provided in the Stock Purchase Agreement. In any event, the right to repurchase must be exercised within sixty (60) days of the termination of a Participant's Continuous Service and may be paid by the Company or its assignee, by cash, check, or cancellation of indebtedness within thirty (30) days of the expiration of the right to exercise.

6.6 Vesting of Restricted Stock. Subject to Section 6.5 above, the Stock Purchase Agreement shall specify the date or dates, the performance goals or objectives which must be achieved, and any other conditions on which the Restricted Stock may vest.

6.7 Dividends. If payment for shares of Restricted Stock is made by promissory note, any cash dividends paid with respect to the Restricted Stock may be applied, in the discretion of the Administrator, to repayment of such note.

ARTICLE 7.

ADMINISTRATION OF THE PLAN

7.1 Administrator. Authority to control and manage the operation and administration of the Plan shall be vested in the Board, which may delegate such responsibilities in whole or in part to a committee consisting of one (1) or more persons (the "Committee"). Members of the Committee may be appointed from time to time by, and shall serve at the pleasure of, the Board. The Board may limit the composition of the Committee to those persons necessary to comply with the requirements of Section 162(m) of the Code and Section 16 of the Exchange Act. As used herein, the term "Administrator" means the Board or, with respect to any matter as to which responsibility has been delegated to the Committee, the term Administrator shall mean the Committee.

7.2 Powers of the Administrator. In addition to any other powers or authority conferred upon the Administrator elsewhere in the Plan or by law, the Administrator shall have full power and authority: (a) to determine the persons to whom, and the time or times at which Incentive Options or Nonqualified Options or rights to purchase Restricted Stock shall be granted, the number of shares to be represented by each Option and the number of shares of Restricted Stock to be offered, and the consideration to be received by the Company upon the exercise of such Options or sale of such Restricted Stock; (b) to interpret the Plan; (c) to create, amend or rescind rules and regulations relating to the Plan; (d) to determine the terms, conditions and restrictions contained in, and the form of, Option Agreements and Stock Purchase Agreements; (e) to determine the identity or capacity of any persons who may be entitled to exercise a Participant's rights under any Option or Stock Purchase Agreement under the Plan; (f) to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Option Agreement or Stock Purchase Agreement;

(g) to accelerate the vesting of any Option or release or waive any repurchase rights of the Company with respect to Restricted Stock; (h) to extend the exercise date of any Option or acceptance date of any Restricted Stock; (i) to provide for rights of first refusal and/or repurchase rights; (j) to amend outstanding Option Agreements and Stock Purchase Agreements to provide for, among other things, any change or modification which the Administrator could have included in the original Agreement or in furtherance of the powers provided for herein; and (k) to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan. Any action, decision, interpretation or determination made in good faith by the Administrator in the exercise of its authority conferred upon it under the Plan shall be final and binding on the Company and all Participants.

7.3 Limitation on Liability. No employee of the Company, or member of the Board or Committee shall be subject to any liability with respect to duties under the Plan unless the person acts fraudulently or in bad faith. To the extent permitted by law, the Company shall indemnify each member of the Board or Committee, and any employee of the Company with duties under the Plan, who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative, by reason of such person's conduct in the performance of duties under the Plan.

ARTICLE 8.

CHANGE IN CONTROL

8.1 Change in Control. In order to preserve a Participant's rights in the event of a Change in Control of the Company:

(a) The Administrator shall have the discretion to provide in each Option Agreement or Stock Purchase Agreement the terms and conditions that relate to (i) vesting of such Option or Restricted Stock in the event of a Change in Control, and (ii) assumption of such Options or Stock Purchase Agreements or issuance of comparable securities under an incentive program in the event of a Change in Control.

(b) If the terms of an outstanding Option Agreement provide for accelerated vesting in the event of a Change in Control, or to the extent that an Option is vested and not yet exercised, the Administrator in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of each Option for an amount of cash or other property having a value equal to the difference (or "spread") between: (x) the value of the cash or other property that the Participant would have received pursuant to the Change in Control transaction in exchange for the shares issuable upon exercise of the Option had the Option been exercised immediately prior to the Change in Control, and (y) the Exercise Price of the Option.

(c) Outstanding Options shall terminate and cease to be exercisable upon consummation of a Change in Control except to the extent that the Options are assumed by the successor entity (or parent thereof) pursuant to the terms of the Change in Control transaction.

(d) The Administrator shall cause written notice of a proposed Change in Control transaction to be given to Participants not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

ARTICLE 9.

AMENDMENT AND TERMINATION OF THE PLAN

9.1 Amendments. The Board may from time to time alter, amend, suspend or terminate the Plan in such respects as the Board may deem advisable. No such alteration, amendment, suspension or termination shall be made which shall substantially affect or impair the rights of any Participant under an outstanding Option Agreement or Stock Purchase Agreement without such Participant's consent. The Board may alter or amend the Plan to comply with requirements under the Code relating to Incentive Options or other types of options which give Optionees more favorable tax treatment than that applicable to Options granted under this Plan as of the date of its adoption. Upon any such alteration or amendment, any outstanding Option granted hereunder may, if the Administrator so determines and if permitted by applicable law, be subject to the more favorable tax treatment afforded to an Optionee pursuant to such terms and conditions.

9.2 Plan Termination. Unless the Plan shall theretofore have been terminated, the Plan shall terminate on the tenth (10th) anniversary of the Effective Date and no Options or Restricted Stock may be granted under the Plan thereafter, but Option Agreements and Stock Purchase Agreements then outstanding shall continue in effect in accordance with their respective terms.

ARTICLE 10.

TAX WITHHOLDING

10.1 Withholding. The Company shall have the power to withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy any applicable Federal, state, and local tax withholding requirements with respect to any Options exercised or Restricted Stock issued under the Plan. To the extent permissible under applicable tax, securities and other laws, the Administrator may, in its sole discretion and upon such terms and conditions as it may deem appropriate, permit a Participant to satisfy his or her obligation to pay any such tax, in whole or in part, up to an amount determined on the basis of the highest marginal tax rate applicable to such Participant, by (a) directing the Company to apply shares of Common Stock to which the Participant is entitled as a result of the exercise of an Option or as a result of the purchase of or lapse of restrictions on Restricted Stock or (b) delivering to the Company shares of Common Stock owned by the Participant. The shares of Common Stock so applied or delivered in satisfaction of the Participant's tax withholding obligation shall be valued at their Fair Market Value as of the date of measurement of the amount of income subject to withholding.

ARTICLE 11.

MISCELLANEOUS

11.1 Benefits Not Alienable. Other than as provided above, benefits under the Plan may not be assigned or alienated, whether voluntarily or involuntarily. Any unauthorized attempt at assignment, transfer, pledge or other disposition shall be without effect.

11.2 No Enlargement of Employee Rights. This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Participant to be consideration for, or an inducement to, or a condition of, the employment of

any Participant. Nothing contained in the Plan shall be deemed to give the right to any Participant to be retained as an employee of the Company or any Affiliated Company or to limit the right of the Company or any Affiliated Company to discharge any Participant at any time.

11.3 Application of Funds. The proceeds received by the Company from the sale of Common Stock pursuant to Option Agreements and Stock Purchase Agreements, except as otherwise provided herein, will be used for general corporate purposes.

11.4 Stockholder Approval. The Company shall obtain stockholder approval of the Plan within twelve (12) months before or after the adoption of the Plan by the Board.

11.5 Annual and Other Periodic Reports. To the extent required by Section 260.140.46 of Title 10 of the California Code of Regulations, the Company shall provide to each Participant, not less frequently than annually during the period such Participant has one or more Options or rights to purchase Restricted Stock outstanding, and in the case of an individual who acquires shares pursuant to the Plan, during the period such individual owns such shares, copies of annual financial statements. Notwithstanding the preceding sentence, the Company shall not be required to provide such statements to key employees, whose duties in connection with the Company assure their access to equivalent information.

**AMENDMENT TO APPFOLIO, INC. 2007 STOCK INCENTIVE PLAN
EFFECTIVE APRIL 15, 2008**

Article 4, Section 4.1 of the 2007 Stock Incentive Plan of AppFolio, Inc., a Delaware corporation, is hereby amended and restated in full as follows:

“4.1 Shares Subject to the Plan.

a) A total of 7,260,000 shares of Common Stock may be issued under the Plan, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof. For purposes of this limitation, in the event that (a) all or any portion of any Option or Restricted Stock granted or offered under the Plan can no longer under any circumstances be exercised, or (b) any shares of Common Stock are reacquired by the Company which were initially the subject of an Incentive Option Agreement, Nonqualified Option Agreement or Stock Purchase Agreement, the shares of Common Stock allocable to the unexercised portion of such Option, or such Stock Purchase Agreement, or the shares so reacquired, shall again be available for grant or issuance under the Plan.

b) A total of 7,260,000 shares of Common Stock may be issued pursuant to Incentive Options, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof.”

Except as stated above, all terms and conditions for the 2007 Stock Incentive Plan shall remain in full force and effect.

Second Amendment to 2007 Stock Incentive Plan
Effective February 13, 2009

Article 4, Section 4.1 of the 2007 Stock Incentive Plan of AppFolio, Inc., a Delaware corporation, is hereby amended and restated in full as follows:

“4.1 Shares Subject to the Plan.

(a) A total of 10,335,931 shares of Common Stock may be issued under the Plan, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof. For purposes of this limitation, in the event that (a) all or any portion of any Option or Restricted Stock granted or offered under the Plan can no longer under any circumstances be exercised, or (b) any shares of Common Stock are reacquired by the Company which were initially the subject of an Incentive Option Agreement, Nonqualified Option Agreement or Stock Purchase Agreement, the shares of Common Stock allocable to the unexercised portion of such Option, or such Stock Purchase Agreement, or the shares so reacquired, shall again be available for grant or issuance under the Plan.

(b) A total of 10,335,931 shares of Common Stock may be issued pursuant to Incentive Options, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof.”

Except as stated above, all terms and conditions for the 2007 Stock Incentive Plan shall remain in full force and effect.

Third Amendment to 2007 Stock Incentive Plan
Effective January 25, 2011

Article 4, Section 4.1 of the 2007 Stock Incentive Plan of AppFolio, Inc., a Delaware corporation, is hereby amended and restated in full as follows:

“4.1 Shares Subject to the Plan.

(a) A total of 12,835,931 shares of Common Stock may be issued under the Plan, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof. For purposes of this limitation, in the event that (a) all or any portion of any Option or Restricted Stock granted or offered under the Plan can no longer under any circumstances be exercised, or (b) any shares of Common Stock are reacquired by the Company which were initially the subject of an Incentive Option Agreement, Nonqualified Option Agreement or Stock Purchase Agreement, the shares of Common Stock allocable to the unexercised portion of such Option, or such Stock Purchase Agreement, or the shares so reacquired, shall again be available for grant or issuance under the Plan.

(b) A total of 12,835,931 shares of Common Stock may be issued pursuant to Incentive Options, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof.”

Except as stated above, all terms and conditions for the 2007 Stock Incentive Plan shall remain in full force and effect.

FOURTH AMENDMENT TO STOCK INCENTIVE PLAN
Effective February 28, 2013

Article 4, Section 4.1 of the 2007 Stock Incentive Plan of AppFolio, Inc., a Delaware corporation, is hereby amended and restated in full as follows:

“4.1 Shares Subject to the Plan.

(a) A total of 14,335,931 shares of Common Stock may be issued under the Plan, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof. For purposes of this limitation, in the event that (a) all or any portion of any Option or Restricted Stock granted or offered under the Plan can no longer under any circumstances be exercised, or (b) any shares of Common Stock are reacquired by the Company which were initially the subject of an Incentive Option Agreement, Nonqualified Option Agreement or Stock Purchase Agreement, the shares of Common Stock allocable to the unexercised portion of such Option, or such Stock Purchase Agreement, or the shares so reacquired, shall again be available for grant or issuance under the Plan.

(b) A total of 14,335,931 shares of Common Stock may be issued pursuant to Incentive Options, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof.”

Except as stated above, all terms and conditions for the 2007 Stock Incentive Plan shall remain in full force and effect.

Fifth Amendment to 2007 Stock Incentive Plan
Effective September 5, 2014

Article 4, Section 4.1 of the 2007 Stock Incentive Plan of AppFolio, Inc., a Delaware corporation, is hereby amended and restated in its entirety to read as follows:

“4.1 Shares Subject to the Plan.

(a) A total of 17,019,995 shares of Common Stock may be issued under the Plan, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof. For purposes of this limitation, in the event that (a) all or any portion of any Option or Restricted Stock granted or offered under the Plan can no longer under any circumstances be exercised, or (b) any shares of Common Stock are reacquired by the Company which were initially the subject of an Incentive Option Agreement, Nonqualified Option Agreement or Stock Purchase Agreement, the shares of Common Stock allocable to the unexercised portion of such Option, or such Stock Purchase Agreement, or the shares so reacquired, shall again be available for grant or issuance under the Plan.

(b) A total of 17,019,995 shares of Common Stock may be issued pursuant to Incentive Options, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof.”

Except as stated above, all terms and conditions for the 2007 Stock Incentive Plan shall remain in full force and effect.

AppFolio, Inc.
2007 Stock Incentive Plan
NOTICE OF STOCK OPTION GRANT

AppFolio, Inc., a Delaware corporation (the “Company”) pursuant to its **2007 Stock Incentive Plan** (the “Plan”), hereby grants to Optionee listed below (“Optionee”), an option (the “Option”) to purchase all or any portion of the number of shares of the Company’s **COMMON** Stock (the “Shares”) set forth below, subject to the terms and conditions of this Notice of Stock Option Grant and Stock Option Agreement, the attached Plan and the attached Notice of Exercise of Stock Option and Investment. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Notice of Stock Option Grant and the Stock Option Agreement.

Name of Optionee: ###PARTICIPANT_NAME###

Grant ID: ###EMPLOYEE_GRANT_NUMBER###

Grant Date: ###GRANT_DATE###

Vesting Start Date: ###ALTERNATIVE_VEST_BASE_DATE###

Total Number of Shares Granted: ###TOTAL_AWARDS###

Exercise Price Per Share: ###GRANT_PRICE###

Total Exercise Price: ###TOTAL_EXERCISE_PRICE###

Expiration Date: ###EXPIRY_DATE###

Type of Option Grant: ###DICTIONARY_AWARD_NAME###

Vesting Schedule: ###VEST_SCHEDULE_TABLE###

Exercise Schedule: Same as Vesting Schedule

[STOCK OPTION AGREEMENT TO BE INSERTED HERE]

Additional Terms / Acknowledgements: By clicking “Agree” on the button below, Optionee hereby acknowledges receipt of this Notice of Stock Option Grant, the Stock Option Agreement, the Plan, and the Notice of Exercise of Stock Option and Investment Representations, and accepts this Option subject to all of the terms and provisions thereof. Optionee further represents that he or she has reviewed this Notice of Stock Option Grant, the Stock Option Agreement, the Plan, and the Notice

of Exercise of Stock Option and Investment Representations and has had an opportunity to obtain the advice of counsel prior to accepting the Option, and fully understands and agrees to be bound by the terms and conditions thereof.

The right of the Optionee to exercise this Option may terminate earlier than the Expiration Date set forth above, as set forth in the Stock Option Agreement.

By clicking "Disagree" on the button below, Optionee declines to accept the grant of this Option, at which time the Option shall be cancelled in its entirety.

AppFolio, Inc.

/s/ Brian Donahoo
Brian Donahoo
President & CEO

STOCK OPTION AGREEMENT

This Stock Option Agreement (the "Agreement") is entered into by and between AppFolio, Inc., a Delaware corporation (the "Company"), and the Optionee pursuant to the Company's 2007 Stock Incentive Plan (the "Plan"). Any capitalized term not defined herein shall have the same meaning ascribed to it in the Plan.

1. Grant of Option. The Company hereby grants to Optionee an option (the "Option") to purchase all or any portion of the shares of the Common Stock of the Company (the "Shares") set forth in the Notice of Stock Option Grant (the "Notice") at a purchase price per share set forth in the Notice (the "Exercise Price"), subject to the terms and conditions set forth herein and the provisions of the Plan. If the Type of Option Grant indicated in the Notice is "Incentive Stock Option" then this Option is intended to qualify as an incentive stock option as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). If this Option fails in whole or in part to qualify as an incentive stock option, or if the the Type of Option Grant indicated in the Notice is "Nonstatutory Stock Option", then this Option shall to that extent constitute a nonstatutory stock option.

2. Vesting of Option. The right to exercise this Option shall vest in installments, and this Option shall be exercisable from time to time in whole or in part as to any vested installment ("Vested Shares"). Twenty-five percent (25%) of the Shares shall become Vested Shares on the first anniversary of the Vesting Start Date set forth in the Notice, and, thereafter, the balance of the Shares shall become Vested Shares in a series of thirty-six (36) successive equal monthly installments for each full month of Continuous Service provided by the Optionee, such that 100% of the Shares shall become Vested Shares on the fourth (4th) anniversary of the Vesting Start Date if Optionee's Continuous Service has not terminated prior to that date.

No additional Shares shall vest after the date of termination of Optionee's "Continuous Service" (as defined below), but this Option shall continue to be exercisable in accordance with Section 3 hereof with respect to that number of shares that have vested as of the date of termination of Optionee's Continuous Service.

For purposes of this Agreement, the term "Continuous Service" means (i) employment by either the Company or any Parent or Subsidiary (as such terms are defined in the Plan) of the Company, or by a corporation or a parent or subsidiary of a corporation issuing or assuming a stock option in a transaction to which Section 424(a) of the Code applies, which is uninterrupted except for vacations, illness (except for permanent disability, as defined in Section 22(e)(3) of the Code), or leaves of absence which are approved in writing by the Company or any of such other employer corporations, if applicable, (ii) service as a member of the Board of Directors of the Company until Optionee resigns, is removed from office, or Optionee's term of office expires and he or she is not reelected, or (iii) so long as Optionee is engaged as a Consultant or other Service Provider.

3. Term of Option. The right of the Optionee to exercise this Option shall terminate upon the first to occur of the following:

- (a) the expiration of ten (10) years from the date of this Agreement;

(b) the expiration of one (1) year from the date of termination of Optionee's Continuous Service if such termination is due to permanent disability of the Optionee (as defined in Section 22(e)(3) of the Code);

(c) the expiration of one (1) year from the date of termination of Optionee's Continuous Service if such termination is due to Optionee's death or if death occurs during the three-month period following termination of Optionee's Continuous Service pursuant to Section 3(d) below;

(d) the expiration of three (3) months from the date of termination of Optionee's Continuous Service if such termination occurs for any reason other than permanent disability, death, or cause; provided, however, that if Optionee dies during such three-month period the provisions of Section 3(c) above shall apply;

(e) the termination of Optionee's Continuous Service, if such termination is for cause; or

(f) upon the consummation of a "Change in Control" (as defined in Section 2.4 of the Plan), unless otherwise provided pursuant to Section 10 below.

4. Exercise of Option. On or after the vesting of any portion of this Option in accordance with Sections 2 or 10 hereof, and until termination of the right to exercise this Option in accordance with Section 3 above, the portion of this Option that has vested may be exercised in whole or in part by the Optionee (or, after his or her death, by the person designated in Section 5 below) upon delivery of the following to the Company at its principal executive offices:

(a) a written notice of exercise which identifies this Agreement and states the number of Shares then being purchased (but no fractional Shares may be purchased), with any partial exercise being deemed to cover first vested Shares and then the earliest vesting installments of unvested Shares;

(b) a check or cash in the amount of the Exercise Price (or payment of the Exercise Price in such other form of lawful consideration as the Administrator may approve from time to time under the provisions of Section 5.3 of the Plan);

(c) a check or cash in the amount reasonably requested by the Company to satisfy the Company's withholding obligations under federal, state or other applicable tax laws with respect to the taxable income, if any, recognized by the Optionee in connection with the exercise of this Option (unless the Company and Optionee shall have made other arrangements for deductions or withholding from Optionee's wages, bonus or other compensation payable to Optionee, or by the withholding of Shares issuable upon exercise of this Option or the delivery of Shares owned by the Optionee in accordance with Section 10.1 of the Plan, provided such arrangements satisfy the requirements of applicable tax laws); and

(d) a letter, if requested by the Company, in such form and substance as the Company may require, setting forth the investment intent of the Optionee, or person designated in Section 5 below, as the case may be.

5. Death of Optionee; No Assignment. The rights of the Optionee under this Agreement may not be assigned or transferred except by will or by the laws of descent and distribution, and may be exercised during the lifetime of the Optionee only by such Optionee. Any attempt to sell, pledge, assign, hypothecate, transfer or dispose of this Option in contravention of this Agreement or the Plan shall be void and shall have no effect. If the Optionee's Continuous Service terminates as a result of his or her death, and provided Optionee's rights hereunder shall have vested pursuant to Section 2 hereof, Optionee's legal representative, his or her legatee, or the person who acquired the right to exercise this Option by reason of the death of the Optionee (individually, a "Successor") shall succeed to the Optionee's rights and obligations under this Agreement. After the death of the Optionee, only a Successor may exercise this Option.

6. Representations and Warranties of Optionee.

(a) Optionee represents and warrants that this Option is being acquired by Optionee for Optionee's personal account, for investment purposes only, and not with a view to the distribution, resale or other disposition thereof.

(b) Optionee acknowledges that the Company may issue Shares upon the exercise of the Option without registering such Shares under the Securities Act of 1933, as amended (the "Securities Act"), on the basis of certain exemptions from such registration requirement. Accordingly, Optionee agrees that his or her exercise of the Option may be expressly conditioned upon his or her delivery to the Company of an investment certificate including such representations and undertakings as the Company may reasonably require in order to assure the availability of such exemptions, including a representation that Optionee is acquiring the Shares for investment and not with a present intention of selling or otherwise disposing thereof and an agreement by Optionee that the certificates evidencing the Shares may bear a legend indicating such non-registration under the Securities Act and the resulting restrictions on transfer. Optionee acknowledges that, because Shares received upon exercise of an Option may be unregistered, Optionee may be required to hold the Shares indefinitely unless they are subsequently registered for resale under the Securities Act or an exemption from such registration is available.

(c) Optionee acknowledges receipt of a copy of the Plan and understands that all rights and obligations connected with this Option are set forth in this Agreement and in the Plan.

7. Right of First Refusal.

(a) The Shares acquired pursuant to the exercise of this Option may be sold by the Optionee only in compliance with the provisions of this Section 7, and subject in all cases to compliance with the provisions of Section 6(b) hereof. Prior to any intended sale, Optionee shall first give written notice (the "Offer Notice") to the Company specifying (i) his or her bona fide intention to sell or otherwise transfer such Shares, (ii) the name and address of the proposed purchaser(s), (iii) the number of Shares the Optionee proposes to sell (the "Offered Shares"), (iv) the price for which he or she proposes to sell the Offered Shares, and (v) all other material terms and conditions of the proposed sale.

(b) Within 30 days after receipt of the Offer Notice, the Company or its nominee(s) may elect to purchase all or any portion of the Offered Shares at the price and on the terms and conditions set forth in the Offer Notice by delivery of written notice (the "Acceptance Notice") to the Optionee specifying the number of Offered Shares that the Company or its nominees

elect to purchase. Within 15 days after delivery of the Acceptance Notice to the Optionee, the Company and/or its nominee(s) shall deliver to the Optionee payment of the amount of the purchase price of the Offered Shares to be purchased pursuant to this Section 7, against delivery by the Optionee of a certificate or certificates representing the Offered Shares to be purchased, duly endorsed for transfer to the Company or such nominee(s), as the case may be. Payment shall be made on the same terms as set forth in the Offer Notice or, at the election of the Company or its nominees(s), by check or wire transfer of funds. If the Company and/or its nominee(s) do not elect to purchase all of the Offered Shares, the Optionee shall be entitled to sell the balance of the Offered Shares to the purchaser(s) named in the Offer Notice at the price specified in the Offer Notice or at a higher price and on the terms and conditions set forth in the Offer Notice; provided, however, that such sale or other transfer must be consummated within 60 days from the date of the Offer Notice and any proposed sale after such 60 day period may be made only by again complying with the procedures set forth in this Section 7.

(c) The Optionee may transfer all or any portion of the Shares to a trust established for the sole benefit of the Optionee and/or his or her spouse or children without such transfer being subject to the right of first refusal set forth in this Section 7, provided that the Shares so transferred shall remain subject to the terms and conditions of this Agreement and no further transfer of such Shares may be made without complying with the provisions of this Section 7.

(d) Any Successor of Optionee pursuant to Section 5 hereof, and any transferee of the Shares pursuant to this Section 7, shall hold the Shares subject to the terms and conditions of this Agreement and no further transfer of the Shares may be made without complying with the provisions of this Section 7.

(e) The rights provided the Company and its nominee(s) under this Section 7 shall terminate upon the closing of the initial public offering of shares of the Company's Common Stock pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act.

8. Restrictive Legends.

(a) Optionee hereby acknowledges that federal securities laws and the securities laws of the state in which he or she resides may require the placement of certain restrictive legends upon the Shares issued upon exercise of this Option, and Optionee hereby consents to the placing of any such legends upon certificates evidencing the Shares as the Company, or its counsel, may deem necessary or advisable.

(b) In addition, all stock certificates evidencing the Shares shall be imprinted with a legend substantially as follows:

“THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND A RIGHT OF FIRST REFUSAL IN FAVOR OF THE COMPANY AND/OR ITS NOMINEE(S), AS SET FORTH IN A STOCK OPTION AGREEMENT. TRANSFER OF THESE SHARES MAY BE MADE ONLY IN COMPLIANCE WITH THE PROVISIONS OF SAID AGREEMENT, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF SAID CORPORATION. SUCH TRANSFER RESTRICTIONS AND RIGHT OF FIRST REFUSAL ARE BINDING ON TRANSFEREES OF THESE SHARES.”

9. Adjustments Upon Changes in Capital Structure. In the event that the outstanding shares of Common Stock of the Company are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, combination of shares, reclassification, stock dividend or other change in the capital structure of the Company, then appropriate adjustment shall be made by the Administrator to the number of Shares subject to the unexercised portion of this Option and to the Exercise Price per share, in order to preserve, as nearly as practical, but not to increase, the benefits of the Optionee under this Option, in accordance with the provisions of Section 4.2 of the Plan.

10. Change in Control. In the event of a Change in Control (as defined in Section 2.4 of the Plan):

(a) The right to exercise this Option shall accelerate automatically and vest in full (notwithstanding the provisions of Section 2 above) effective as of immediately prior to the consummation of the Change in Control unless this Option is to be assumed by the acquiring or successor entity (or parent thereof) or a new option or New Incentives are to be issued in exchange therefor, as provided in subsection (b) below. If vesting of this Option will accelerate pursuant to the preceding sentence, the Administrator in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of this Option for an amount of cash or other property having a value equal to the difference (or "spread") between: (x) the value of the cash or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the Shares issuable upon exercise of this Option had this Option been exercised immediately prior to the Change in Control, and (y) the aggregate Exercise Price for such Shares. If the vesting of this Option will accelerate pursuant to this subsection (a), then the Administrator shall cause written notice of the Change in Control transaction to be given to the Optionee not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

(b) The vesting of this Option shall not accelerate if and to the extent that: (i) this Option (including the unvested portion thereof) is to be assumed by the acquiring or successor entity (or parent thereof) or a new option of comparable value is to be issued in exchange therefor pursuant to the terms of the Change in Control transaction, or (ii) this Option (including the unvested portion thereof) is to be replaced by the acquiring or successor entity (or parent thereof) with other incentives of comparable value under a new incentive program ("New Incentives") containing such terms and provisions as the Administrator in its discretion may consider equitable. If this Option is assumed, or if a new option of comparable value is issued in exchange therefor, then this Option or the new option shall be appropriately adjusted, concurrently with the Change in Control, to apply to the number and class of securities or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the Shares issuable upon exercise of this Option had this Option been exercised immediately prior to the Change in Control, and appropriate adjustment also shall be made to the Exercise Price such that the aggregate Exercise Price of this Option or the new option shall remain the same as nearly as practicable.

(c) If the provisions of subsection (b) above apply, then this Option, the new option or the New Incentives shall continue to vest in accordance with the provisions of Section 2 hereof and shall continue in effect for the remainder of the term of this Option in accordance with the provisions of Section 3 hereof.

11. Limitation of Company's Liability for Nonissuance. The Company agrees to use its reasonable best efforts to obtain from any applicable regulatory agency such authority or approval as may be required in order to issue and sell the Shares to the Optionee pursuant to this Option. Inability of the Company to obtain, from any such regulatory agency, authority or approval deemed by the Company's counsel to be necessary for the lawful issuance and sale of the Shares hereunder and under the Plan shall relieve the Company of any liability in respect of the nonissuance or sale of such shares as to which such requisite authority or approval shall not have been obtained.

12. No Employment Contract Created. Neither the granting of this Option nor the exercise hereof shall be construed as granting to the Optionee any right with respect to continuance of employment by the Company or any of its subsidiaries. The right of the Company or any of its subsidiaries to terminate at will the Optionee's employment at any time (whether by dismissal, discharge or otherwise), with or without cause, is specifically reserved.

13. Rights as Stockholder. The Optionee (or transferee of this option by will or by the laws of descent and distribution) shall have no rights as a stockholder with respect to any Shares covered by this Option until such person has duly exercised this Option, paid the Exercise Price and become a holder of record of the Shares purchased.

14. "Market Stand-Off" Agreement.

(a) If requested by the Company or the managing underwriter pursuant to any proposed public offering of the Company's securities, the Optionee hereby agrees that it shall not, directly or indirectly, sell, lend, pledge, offer, transfer, make any short sale of, sell any option or contract to purchase, contract to sell, purchase any option or contract to sell, grant any option, right or warrant for the purchase of, otherwise transfer or dispose of, or enter into any hedging or similar transaction with the same economic effect as a sale, any Shares held by Optionee immediately prior to the effectiveness of the registration statement for such public offering for a period specified by the Company or the representative of the underwriters for such offering not to exceed one hundred eighty (180) days following the effective date of the public offering. Optionee further agrees to execute such agreements as may be reasonably requested by the Company or the managing underwriter in the public offering that are consistent with this Section 14 or that are necessary to give further effect thereto.

(b) In order to enforce the foregoing covenant, the Company may impose stop transfer instructions with respect to the Shares until the end of such period.

15. Interpretation. This Option is granted pursuant to the terms of the Plan, and shall in all respects be interpreted in accordance therewith. The Administrator shall interpret and construe this Option and the Plan, and any action, decision, interpretation or determination made in good faith by the Administrator shall be final and binding on the Company and the Optionee. As used in this Agreement, the term "Administrator" shall refer to the committee of the Board of Directors of the Company appointed to administer the Plan, and if no such committee has been appointed, the term Administrator shall mean the Board of Directors.

16. Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given when delivered personally or three (3) days after being deposited in the United States mail, as certified or registered mail, with postage prepaid, (or by such other method as the Administrator may from time to time deem appropriate), and addressed, if to the Company, at its principal place of business, Attention: President, and if to the Optionee, at his or her most recent address as shown in the employment or stock records of the Company.

17. Governing Law. The validity, construction, interpretation, and effect of this Option shall be governed by and determined in accordance with the laws of the State of California.

18. Severability. Should any provision or portion of this Agreement be held to be unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding.

19. Attorneys' Fees. If any party shall bring an action in law or equity against another to enforce or interpret any of the terms, covenants and provisions of this Agreement, the prevailing party in such action shall be entitled to recover from the other party reasonable attorneys' fees and any expert witness fees.

20. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall be deemed one instrument.

21. California Corporate Securities Law. The sale of the shares that are the subject of this Agreement has not been qualified with the Commissioner of Corporations of the State of California and the issuance of such shares or the payment or receipt of any part of the consideration therefor prior to such qualification is unlawful, unless the sale of such shares is exempt from such qualification by Section 25100, 25102 or 25105 of the California Corporate Securities Law of 1968, as amended. The rights of all parties to this Agreement are expressly conditioned upon such qualification being obtained, unless the sale is so exempt.

APPFOLIO, INC.

GRANT OF RESTRICTED STOCK

PURSUANT TO 2007 STOCK INCENTIVE PLAN

Dear [-----]:

Date: ____, 20__

I am pleased to inform you that the Board of Directors of AppFolio, Inc. (the "Company") has granted you a total of _____ (_____) restricted shares of the Company's Common Stock (the "Shares") at a purchase price of \$_____ per share. This grant was granted as of ____, 20__, pursuant to the Company's 2007 Stock Incentive Plan (the "Plan"), and is evidenced by the Restricted Stock Purchase Agreement (the "Agreement") that accompanies this letter.

A. Summary of Your Restricted Stock Grant.

Set forth below is a brief summary of your rights under the Agreement. The full terms and conditions of your grant are contained in the Agreement and the Plan. The following summary is qualified in its entirety by reference to those documents:

1. The Shares are subject to vesting over time, as specified in the Agreement, as well as other restrictions set forth in the Agreement and the Plan.
2. The Shares are subject to (i) repurchase by the Company upon termination of your service to the Company for any reason and (ii) a right of first refusal in favor of the Company in the event that you plan to sell the Shares.
3. If your service to the Company terminates, the Company has a right to repurchase the unvested Shares for the purchase price of such Shares.
4. The Shares are nontransferable except to a trust established for your benefit or for your spouse or children, and so long as the Shares remain subject to the provisions of the Agreement.
5. As described in the Summary of Tax Consequences included in the documents enclosed, under certain circumstances, you may benefit from making a timely election under Section 83(b) of the Internal Revenue Code with respect to your receipt of the Shares. This election must be made within thirty (30) days of the date you receive the Shares. We strongly urge you to consult with your personal tax advisor to determine if this would be an appropriate step for you to take. For your convenience, we have attached a form of 83(b) election to the Agreement.

B. List of Documents Enclosed with this Letter.

Copies of the following documents accompany this letter. Please take read through the following materials and then keep them in a safe place for future reference.

1. **Restricted Stock Purchase Agreement** (two copies). Please sign both copies on page 10 to indicate your acceptance of the Agreement and return one signed copy to the Company. In addition, please sign the Stock Assignment Separate from Certificate. In addition, if applicable, please have your spouse sign the Consent and Ratification of Spouse. If the Spousal Consent is not applicable, please indicate such on the form.

2. **AppFolio, Inc. 2007 Stock Incentive Plan.**

3. **Summary of Federal Income Tax Consequences Relating to Participation in the Company's 2007 Stock Incentive Plan.**

4. **Promissory Note and Pledge Agreement.**

5. **83(b) Election.** As described above, the election must be made and filed with the Internal Revenue Service within thirty (30) days of the date you receive the Shares.

If you have any questions about your Agreement, please feel free to discuss them with me. On behalf of the Board of Directors, I want to congratulate you for being selected to receive this stock grant.

Sincerely,

**RESTRICTED STOCK PURCHASE AGREEMENT
UNDER
2007 STOCK INCENTIVE PLAN**

THIS RESTRICTED STOCK PURCHASE AGREEMENT (the "Agreement") is entered into as of _____, 200_ by and between _____ (hereinafter referred to as "Purchaser"), and AppFolio, Inc., a Delaware corporation (hereinafter referred to as the "Company"), pursuant to the Company's 2007 Stock Incentive Plan (the "Plan"). Any capitalized term not defined herein shall have the same meaning ascribed to it in the Plan.

R E C I T A L S:

A. Purchaser is an employee, director, Consultant or other Service Provider, and in connection therewith has rendered services for and on behalf of the Company.

B. The Company desires to issue shares of common stock to Purchaser for the consideration set forth herein to provide an incentive for Purchaser to continue to provide "Continuous Service" (as defined below) to the Company and to exert added effort towards its growth and success.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, and for other good and valuable consideration, the parties agree as follows:

1. Issuance of Shares. The Company hereby agrees to issue to Purchaser, and Purchaser hereby agrees to acquire, an aggregate of _____ (_____) shares of Common Stock of the Company (the "Shares") on the terms and conditions herein set forth.

2. Consideration. The purchase price for the Shares shall be _____ cents per share (the "Purchase Price"), which shall be paid by the delivery of Purchaser's check payable to the Company contemporaneous with the execution and delivery of this Agreement.

3. Vesting of Shares. Subject to Section 4(f) below, twenty-five percent (25%) of the Shares shall vest and become "Vested Shares" on the first anniversary of the Vesting Commencement Date (as defined below). Thereafter, the balance of the Shares shall become Vested Shares in a series of thirty-six (36) successive equal monthly installments for each full month of Continuous Service (as defined below) provided by the Purchaser, such that 100% of the Shares will become Vested Shares on the fourth anniversary of the Vesting Commencement Date if Purchaser provides Continuous Services through that date. For these purposes, the Vesting Commencement Date shall mean _____. Shares which have not yet become vested are herein called "Unvested Shares." No additional shares shall vest after the date of termination of Purchaser's Continuous Service.

For purposes of this Agreement, the term "Continuous Service" means (i) employment by either the Company or any parent or subsidiary corporation of the Company, or by any successor entity following a Change in Control, which is uninterrupted except for vacations, illness (except for permanent disability, as defined in Section 22(e)(3) of the Code), or leaves of absence which are approved in writing by the Company or any of such other employer corporations,

if applicable, (ii) service as a member of the Board of Directors of the Company until Purchaser resigns, is removed from office, or Purchaser's term of office expires and he or she is not reelected, or (iii) so long as Purchaser is engaged as a Consultant or other Service Provider.

4. Reconveyance Upon Termination of Service.

(a) Repurchase Right. The Company shall have the right (but not the obligation) to repurchase (the "Repurchase Right") all or any part of the Unvested Shares in the event that the Purchaser's Continuous Service terminates for any reason. Upon exercise of the Repurchase Right, the Purchaser shall be obligated to sell his or her Unvested Shares to the Company, as provided in this Section 4. In the event the Company does not exercise the Repurchase Right with respect to all of the Unvested Shares, the Company shall nevertheless continue to have the "Right of First Refusal" with respect to any remaining Unvested Shares during the period and as set forth in Section 5 below.

(b) Consideration for Repurchase Right. The repurchase price of the Unvested Shares (the "Repurchase Price") shall be equal to the Purchase Price of such Unvested Shares.

(c) Procedure for Exercise of Reconveyance Option. For sixty (60) days after the Termination Date or other event described in this Section 4, the Company may exercise the Repurchase Right by giving Purchaser and/or any other person obligated to sell written notice of the number of Unvested Shares which the Company desires to purchase. The Repurchase Price for the Unvested Shares (as determined pursuant to Section 4(b)) shall be payable, at the option of the Company, by check or by cancellation of all or a portion of any outstanding indebtedness of Purchaser to the Company, or by any combination thereof. In the event the Company does not exercise the Repurchase Right with respect to all of the unvested Shares, the Company shall nevertheless continue to have the Right of First Refusal with respect to any such remaining Unvested Shares as set forth in Section 5 below.

(d) Notification and Settlement. In the event that the Company has elected to exercise the Repurchase Right as to part or all of the Unvested Shares within the period described above, Purchaser or such other person shall deliver to the Company certificate(s) representing the Shares to be acquired by the Company within thirty (30) days following the date of the notice from the Company. The Company shall deliver to Purchaser against delivery of the Unvested Shares, checks of the Company payable to Purchaser and/or any other person obligated to transfer the Unvested Shares in the aggregate amount of the purchase price to be paid as set forth in paragraph 4(b) above.

(e) Deposit of Unvested Shares. Purchaser shall deposit with the Company certificates representing the Unvested Shares, together with a duly executed stock assignment separate from certificate in blank, which shall be held by the Secretary of the Company. Purchaser shall be entitled to vote and to receive dividends and distributions on all such deposited Shares.

(f) Termination. The provisions of this Section 4 shall automatically terminate, and the Unvested Shares shall not be subject to the Repurchase Right (and thus shall become Vested Shares) in accordance with Section 4(g) below.

(g) Notwithstanding Section 3, if Purchaser holds Shares at the time a Change in Control occurs, all Repurchase Rights shall automatically terminate immediately prior to the consummation of such Change in Control and the Shares subject to those terminated Repurchase Rights shall immediately vest in full except to the extent that this Agreement is continued, assumed, or substituted for by the acquiring or successor entity (or parent thereof) in connection with such Change in Control. Notwithstanding the foregoing sentence, if pursuant to a Change in Control the acquiring or successor entity (or parent thereof) provides for the continuance or assumption of this Agreement or the substitution for this Agreement of a new agreement of comparable value covering shares of a successor corporation (with appropriate adjustments as to the number and kind of shares and the purchase price), then the Repurchase Rights shall not terminate and vesting of the Shares shall not accelerate in connection with such Change in Control.

5. Right of First Refusal.

(a) The Shares acquired pursuant to this Agreement that are subject to the Repurchase Right may be sold by the Purchaser only in compliance with the provisions of this Section 5, and subject in all cases to compliance with the provisions of Section 6 hereof. Prior to any intended sale, Purchaser shall first give written notice (the "Offer Notice") to the Company specifying (i) his or her bona fide intention to sell or otherwise transfer such Shares, (ii) the name and address of the proposed purchaser(s), (iii) the number of Shares the Purchaser proposes to sell (the "Offered Shares"), (iv) the price for which he or she proposes to sell the Offered Shares, and (v) all other material terms and conditions of the proposed sale.

(b) Within 30 days after receipt of the Offer Notice, the Company or its nominee(s) may elect to purchase all or any portion of the Offered Shares at the price and on the terms and conditions set forth in the Offer Notice by delivery of written notice (the "Acceptance Notice") to the Purchaser specifying the number of Offered Shares that the Company or its nominee(s) elect to purchase. Within 15 days after delivery of the Acceptance Notice to the Purchaser, the Company and/or its nominee(s) shall deliver to the Purchaser a check in the amount of the purchase price of the Offered Shares to be purchased pursuant to this Section 5, against delivery by the Purchaser of a certificate or certificates representing the Offered Shares to be purchased, duly endorsed for transfer to the Company or such nominee(s), as the case may be. However, (i) should the purchase price specified in the Offered Notice be payable in property other than cash or evidences of indebtedness, the Company or its nominee(s) shall have the right to pay the purchase price in the form of cash equal in amount to the value of such property, and (ii) if there is no purchase price for the intended disposition, the Company or its nominee(s) shall have the right to purchase any or all of the Offered Shares for a purchase price in the form of cash equal in amount to the value of such Offered Shares. If the Purchaser and the Company or its nominee(s) cannot agree on such cash value within ten (10) days after the Company's receipt of the Offer Notice, the valuation shall be made by an appraiser of recognized standing selected by the Purchaser and the Company or its nominee(s) or, if they cannot agree on an appraiser within ten (10) days after the Company's receipt of such notice, each shall select an appraiser of recognized standing and the two appraisers shall designate a third appraiser of recognized standing, whose appraisal shall be determinative of such value.

(c) If the Company and/or its nominee(s) do not elect to purchase all of the Offered Shares, the Purchaser shall be entitled to sell the balance of the Offered Shares to the purchaser(s) named in the Offer Notice at the price specified in the Offer Notice or at a higher price and on the terms and conditions set forth in the Offer Notice; provided, however, that any such sale or disposition must not be effected in contravention of the representations made by the Purchaser in Section 8 of this Agreement. Such sale or other transfer must be consummated within 60 days from the date of the Offer Notice and any proposed sale after such 60-day period may be made only by again complying with the procedures set forth in this Section 5.

(d) The Purchaser may transfer all or any portion of the Shares to a trust established for the sole benefit of the Purchaser and/or his or her spouse or children without such transfer being subject to the right of first refusal set forth in this Section 5, provided that the Shares so transferred shall remain subject to the terms and conditions of this Agreement and no further transfer of such Shares may be made without complying with the provisions of this Section 5.

(e) Any transferee of the Shares pursuant to this Section 5, shall hold the Shares subject to the terms and conditions of this Agreement and no further transfer of the Shares may be made without complying with the provisions of this Section 5.

(f) Until such time as the Company's right of first refusal lapses and ceases to have effect pursuant to the provisions of Section 5(g), the stock certificates for the Shares purchased pursuant to this Agreement shall be endorsed with the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR ENCUMBERED, EXCEPT IN CONFORMITY WITH THE TERMS OF A RESTRICTED STOCK PURCHASE AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR HIS PREDECESSOR IN INTEREST). SUCH AGREEMENT GRANTS CERTAIN RIGHTS OF FIRST REFUSAL TO THE COMPANY (OR ITS NOMINEE(S)) UPON THE SALE, ASSIGNMENT, TRANSFER, PLEDGE OR ENCUMBRANCE OF THE SHARES. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY.

(g) The rights provided the Company and its nominee(s) under this Section 5 shall terminate upon the closing of the initial public offering of shares of the Company's Common Stock pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act (a "Public Offering"), or immediately prior to the consummation of a Change in Control whereupon the Shares will be exchanged for shares of a successor corporation, which corporation is Publicly Held (as defined in the Plan).

6. Adjustments Upon Changes in Capital Structure. In the event that the outstanding Shares of Common Stock of the Company are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, combination of shares, reclassification, stock dividend, or other change in the capital structure of the Company, then Purchaser shall be entitled to new or additional or different shares of stock or securities, in order to preserve, as nearly as practical, but not to increase, the benefits of Purchaser under this Agreement, in accordance with the provisions of Section 4.2 of the Plan. Such new, additional or different shares shall be deemed "Shares" for purposes of this Agreement and subject to all of the terms and conditions hereof.

7. Shares Free and Clear. All Shares purchased by the Company pursuant to this Agreement shall be delivered by Purchaser free and clear of all claims, liens and encumbrances of every nature (except the provisions of this Agreement and any conditions concerning the Shares relating to compliance with applicable federal or state securities laws), and the purchaser thereof shall acquire full and complete title and right to all of the shares, free and clear of any claims, liens and encumbrances of every nature (again except for the provisions of this Agreement and such securities laws).

8. Investment Representations. The Purchaser acknowledges that he or she is aware that the Shares to be issued to him by the Company pursuant to this Agreement have not been registered under the Securities Act of 1933, as amended. In this connection, the Purchaser warrants and represents to the Company as follows:

(a) The Purchaser is purchasing the Shares solely for the Purchaser's own account for investment and not with a view to or for sale or distribution of the Shares or any portion thereof and not with any present intention of selling, offering to sell or otherwise disposing of or distributing the Shares or any portion thereof. The Purchaser also represents that the entire legal and beneficial interest of the Shares the Purchaser is purchasing is being purchased for, and will be held for the account of, the Purchaser only and neither in whole nor in part for any other person.

(b) The Purchaser has heretofore discussed the Company and its plans, operations and financial condition with its officers and that the Purchaser has heretofore received all such information as the Purchaser deems necessary and appropriate to enable the Purchaser to evaluate the financial risk inherent in making an investment in the Shares of the Company and the Purchaser further represents and warrants that the Purchaser has received satisfactory and complete information concerning the business and financial condition of the Company in response to all inquiries in respect thereof.

(c) The Purchaser realizes that the purchase of the Shares is a highly speculative investment and represents that the Purchaser is able, without impairing the Purchaser's financial condition, to hold the Shares for an indefinite period of time and to suffer a complete loss on the investment.

(d) The Company hereby discloses to the Purchaser and the Purchaser hereby acknowledges that:

(i) the Shares have not been registered under the Securities Act of 1933, as amended (the "Act"), and such Shares must be held indefinitely unless a transfer of them is subsequently registered under the Act or an exemption from such registration is available;

(ii) the share certificate representing the Shares will be stamped with the legends restricting transfer specified in this Agreement between the Company and the Purchaser; and

(iii) the Company will make a notation in its records of the aforementioned restrictions on transfer and legends.

(e) The Purchaser understands that the Shares are restricted securities within the meaning of Rule 144 promulgated under the Act; that the exemption from registration under Rule 144 will not be available in any event for at least one (1) year from the date of sale of the Shares to the Purchaser, and even then will not be available unless (i) a public trading market then exists for the Shares of the Company, (ii) adequate current public information concerning the Company is then available to the public, (iii) the Purchaser has been the beneficial owner and the Purchaser has paid the full Purchase Price for the Shares at least one (1) year prior to the sale, and (iv) other terms and conditions of Rule 144 are complied with; and that any sale of the Shares may be made by it only in limited amounts in accordance with such terms and conditions, as amended from time to time.

(f) Without in any way limiting any of the other provisions of this Agreement or its representations set forth above, the Purchaser further agrees that the Purchaser shall in no event make any disposition of all or any portion of the Shares which the Purchaser is purchasing unless and until:

(i) there is then in effect a Registration Statement under the Act covering such proposed disposition and such disposition is made in accordance with said Registration Statement; or

(ii) (A) the Purchaser shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, (B) the Purchaser shall have furnished the Company with an opinion of counsel to the effect that such disposition will not require registration of such shares under the Act, and (C) such opinion of counsel shall have been concurred in by counsel for the Company and the Company shall have advised the Purchaser of such concurrence.

9. Limitation of Company's Liability for Nonissuance; Unpermitted Transfers.

(a) The Company agrees to use its reasonable best efforts to obtain from any applicable regulatory agency such authority or approval as may be required in order to issue and sell the Shares to Purchaser pursuant to this Agreement. The inability of the Company to obtain, from any such regulatory agency, authority or approval deemed by the Company's counsel to be necessary for the lawful issuance and sale of the Shares hereunder and under the Plan shall relieve the Company of any liability in respect of the nonissuance or sale of such Shares as to which such requisite authority or approval shall not have been obtained.

(b) The Company shall not be required to: (i) transfer on its books any Shares of the Company which shall have been sold or transferred in violation of any of the provisions set forth in this Agreement, or (ii) treat as owner of such shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such shares shall have been so transferred. In the event of a sale of Shares by the Purchaser pursuant to Section 5, the Purchaser shall furnish to the Company proof that such sale was made in compliance with the provisions of Section 5 as to price and general terms of such sale.

10. Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given when delivered personally or three (3) days after being deposited in the United States mail, as certified or registered mail, with postage prepaid, (or by such other method as the Administrator may from time to time deem appropriate), and addressed, if to the Company, at its principal place of business, Attention: President, and if to the Purchaser, at his or her most recent address as shown in the employment or stock records of the Company.

11. Binding Obligations. All covenants and agreements herein contained by or on behalf of any of the parties hereto shall bind and inure to the benefit of the parties hereto and their permitted successors and assigns.

12. Captions and Section Headings. Captions and section headings used herein are for convenience only, and are not part of this Agreement and shall not be used in construing it.

13. Amendment. This Agreement may not be amended, waived, discharged, or terminated other than by written agreement of the parties.

14. Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior or contemporaneous written or oral agreements and understandings of the parties, either express or implied.

15. Assignment. Purchaser shall have no right, without the prior written consent of the Company, to (i) sell, assign, mortgage, pledge or otherwise transfer any interest or right created hereby, or (ii) delegate his or her duties or obligations under this Agreement. This Agreement is made solely for the benefit of the parties hereto, and no other person, partnership, association or corporation shall acquire or have any right under or by virtue of this Agreement.

16. Severability. Should any provision or portion of this Agreement be held to be unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding.

17. Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one agreement and any party hereto may execute this Agreement by signing any such counterpart. This Agreement shall be binding upon Purchaser and the Company at such time as the Agreement, in counterpart or otherwise, is executed by Purchaser and the Company.

18. Applicable Law. This Agreement shall be construed in accordance with the laws of the State of Delaware without reference to choice of law principles, as to all matters, including, but not limited to, matters of validity, construction, effect or performance.

19. No Agreement to Employ. Nothing in this Agreement shall affect any right with respect to continuance of employment by the Company or any of its subsidiaries. The right of the Company or any of its subsidiaries to terminate at will the Purchaser's employment at any time (whether by dismissal, discharge or otherwise), with or without cause, is specifically reserved, subject to any other written employment agreement to which the Company and Purchaser may be a party.

20. "Market Stand-Off" Agreement. Purchaser agrees in connection with any registration of the Company's securities that, upon the request of the Company or the underwriters managing any public offering of the Company's securities, Purchaser will not sell or otherwise dispose of any Purchased Shares without the prior written consent of the Company or such underwriters, as the case may be, for a period of time (not to exceed 180 days) from the effective date of such registration as the Company or the underwriters may specify.

21. Tax Elections. Purchaser understands that Purchaser (and not the Company) shall be responsible for the Purchaser's own tax liability that may arise as a result of the acquisition of the Shares. Purchaser acknowledges that Purchaser has considered the advisability of all tax elections in connection with the purchase of the Shares, including the making of an election under Section 83(b)

under the Internal Revenue Code of 1986, as amended (“Code”); Purchaser further acknowledges that the Company has no responsibility for the making of such Section 83(b) election. In the event Purchaser determines to make a Section 83(b) election, Purchaser agrees to timely provide a copy of the election to the Company as required under the Code.

22. Attorneys’ Fees. If any party shall bring an action in law or equity against another to enforce or interpret any of the terms, covenants and provisions of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorneys’ fees and costs.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE COMPANY:
APPFOLIO, INC.

PURCHASER:

By: _____

Signature: _____

Name: _____

Print Name: _____

Title: _____

CONSENT AND RATIFICATION OF SPOUSE

The undersigned, the spouse of _____, a party to the attached Restricted Stock Purchase Agreement (the "Agreement"), dated as of _____, hereby consents to the execution of said Agreement by such party; and ratifies, approves, confirms and adopts said Agreement, and agrees to be bound by each and every term and condition thereof as if the undersigned had been a signatory to said Agreement, with respect to the Shares (as defined in the Agreement) made the subject of said Agreement in which the undersigned has an interest, including any community property interest therein.

I also acknowledge that I have been advised to obtain independent counsel to represent my interests with respect to this Agreement but that I have declined to do so and I hereby expressly waive my right to such independent counsel.

Date: _____

Spouse Signature

Print Spouse Name

83(B) ELECTION

This statement is being made pursuant to Section 83(b) of the Internal Revenue Code, pursuant to Treas. Reg. Section 1.83-2.

1. The person who performed the services is:

Name: _____
Address: _____
Social Security No.: _____
Taxable Year: 200_

2. The property with respect to which the election is being made is _____ shares (the "Shares") of the common stock of AppFolio, Inc., a Delaware corporation.

3. The property was issued on _____.

4. The property is subject to a repurchase right pursuant to which the issuer has the right to repurchase the Shares pursuant to the terms set forth in the Restricted Stock Purchase Agreement, dated _____, between the issuer and the Employee. The repurchase price of any vested Shares shall be equal to the Fair Market Value of such vested Shares as of the termination date and the repurchase price for any unvested shares shall be equal to the original purchase price of such unvested Shares. The issuer's repurchase right lapses on _____.

5. The fair market value at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) of the property with respect to which the election is being made is \$____ per share.

6. The amount paid for such property is \$____ per share.

7. A copy of this statement was furnished to AppFolio, Inc., for whom Person rendered the service underlying the transfer of property.

Dated: _____, 200__

Signature

Print Name

Spouse Signature

Print Name of Spouse

Assignment Separate From Certificate

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto AppFolio, Inc., a Delaware corporation (the "Company"), _____ (_____) shares of the _____ Capital Stock of _____ standing in _____ name on the books of said _____ represented by Certificate No. _____ herewith and does hereby irrevocably constitute and appoints _____ Attorney to transfer the said stock on the books of the within named Company with full power of substitution in the premises.

Dated: _____

Signature: _____

Print Name: _____

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this “**Agreement**”), dated _____, 201____, is by and between AppFolio, Inc., a Delaware corporation (the “**Company**”), and _____ (“**Indemnitee**”).

RECITALS

A. Indemnitee is a director or an officer of the Company.

B. The board of directors of the Company (the “**Board**”) has determined that enhancing the ability of the Company to retain and attract as directors and officers the most capable persons is in the best interests of the Company and that the Company therefore should seek to assure such persons that indemnification is available.

C. In recognition of the need to provide Indemnitee with substantial protection against personal liability, in order to procure Indemnitee’s continued service as a director or officer of the Company and to enhance Indemnitee’s ability to serve the Company in an effective manner, and in order to provide such protection pursuant to express contract rights (intended to be enforceable irrespective of, among other things, any amendment to the Company’s certificate of incorporation or bylaws (collectively, the “**Constituent Documents**”), any change in the composition of the Board or any change in control or business combination transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of, and the advancement of Expenses (as defined in Section 2 below) to, Indemnitee as set forth in this Agreement and to the extent insurance is maintained for the continued coverage of Indemnitee under the Company’s directors’ and officers’ liability insurance policies.

NOW, THEREFORE, in consideration of the foregoing and the Indemnitee’s agreement to continue to provide services to the Company, the parties hereby agree as follows:

1. Services to the Company. Indemnitee agrees to continue to serve as a director or officer of the Company for so long as Indemnitee is duly elected or appointed, until Indemnitee tenders Indemnitee’s resignation or until Indemnitee is terminated by the Company, as applicable. This Agreement shall not be deemed an employment agreement between the Company (or any of its subsidiaries or another Enterprise) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee’s service to the Company or any of its subsidiaries or another Enterprise (as defined in Section 2 below) is at will and the Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment agreement between Indemnitee and the Company (or any of its subsidiaries or another 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 Company’s Constituent Documents or Delaware law. This Agreement shall continue in force after Indemnitee has ceased to serve as a director or officer of the Company or, at the request of the Company, of any of its subsidiaries or Enterprise, as defined in Section 2 below.

2. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

- (a) “**Agreement**” shall have the meaning ascribed to it in the prefatory language above.
- (b) “**Beneficial Owner**” has the meaning given to the term “beneficial owner” in Rule 13d-3 under the Exchange Act.
- (c) “**Board**” shall have the meaning ascribed to it in the Recitals above.
- (d) “**Business Combination**” means a reorganization, a merger or a consolidation.
- (e) “**Change in Control**” means the occurrence after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person (as defined below) who is not a current stockholder of the Company becomes hereafter the Beneficial Owner, directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the Company’s Voting Securities, unless the change in the relative Beneficial Ownership of the Company’s securities by any Person results solely from a reduction in the aggregate number of outstanding Voting Securities;

(ii) Corporate Transactions. The consummation of a Business Combination, unless immediately following such Business Combination, (1) the Beneficial Owners of the Voting Securities of the Company immediately prior to such transaction beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the outstanding Voting Securities of the entity resulting from such transaction, (2) no Person (excluding any corporation resulting from such Business Combination) is the Beneficial Owner, directly or indirectly, of twenty percent (20%) or more of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of such corporation except to the extent that such ownership existed prior to the Business Combination and (3) at least a majority of the Board of Directors of the corporation resulting from such Business Combination were Continuing Directors (as defined below), at the time of the execution of the initial agreement or of the action of the Board, providing for such Business Combination;

(iii) Change in Board of Directors. The Continuing Directors cease for any reason to constitute at least a majority of the members of the Board; or

(iv) Liquidation. The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company’s assets, other than factoring the Company’s current receivables or escrows due (or, if such approval is not required, the decision by the Board to proceed with such a liquidation, sale, or disposition in one transaction or a series of related transactions).

(f) “**Claim**” means:

(i) any threatened, pending or completed action, suit, demand, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative, arbitral, investigative or other, and whether made pursuant to federal, state or other law; or

(ii) any inquiry, hearing or investigation that the Indemnitee determines might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism.

(g) “**Company**” shall have the meaning ascribed to it in the prefatory language above.

(h) “**Constituent Documents**” shall have the meaning ascribed to it in the Recitals above.

(i) “**Continuing Directors**” means, during a period of two consecutive years, not including any period prior to the execution of this Agreement, the individuals collectively who at the beginning of such period constituted the Board (including for this purpose any new directors whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (2/3) 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).

(j) “**Delaware Court**” means the Court of Chancery of the State of Delaware.

(k) “**Disinterested Director**” means a director of the Company who is not and was not a party to the Claim in respect of which indemnification is sought by Indemnitee.

(l) “**Enterprise**” means, any corporation, limited liability company, partnership, joint venture, trust or other entity.

(m) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

(n) “**Expense Advance**” means any payment of Expense advanced to Indemnitee by the Company pursuant to Section 4 or Section 5 hereof.

(o) “**Expenses**” means any and all expenses, including attorneys’ and experts’ fees, court costs, transcript costs, travel expenses, duplicating, printing and binding costs, telephone charges, and all other costs and expenses incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness or participate in, any Claim. Expenses also shall include (i) Expenses incurred in connection with any appeal resulting from any Claim, including without limitation the premium, security for, and other costs relating to any cost bond, superseded bond, or other appeal bond or its equivalent, and (ii) for purposes of Section 5 only, Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee’s rights under this Agreement, by litigation or otherwise. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(p) “**Indemnifiable Event**” means any event or occurrence, whether occurring before, on or after the date of this Agreement, related to the fact that Indemnitee is or was a director, officer, employee or agent of the Company or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee, member, manager, trustee or agent of another Enterprise or by reason of an action or inaction by Indemnitee in any such capacity (whether or not serving in such capacity at the time any Loss (as defined below) is incurred for which indemnification can be provided under this Agreement).

(q) “**Indemnitee**” shall have the meaning ascribed to it in the prefatory language above.

(r) “**Independent Counsel**” means a law firm, or a member of a law firm, that is experienced in matters of corporate law and neither presently performs, nor in the past five (5) years has performed, services for either: (i) the Company or Indemnitee (other than in connection with matters concerning other indemnitees under similar agreements) or (ii) any other party to the Claim 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.

(s) “**Losses**” means any and all Expenses, damages, losses, liabilities, judgments, fines, penalties (whether civil, criminal or other), ERISA excise taxes, amounts paid or payable in settlement, including any interest, assessments, any federal, state, local or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement and all other charges paid or payable in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness or participate in, any Claim.

(t) “**Notification Date**” shall have the meaning ascribed to it in Section 10(c) below.

(u) “**Other Indemnity Provisions**” shall have the meaning ascribed to it in Section 14 below.

(v) “**Person**” means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity or other entity and includes the meaning set forth in Sections 13(d) and 14(d) of the Exchange Act.

(w) “**Standard of Conduct Determination**” shall have the meaning ascribed to it in Section 10(b) below.

(x) “**Voting Securities**” means any securities of the Company that vote generally in the election of directors.

3. Indemnification. Subject to the terms of this Agreement, the Company shall indemnify Indemnitee, to the fullest extent permitted by the laws of the State of Delaware in effect on the date hereof, or as such laws may from time to time hereafter be amended to increase the scope of such permitted indemnification, against any and all Losses if Indemnitee was or is or becomes a party to or participant in, or is threatened to be made a party to or participant in, any Claim by reason of or arising in part out of an Indemnifiable Event, including, without limitation, Claims brought by or in the right of the Company, Claims brought by third parties, and Claims in which the Indemnitee is solely a witness.

4. **Advancement of Expenses.** Indemnitee shall have the right to advancement by the Company, prior to the final disposition of any Claim by final adjudication to which there are no further rights of appeal, of any and all Expenses actually and reasonably paid or incurred by Indemnitee in connection with any Claim arising out of an Indemnifiable Event. Indemnitee's right to such advancement is not subject to the satisfaction of any standard of conduct. Without limiting the generality or effect of the foregoing, within twenty (20) calendar days after any request by Indemnitee, the Company shall, in accordance with such request, (a) pay such Expenses on behalf of Indemnitee, (b) advance to Indemnitee funds in an amount sufficient to pay such Expenses, or (c) reimburse Indemnitee for such Expenses. In connection with any request for Expense Advances, Indemnitee shall not be required to provide any documentation or information to the extent that the provision thereof would undermine or otherwise jeopardize attorney-client privilege. Execution and delivery to the Company of this Agreement by Indemnitee constitutes an undertaking by the Indemnitee, and Indemnitee hereby agrees, to repay any amounts paid, advanced or reimbursed by the Company pursuant to this Section 4 in respect of Expenses relating to, arising out of or resulting from any Claim in respect of which it shall be determined, pursuant to Section 10, following the final disposition of such Claim, that Indemnitee is not entitled to indemnification hereunder. No other form of undertaking shall be required other than the execution of this Agreement. Indemnitee's obligation to reimburse the Company for Expense Advances shall be unsecured and no interest shall be charged thereon.

5. **Indemnification for Expenses in Enforcing Rights.** To the fullest extent allowable under applicable law, the Company shall also indemnify against, and, if requested by Indemnitee, shall advance to Indemnitee subject to and in accordance with Section 4, any Expenses actually and reasonably paid or incurred by Indemnitee in connection with any action or proceeding by Indemnitee for (a) indemnification or reimbursement or advance payment of Expenses by the Company under any provision of this Agreement, or under any other agreement or provision of the Constituent Documents now or hereafter in effect relating to Claims relating to Indemnifiable Events, and/or (b) recovery under any directors' and officers' liability insurance policies maintained by the Company. However, in the event that Indemnitee is ultimately determined not to be entitled to such indemnification or insurance recovery, as the case may be, then all amounts advanced under this Section 5 shall be repaid. Indemnitee shall be required to reimburse the Company in the event that a final judicial determination is made that such action brought by Indemnitee was frivolous or not made in good faith.

6. **Partial Indemnity.** If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for a portion of any Losses in respect of a Claim related to an Indemnifiable Event but not for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

7. **Contribution in the Event of Joint Liability.** To the fullest extent permissible under applicable law, if the indemnification and hold harmless rights provided for in this Agreement are unavailable to Indemnitee in whole or in part for any reason whatsoever, the Company, in lieu of indemnifying and holding harmless Indemnitee, shall pay, in the first instance, the entire amount incurred by Indemnitee, whether for judgments, liabilities, fines, penalties, amounts paid or to be paid in settlement and/or for Expenses, in connection with any Indemnifiable Event, in such

proportion as is deemed fair and reasonable in light of all of the circumstances of such Indemnifiable Event 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, trustees, fiduciaries and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

8. Notification and Defense of Claims.

(a) Notification of Claims. Indemnitee shall notify the Company in writing as soon as practicable of any Claim which could relate to an Indemnifiable Event or for which Indemnitee could seek Expense Advances, including a brief description (based upon information then available to Indemnitee) of the nature of, and the facts underlying, such Claim. The failure by Indemnitee to timely notify the Company hereunder shall not relieve the Company from any liability hereunder other than to the extent the Company's ability to participate in the defense of such claim was materially and adversely prejudiced by such failure.

(b) Defense of Claims. The Company shall be entitled to participate in the defense of any Claim relating to an Indemnifiable Event at its own expense and, except as otherwise provided below, to the extent the Company so wishes, it may assume the defense thereof with counsel reasonably satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election to assume the defense of any such Claim, the Company shall not be liable to Indemnitee under this Agreement or otherwise for any Expenses subsequently directly incurred by Indemnitee in connection with Indemnitee's defense of such Claim other than reasonable costs of investigation or as otherwise provided below. Indemnitee shall have the right to employ its own legal counsel in such Claim, but all Expenses related to such counsel incurred after notice from the Company of its assumption of the defense shall be at Indemnitee's own expense; provided, however, that if (i) Indemnitee's employment of its own legal counsel has been authorized by the Company, (ii) Indemnitee's counsel has reasonably determined that there may be a conflict of interest between Indemnitee and the Company in the defense of such Claim, (iii) after a Change in Control, Indemnitee's employment of its own counsel has been approved by the Independent Counsel or (iv) the Company shall not in fact have employed counsel to assume the defense of such Claim, then Indemnitee shall be entitled to retain its own separate counsel (but not more than one law firm plus, if applicable, local counsel in respect of any such Claim) and all Expenses related to such separate counsel shall be borne by the Company.

9. Procedure Upon Application for Indemnification. In order to obtain indemnification pursuant to this Agreement, Indemnitee shall submit to the Company a written request therefor, including in such request 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 the Claim. Indemnification shall be made insofar as the Company determines Indemnitee is entitled to indemnification in accordance with Section 10 below.

10. Determination of Right to Indemnification.

(a) Mandatory Indemnification; Indemnification as a Witness.

(i) Mandatory Indemnification. To the extent that Indemnitee shall have been successful on the merits or otherwise in defense of any Claim relating to an Indemnifiable Event or any portion thereof or in defense of any issue or matter therein, including without limitation dismissal without prejudice or settlement of the Claim (subject to the terms of Section 12 below), Indemnitee shall be indemnified against all Losses relating to such Claim in accordance with Section 3 to the fullest extent allowable by law.

(ii) Indemnification as a Witness. To the extent that Indemnitee's involvement in a Claim relating to an Indemnifiable Event is to prepare to serve and serve as a witness, and not as a party, the Indemnitee shall be indemnified against all Losses incurred in connection therewith to the fullest extent allowable by law.

(b) Standard of Conduct. To the extent that the provisions of Section 10(a) are inapplicable to a Claim related to an Indemnifiable Event that shall have been finally disposed of, any determination of whether Indemnitee has satisfied any applicable standard of conduct under Delaware law that is a legally required condition to indemnification of Indemnitee hereunder against Losses relating to such Claim and any determination that Expense Advances must be repaid to the Company (a "**Standard of Conduct Determination**") shall be made as follows:

(i) if no Change in Control has occurred, (A) by a majority vote of the Disinterested Directors, even if 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 or (C) if there are no such Disinterested Directors, by Independent Counsel in a written opinion addressed to the Board, a copy of which shall be delivered to Indemnitee; and

(ii) if a Change in Control shall have occurred, (A) if the Indemnitee so requests in writing, by a majority vote of the Disinterested Directors, even if less than a quorum of the Board or (B) otherwise, by Independent Counsel in a written opinion addressed to the Board, a copy of which shall be delivered to Indemnitee.

The Company shall indemnify and hold harmless Indemnitee against and, if requested by Indemnitee, shall reimburse Indemnitee for, or advance to Indemnitee, within twenty (20) calendar days of such request, any and all Expenses incurred by Indemnitee in cooperating with the Person or Persons making such Standard of Conduct Determination.

(c) Making the Standard of Conduct Determination. The Company shall use its reasonable best efforts to cause any Standard of Conduct Determination required under Section 10(b) to be made as promptly as practicable. If the Person or Persons designated to make the Standard of Conduct Determination under Section 10(b) shall not have made a determination within thirty (30) calendar days after the later of (A) receipt by the Company of a written request from Indemnitee for indemnification pursuant to Section 9 (the date of such receipt being the "**Notification Date**") and (B) the selection of an Independent Counsel, if such determination is to be made by Independent Counsel, then Indemnitee shall be deemed to have satisfied the applicable standard of conduct, 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 final judicial determination that any or all such indemnification is expressly prohibited under applicable law; provided, however, that such thirty (30) calendar day period may be extended for a reasonable time, not to exceed an additional fifteen (15) calendar days, if the Person or Persons making such determination in good faith requires such additional time to obtain or evaluate information relating thereto. 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 any Claim.

(d) Payment of Indemnification. If, in regard to any Losses:

(i) Indemnitee shall be entitled to indemnification pursuant to Section 10(a);

(ii) no Standard of Conduct Determination is legally required as a condition to indemnification of Indemnitee hereunder; or

(iii) Indemnitee has been determined or deemed pursuant to Section 10(b) or Section 10(c) to have satisfied the Standard of Conduct

Determination,

then the Company shall pay to Indemnitee, within twenty (20) calendar days after the later of (A) the Notification Date or (B) the earliest date on which the applicable criterion specified in clause (i), (ii) or (iii) is satisfied, an amount equal to such Losses.

(e) Selection of Independent Counsel for Standard of Conduct Determination. If a Standard of Conduct Determination is to be made by Independent Counsel pursuant to Section 10(b)(i), the Independent Counsel shall be selected by the Board of Directors, and the Company shall give written notice to Indemnitee advising Indemnitee of the identity of the Independent Counsel so selected. If a Standard of Conduct Determination is to be made by the Independent Counsel pursuant to Section 10(b)(ii), the Independent Counsel shall be selected by Indemnitee, and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either case, Indemnitee or the Company, as applicable, may, within ten (10) calendar days after receiving written notice of selection from the other, deliver to the other 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 satisfy the criteria set forth in the definition of "Independent Counsel" in Section 2, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the individual or firm so selected shall act as Independent Counsel. If such written objection is properly and timely made and substantiated, (i) the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit; and (ii) the non-objecting party may, at its option, select an alternative Independent Counsel and give written notice to the other party advising such other party of the identity of the alternative Independent Counsel so selected, in which case the provisions of the two immediately preceding sentences, the introductory clause of this sentence and numbered clause (i) of this sentence shall apply to such subsequent selection and notice. If applicable, the provisions of clause (ii) of the immediately preceding sentence shall apply to successive alternative selections. If no Independent Counsel that is permitted under the foregoing provisions of this Section 10(e) to make the Standard of Conduct Determination shall have been selected within twenty (20) calendar days after the Company gives its initial notice pursuant to the first sentence of this Section 10(e) or Indemnitee gives its initial notice pursuant to the second sentence of this Section 10(e), as the case may be, either the Company or Indemnitee may petition the Delaware Court to resolve any objection which shall have been made by

the Company or Indemnitee to the other's selection of Independent Counsel and/or to appoint as Independent Counsel an individual or firm to be selected by the Court or such other person as the Court shall designate, and the individual or firm with respect to whom all objections are so resolved or the individual or firm so appointed will act as Independent Counsel. In all events, the Company shall pay all of the reasonable fees and expenses of the Independent Counsel incurred in connection with the Independent Counsel's determination pursuant to Section 10(b) and shall fully indemnify and hold harmless such Independent Counsel against any and all expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(f) Presumptions and Defenses.

(i) Indemnitee's Entitlement to Indemnification. In making any Standard of Conduct Determination, the Person or Persons making such determination shall presume that Indemnitee has satisfied the applicable standard of conduct and is entitled to indemnification, and the Company shall have the burden of proof to overcome that presumption and establish that Indemnitee is not so entitled. Any Standard of Conduct Determination that is adverse to Indemnitee may be challenged by the Indemnitee in the Delaware Court. No determination by the Company (including by its directors or any Independent Counsel) that Indemnitee has not satisfied any applicable standard of conduct or failure by the Company to reach such a determination may be used as a defense to any legal proceedings brought by Indemnitee to secure indemnification or reimbursement or advance payment of Expenses by the Company hereunder or create a presumption that Indemnitee has not met any applicable standard of conduct.

(ii) Reliance as a Safe Harbor. For purposes of this Agreement, and without creating any presumption as to a lack of good faith if the following circumstances do not exist, Indemnitee shall be deemed to have acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company if Indemnitee's actions or omissions to act are taken in good faith reliance upon the records of the Company, including its financial statements, or upon information, opinions, reports or statements furnished to Indemnitee by the officers or employees of the Company or any of its subsidiaries in the course of their duties, or by committees of the Board or by any other Person (including legal counsel, accountants and financial advisors) as to matters Indemnitee reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company. In addition, the knowledge and/or actions, or failures to act, of any director, officer, agent or employee of the Company shall not be imputed to Indemnitee for purposes of determining the right to indemnity hereunder.

(iii) No Other Presumptions. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, will not create a presumption that Indemnitee did not meet any applicable standard of conduct or have any particular belief, or that indemnification hereunder is otherwise not permitted.

(iv) Defense to Indemnification and Burden of Proof. It shall be a defense to any action brought by Indemnitee against the Company to enforce this Agreement (other than an action brought to enforce a claim for Losses incurred in defending against a Claim related to an Indemnifiable Event in advance of its final disposition) that it is not permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed. In connection with any such action or any related Standard of Conduct Determination, the burden of proving such a defense or that the Indemnitee did not satisfy the applicable standard of conduct shall be on the Company.

(v) Resolution of Claims. The Company acknowledges that a settlement or other disposition short of final judgment may be successful on the merits or otherwise for purposes of Section 10(a)(i) if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any Claim relating to an Indemnifiable Event to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such action, claim or proceeding with or without payment of money or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise for purposes of Section 10(a)(i). The Company shall have the burden of proof to overcome this presumption.

11. Exclusions from Indemnification. Notwithstanding anything in this Agreement to the contrary, the Company shall not be obligated to:

(a) indemnify or advance funds to Indemnitee for Expenses or Losses with respect to proceedings initiated by Indemnitee, including any proceedings against the Company or its directors, officers, employees or other indemnitees and not by way of defense, except:

(i) proceedings referenced in Section 5 above (unless a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous); or

(ii) where the Company has joined in or the Board has consented to the initiation of such proceedings.

(b) indemnify Indemnitee if a final decision by a court of competent jurisdiction determines that such indemnification is prohibited by applicable law.

(c) indemnify Indemnitee for the disgorgement of profits arising from the purchase or sale by Indemnitee of securities of the Company in violation of Section 16(b) of the Exchange Act, or any similar successor statute, state law or other law.

(d) indemnify or advance funds to Indemnitee for Indemnitee's reimbursement to the Company of any bonus or other incentive-based or equity-based compensation previously received by Indemnitee or payment of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements under Section 304 of the Sarbanes-Oxley Act of 2002 in connection with an accounting restatement of the Company or the payment to the Company of profits arising from the purchase or sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act).

12. Settlement of Claims. The Company shall not be liable to Indemnitee under this Agreement for any amounts paid in settlement of any threatened or pending Claim related to an Indemnifiable Event effected without the Company's prior written consent, which shall not be unreasonably withheld. The Company shall not settle any Claim related to an Indemnifiable Event in any manner that would impose any Losses on the Indemnitee without the Indemnitee's prior written consent. The Company shall not, without the prior written consent of Indemnitee, effect any

settlement of any Claim relating to an Indemnifiable Event which the Indemnitee is or could have been a party unless such settlement solely involves the payment of money and includes a complete and unconditional release of the Indemnitee from all liability on all claims that are the subject matter of such Claim.

13. Duration. All agreements and obligations of the Company contained herein shall continue during the period that Indemnitee is a director, officer, employee or agent of the Company or any subsidiary of the Company (or is serving at the request of the Company as a director, officer, employee, member, trustee or agent of another Enterprise) and shall continue thereafter (i) so long as Indemnitee may be subject to any possible Claim relating to an Indemnifiable Event (including any rights of appeal thereto) and (ii) throughout the pendency of any proceeding (including any rights of appeal thereto) commenced by Indemnitee to enforce or interpret his or her rights under this Agreement, even if, in either case, he or she may have ceased to serve in such capacity at the time of any such Claim or proceeding.

14. Non-Exclusivity. The rights of Indemnitee hereunder will be in addition to any other rights Indemnitee may have under the Constituent Documents, the law of the State of Delaware, any other contract or otherwise (collectively, "**Other Indemnity Provisions**"); provided, however, that (a) to the extent that Indemnitee otherwise would have any greater right to indemnification under any Other Indemnity Provision, Indemnitee will be deemed to have such greater right hereunder and (b) to the extent that any change is made to any Other Indemnity Provision which permits any greater right to indemnification than that provided under this Agreement as of the date hereof, Indemnitee will be deemed to have such greater right hereunder. 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.

15. Liability Insurance. For the duration of Indemnitee's service as a director or officer of the Company, and thereafter for so long as Indemnitee shall be subject to any pending Claim relating to an Indemnifiable Event, the Company shall use commercially reasonable efforts (taking into account the scope and amount of coverage available relative to the cost thereof) to continue to maintain in effect policies of directors' and officers' liability insurance providing coverage that is at least substantially comparable in scope and amount to that provided by the Company's current policies of directors' and officers' liability insurance. The insurance provided pursuant to this Section 15 shall be primary insurance to the Indemnitee for any Indemnifiable Event and/or Expense to which such insurance applies. In all policies of directors' and officers' liability insurance maintained by the Company, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are provided to the most favorably insured of the Company's directors, if Indemnitee is a director, or of the Company's officers, if Indemnitee is an officer (and not a director) by such policy. Upon request, the Company will provide to Indemnitee copies of all directors' and officers' liability insurance applications, binders, policies, declarations, endorsements and other related materials.

16. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment to Indemnitee in respect of any Losses to the extent Indemnitee has otherwise received payment under any insurance policy, the Constituent Documents, Other Indemnity Provisions or otherwise of the amounts otherwise (including from another Enterprise) indemnifiable by the Company hereunder; provided that the foregoing shall not affect the rights of Indemnitee or the Fund Indemnitors (as defined below) as set forth in Section 17.

17. Primacy of Indemnification. The Company hereby acknowledges that Indemnitee has or may have in the future certain rights to indemnification, advancement of expenses and/or insurance provided by Investment Group of Santa Barbara and certain of its 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 (iii) that it shall be liable for the full amount of all Losses to the extent legally permitted and as required by the terms of this Agreement, the Constituent Documents and/or Other Indemnity Provisions, without regard to any rights Indemnitee may have against the Fund Indemnitors. The Company 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. The Company and Indemnitee agree that the Fund Indemnitors are express third party beneficiaries of the terms of this Section 17.

18. Subrogation. In the event of payment to Indemnitee under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee (other than against the Fund Indemnitors). Indemnitee shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

19. Amendments; Waivers. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be binding unless in the form of a writing signed by the party against whom enforcement of the waiver is sought, and no such waiver shall operate as a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver. Except as specifically provided herein, no failure to exercise or any delay in exercising any right or remedy hereunder shall constitute a waiver thereof.

20. Enforcement and Binding Effect.

(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 as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) Without limiting any of the rights of Indemnitee under any Other Indemnity Provisions as they may be amended from time to time, 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.

(c) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect

successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company), assigns, spouses, heirs and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part of the business and/or assets of the Company, by written agreement in form and substances satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

21. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any portion thereof) are held by a court of competent jurisdiction to be invalid, illegal, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

22. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand, against receipt, or mailed, by postage prepaid, certified or registered mail:

(a) if to Indemnitee, to the address set forth on the signature page hereto.

(b) if to the Company, to:

AppFolio, Inc.
Attn: Chief Executive Officer
50 Castilian Drive
Goleta, California 93117

Notice of change of address shall be effective only when given in accordance with this Section. All notices complying with this Section shall be deemed to have been received on the date of hand delivery or on the third business day after mailing.

23. Governing Law and Forum. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to its principles of conflicts of laws. The Company and Indemnitee hereby irrevocably and unconditionally: (a) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Delaware Court and not in any other state or federal court in the United States or any other country, (b) 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 and (c) waive, and agree not to plead or make, any claim that the Delaware Court lacks venue or that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

24. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction or interpretation thereof.

25. 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.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

COMPANY:

APPFOLIO, INC.

By: _____

Name: _____

Its: _____

INDEMNITEE:

(Print Name)

Address:

[Signature Page to Indemnification Agreement]

CREDIT AGREEMENT

by and among

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as Administrative Agent,

THE LENDERS THAT ARE PARTIES HERETO

as the Lenders,

and

APPFOLIO, INC.,

as Borrower

Dated as of March 16, 2015



TABLE OF CONTENTS

	<u>Page</u>
1. DEFINITIONS AND CONSTRUCTION	1
1.1 Definitions	1
1.2 Accounting Terms	1
1.3 Code	1
1.4 Construction	1
1.5 Time References	2
1.6 Schedules and Exhibits	2
2. LOANS AND TERMS OF PAYMENT	3
2.1 Revolving Loans	3
2.2 Term Loan	3
2.3 Borrowing Procedures and Settlements	4
2.4 Payments; Reductions of Commitments; Prepayments	10
2.5 Promise to Pay; Promissory Notes	14
2.6 Interest Rates and Letter of Credit Fee: Rates, Payments, and Calculations	15
2.7 Crediting Payments	16
2.8 Designated Account	16
2.9 Maintenance of Loan Account; Statements of Obligations	17
2.10 Fees	17
2.11 Letters of Credit	17
2.12 LIBOR Option	24
2.13 Capital Requirements	26
2.14 Accordion	27
3. CONDITIONS; TERM OF AGREEMENT	30
3.1 Conditions Precedent to the Initial Extension of Credit	30
3.2 Conditions Precedent to all Extensions of Credit	30
3.3 Maturity	30
3.4 Effect of Maturity	30
3.5 Early Termination by Borrower	31
3.6 Conditions Subsequent	31
4. REPRESENTATIONS AND WARRANTIES	31
4.1 Due Organization and Qualification; Subsidiaries	31
4.2 Due Authorization; No Conflict	32
4.3 Governmental Consents	32
4.4 Binding Obligations; Perfected Liens	33
4.5 Title to Assets; No Encumbrances	33
4.6 Litigation	33
4.7 Compliance with Laws	33
4.8 No Material Adverse Effect	34
4.9 Solvency	34
4.10 Employee Benefits	34
4.11 Environmental Condition	34
4.12 Complete Disclosure	34
4.13 Patriot Act	35
4.14 Indebtedness	35

4.15	Payment of Taxes	35
4.16	Margin Stock	35
4.17	Governmental Regulation	35
4.18	OFAC	36
4.19	Employee and Labor Matters	36
4.20	[Reserved]	36
4.21	[Reserved]	36
4.22	[Reserved]	36
4.23	Leases	36
4.24	Hedge Agreements	36
5.	AFFIRMATIVE COVENANTS	37
5.1	Financial Statements, Reports, Certificates	37
5.2	Reporting	37
5.3	Existence	37
5.4	Maintenance of Properties	37
5.5	Taxes	37
5.6	Insurance	37
5.7	Inspection	38
5.8	Compliance with Laws	38
5.9	Environmental	38
5.10	Disclosure Updates	39
5.11	Formation of Subsidiaries	39
5.12	Further Assurances	39
5.13	Lender Meetings	40
5.14	Bank Products	40
5.15	Hedge Agreements	40
6.	NEGATIVE COVENANTS	41
6.1	Indebtedness	41
6.2	Liens	41
6.3	Restrictions on Fundamental Changes	41
6.4	Disposal of Assets	41
6.5	Nature of Business	41
6.6	Prepayments and Amendments	42
6.7	Restricted Payments	42
6.8	Accounting Methods	43
6.9	Investments	43
6.10	Transactions with Affiliates	43
6.11	Use of Proceeds	44
6.12	Limitation on Issuance of Equity Interests	44
7.	FINANCIAL COVENANTS	44
8.	EVENTS OF DEFAULT	46
8.1	Payments	46
8.2	Covenants	46
8.3	Judgments	47
8.4	Voluntary Bankruptcy, etc.	47
8.5	Involuntary Bankruptcy, etc.	47
8.6	Default Under Other Agreements	47

8.7	Representations, etc.	47
8.8	Guaranty	48
8.9	Security Documents	48
8.10	Loan Documents	48
8.11	Change of Control	48
9.	RIGHTS AND REMEDIES	48
9.1	Rights and Remedies	48
9.2	Remedies Cumulative	49
9.3	Curative Equity	49
10.	WAIVERS; INDEMNIFICATION	50
10.1	Demand; Protest; etc.	50
10.2	The Lender Group's Liability for Collateral	50
10.3	Indemnification	51
11.	NOTICES	51
12.	CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER; JUDICIAL REFERENCE PROVISION	52
13.	ASSIGNMENTS AND PARTICIPATIONS; SUCCESSORS	55
13.1	Assignments and Participations	55
13.2	Successors	59
14.	AMENDMENTS; WAIVERS	59
14.1	Amendments and Waivers	59
14.2	Replacement of Certain Lenders	60
14.3	No Waivers; Cumulative Remedies	61
15.	AGENT; THE LENDER GROUP	61
15.1	Appointment and Authorization of Agent	61
15.2	Delegation of Duties	62
15.3	Liability of Agent	62
15.4	Reliance by Agent	62
15.5	Notice of Default or Event of Default	63
15.6	Credit Decision	63
15.7	Costs and Expenses; Indemnification	64
15.8	Agent in Individual Capacity	64
15.9	Successor Agent	65
15.10	Lender in Individual Capacity	65
15.11	Collateral Matters	65
15.12	Restrictions on Actions by Lenders; Sharing of Payments	67
15.13	Agency for Perfection	67
15.14	Payments by Agent to the Lenders	68
15.15	Concerning the Collateral and Related Loan Documents	68
15.16	Financial Examination Reports; Confidentiality; Disclaimers by Lenders; Other Reports and Information	68
15.17	Several Obligations; No Liability	69

16.	WITHHOLDING TAXES	69
16.1	Payments	69
16.2	Exemptions	70
16.3	Reductions	71
16.4	Refunds	71
17.	GENERAL PROVISIONS	72
17.1	Effectiveness	72
17.2	Section Headings	72
17.3	Interpretation	72
17.4	Severability of Provisions	72
17.5	Bank Product Providers	72
17.6	Debtor-Creditor Relationship	73
17.7	Counterparts; Electronic Execution	73
17.8	Revival and Reinstatement of Obligations; Certain Waivers	73
17.9	Confidentiality	74
17.10	Survival	75
17.11	Patriot Act	75
17.12	Integration	75

EXHIBITS AND SCHEDULES

Exhibit A-1	Form of Assignment and Acceptance
Exhibit C-1	Form of Compliance Certificate
Exhibit C-2	Form of Credit Amount Certificate
Exhibit I-1	Form of IP Reporting Certificate
Exhibit L-1	Form of LIBOR Notice
Exhibit P-1	Form of Perfection Certificate
Schedule A-1	Agent's Account
Schedule A-2	Authorized Persons
Schedule C-1	Commitments
Schedule D-1	Designated Account
Schedule P-1	Permitted Investments
Schedule P-2	Permitted Liens
Schedule 1.1	Definitions
Schedule 3.1	Conditions Precedent
Schedule 3.6	Conditions Subsequent
Schedule 4.1(b)	Capitalization of Borrower
Schedule 4.1(c)	Capitalization of Borrower's Subsidiaries
Schedule 4.1(d)	Subscriptions, Options, Warrants, Calls
Schedule 4.6	Litigation
Schedule 4.11	Environmental Matters
Schedule 4.14	Permitted Indebtedness
Schedule 5.1	Financial Statements, Reports, Certificates, and Collateral Reporting
Schedule 6.5	Nature of Business

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this “Agreement”), is entered into as of March 16, 2015, by and among the lenders identified on the signature pages hereof (each of such lenders, together with its successors and permitted assigns, is referred to hereinafter as a “Lender”, as that term is hereinafter further defined), **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as administrative agent for each member of the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, “Agent”), and **APPFOLIO, INC.**, a Delaware corporation (“Borrower”).

The parties agree as follows:

1. DEFINITIONS AND CONSTRUCTION.

1.1 **Definitions.** Capitalized terms used in this Agreement shall have the meanings specified therefor on Schedule 1.1.

1.2 **Accounting Terms.** All accounting terms not specifically defined herein shall be construed in accordance with GAAP; provided, that if Borrower notifies Agent that Borrower requests an amendment to any provision hereof to eliminate the effect of any Accounting Change occurring after the Closing Date or in the application thereof on the operation of such provision (or if Agent notifies Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such Accounting Change or in the application thereof, then Agent and Borrower agree that they will negotiate in good faith amendments to the provisions of this Agreement that are directly affected by such Accounting Change with the intent of having the respective positions of the Lenders and Borrower after such Accounting Change conform as nearly as possible to their respective positions as of the date of this Agreement and, until any such amendments have been agreed upon and agreed to by the Required Lenders, the provisions in this Agreement shall be calculated as if no such Accounting Change had occurred. When used herein, the term “financial statements” shall include the notes and schedules thereto. Whenever the term “Borrower” is used in respect of a financial covenant or a related definition, it shall be understood to mean Borrower and its Subsidiaries on a consolidated basis, unless the context clearly requires otherwise. Notwithstanding anything to the contrary contained herein, (a) all financial statements delivered hereunder shall be prepared, and all financial covenants contained herein shall be calculated, without giving effect to any election under the Statement of Financial Accounting Standards No. 159 (or any similar accounting principle) permitting a Person to value its financial liabilities or Indebtedness at the fair value thereof, (b) the term “unqualified opinion” as used herein to refer to opinions or reports provided by accountants shall mean an opinion or report that is (i) unqualified, and (ii) does not include any explanation, supplemental comment, or other comment concerning the ability of the applicable Person to continue as a going concern or concerning the scope of the audit, and (c) if at any time the obligations of a Person in respect of an operating lease are required to be recharacterized as a Capital Lease as a result of a change in GAAP after the Closing Date, then for purposes hereof such Person’s operating leases shall not be deemed to be Capital Leases for purposes of this Agreement.

1.3 **Code.** Any terms used in this Agreement that are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein; provided, that to the extent that the Code is used to define any term herein and such term is defined differently in different Articles of the Code, the definition of such term contained in Article 9 of the Code shall govern.

1.4 **Construction.** Unless the context of this Agreement or any other Loan Document clearly requires otherwise, references to the plural include the singular, references to the singular include the

plural, the terms “includes” and “including” are not limiting, and the term “or” has, except where otherwise indicated, the inclusive meaning represented by the phrase “and/or.” The words “hereof,” “herein,” “hereby,” “hereunder,” and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Loan Document, as the case may be. Section, subsection, clause, schedule, and exhibit references herein are to this Agreement unless otherwise specified. Any reference in this Agreement or in any other Loan Document to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). The words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties. Any reference herein or in any other Loan Document to the satisfaction, repayment, or payment in full of the Obligations shall mean (a) the payment or repayment in full in immediately available funds of (i) the principal amount of, and interest accrued and unpaid with respect to, all outstanding Loans, together with the payment of any premium applicable to the repayment of the Loans, (ii) all Lender Group Expenses that have accrued and are unpaid regardless of whether demand has been made therefor, (iii) all fees or charges that have accrued hereunder or under any other Loan Document (including the Letter of Credit Fee and the Unused Line Fee) and are unpaid, (b) in the case of contingent reimbursement obligations with respect to Letters of Credit, providing Letter of Credit Collateralization, (c) in the case of obligations with respect to Bank Products (other than Hedge Obligations), providing Bank Product Collateralization, (d) the receipt by Agent of cash collateral in order to secure any other contingent Obligations for which a claim or demand for payment has been made on or prior to such time or in respect of matters or circumstances known to Agent or a Lender at such time that are reasonably expected to result in any loss, cost, damage, or expense (including attorneys fees and legal expenses), such cash collateral to be in such amount as Agent reasonably determines is appropriate to secure such contingent Obligations, (e) the payment or repayment in full in immediately available funds of all other outstanding Obligations (including the payment of any termination amount then applicable (or which would or could become applicable as a result of the repayment of the other Obligations) under Hedge Agreements provided by Hedge Providers) other than (i) unasserted contingent indemnification Obligations, (ii) any Bank Product Obligations (other than Hedge Obligations) that, at such time, are allowed by the applicable Bank Product Provider to remain outstanding without being required to be repaid or cash collateralized, and (iii) any Hedge Obligations that, at such time, are allowed by the applicable Hedge Provider to remain outstanding without being required to be repaid, and (f) the termination of all of the Commitments of the Lenders. Any reference herein to any Person shall be construed to include such Person’s successors and assigns. Any requirement of a writing contained herein or in any other Loan Document shall be satisfied by the transmission of a Record.

1.5 **Time References.** Unless the context of this Agreement or any other Loan Document clearly requires otherwise, all references to time of day refer to Pacific standard time or Pacific daylight saving time, as in effect in Los Angeles, California on such day. For purposes of the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each means “to and including”; provided that, with respect to a computation of fees or interest payable to Agent or any Lender, such period shall in any event consist of at least one full day.

1.6 **Schedules and Exhibits.** All of the schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

2. LOANS AND TERMS OF PAYMENT.

2.1 **Revolving Loans.**

(a) Subject to the terms and conditions of this Agreement, and during the term of this Agreement, each Revolving Lender agrees (severally, not jointly or jointly and severally) to make revolving loans ("Revolving Loans") to Borrower in an amount at any one time outstanding not to exceed *the lesser of*:

- (i) such Lender’s Revolver Commitment, or
- (ii) such Lender’s Pro Rata Share of an amount equal to *the lesser of*:

(A) the amount equal to (1) the Maximum Revolver Amount *less* (2) the sum of (y) the Letter of Credit Usage at such time, *plus* (z) the principal amount of Swing Loans outstanding at such time, and

(B) the amount equal to (1) the Credit Amount as of such date (based upon the most recent Credit Amount Certificate delivered by Borrower to Agent) *less* the sum of (x) the Letter of Credit Usage at such time, *plus* (y) the principal amount of Swing Loans outstanding at such time, *plus* (z) the principal amount of the Term Loan outstanding at such time.

(b) Amounts borrowed pursuant to this Section 2.1 may be repaid and, subject to the terms and conditions of this Agreement, reborrowed at any time during the term of this Agreement. The outstanding principal amount of the Revolving Loans, together with interest accrued and unpaid thereon, shall constitute Obligations and shall be due and payable on the Maturity Date or, if earlier, on the date on which they are declared due and payable pursuant to the terms of this Agreement.

(c) Anything to the contrary in this Section 2.1 notwithstanding, Agent shall have the right (but not the obligation) to establish Bank Product Reserves from time to time against the Maximum Revolver Amount or the Credit Amount.

2.2 **Term Loan.** Subject to the terms and conditions of this Agreement, on the Closing Date each Lender with a Term Loan Commitment agrees (severally, not jointly or jointly and severally) to make term loans (collectively, the "Term Loan") to Borrower in an amount equal to such Lender’s Pro Rata Share of the Term Loan Amount. The principal of the Term Loan shall be repaid on the following dates and in the following amounts:

Date	Installment Amount
May 1, 2015 and the first day of each month thereafter through and including April 1, 2016	\$20,833.33
May 1, 2016 and the first day of each month thereafter through and including April 1, 2017	\$62,500.00
May 1, 2017 and the first day of each month thereafter through the Maturity Date	\$83,333.33

The outstanding unpaid principal balance and all accrued and unpaid interest on the Term Loan shall be due and payable on the earlier of (i) the Maturity Date, and (ii) the date of the acceleration of the Term Loan in accordance with the terms hereof. Any principal amount of the Term Loan that is repaid or prepaid may not be reborrowed. All principal of, interest on, and other amounts payable in respect of the Term Loan shall constitute Obligations hereunder.

2.3 **Borrowing Procedures and Settlements.**

(a) **Procedure for Borrowing Revolving Loans.** Each Borrowing shall be made by a written request by an Authorized Person delivered to Agent and received by Agent no later than 10:00 a.m. (i) on the Business Day that is the requested Funding Date in the case of a request for a Swing Loan, and (ii) on the Business Day that is 1 Business Day prior to the requested Funding Date in the case of all other requests, specifying (A) the amount of such Borrowing, and (B) the requested Funding Date (which shall be a Business Day); provided, that Agent may, in its sole discretion, elect to accept as timely requests that are received later than 10:00 a.m. on the applicable Business Day. At Agent's election, in lieu of delivering the above-described written request, any Authorized Person may give Agent telephonic notice of such request by the required time. In such circumstances, Borrower agrees that any such telephonic notice will be confirmed in writing within 24 hours of the giving of such telephonic notice, but the failure to provide such written confirmation shall not affect the validity of the request.

(b) **Making of Swing Loans.** In the case of a request for a Revolving Loan and so long as either (i) the aggregate amount of Swing Loans made since the last Settlement Date, *minus* all payments or other amounts applied to Swing Loans since the last Settlement Date, plus the amount of the requested Swing Loan does not exceed \$1,000,000, or (ii) Swing Lender, in its sole discretion, agrees to make a Swing Loan notwithstanding the foregoing limitation, Swing Lender shall make a Revolving Loan (any such Revolving Loan made by Swing Lender pursuant to this Section 2.3(b) being referred to as a "Swing Loan" and all such Revolving Loans being referred to as "Swing Loans") available to Borrower on the Funding Date applicable thereto by transferring immediately available funds in the amount of such requested Borrowing to the Designated Account. Each Swing Loan shall be deemed to be a Revolving Loan hereunder and shall be subject to all the terms and conditions (including Section 3) applicable to other Revolving Loans, except that all payments (including interest) on any Swing Loan shall be payable to Swing Lender solely for its own account. Subject to the provisions of Section 2.3(d)(ii), Swing Lender shall not make and shall not be obligated to make any Swing Loan if Swing Lender has actual knowledge that (i) one or more of the applicable conditions precedent set forth in Section 3 will not be satisfied on the requested Funding Date for the applicable Borrowing, or (ii) the requested Borrowing would exceed the Availability on such Funding Date. Swing Lender shall not otherwise be required to determine whether the applicable conditions precedent set forth in Section 3 have been satisfied on the Funding Date applicable thereto prior to making any Swing Loan. The Swing Loans shall be secured by Agent's Liens, constitute Revolving Loans and Obligations, and bear interest at the rate applicable from time to time to Revolving Loans that are Base Rate Loans.

(c) **Making of Revolving Loans.**

(i) In the event that Swing Lender is not obligated to make a Swing Loan, then after receipt of a request for a Borrowing pursuant to Section 2.3(a), Agent shall notify the Lenders by telecopy, telephone, email, or other electronic form of transmission, of the requested Borrowing; such notification to be sent on the Business Day that is 1 Business Day prior to the requested Funding Date. If

Agent has notified the Lenders of a requested Borrowing on the Business Day that is 1 Business Day prior to the Funding Date, then each Lender shall make the amount of such Lender's Pro Rata Share of the requested Borrowing available to Agent in immediately available funds, to Agent's Account, not later than 10:00 a.m. on the Business Day that is the requested Funding Date. After Agent's receipt of the proceeds of such Revolving Loans from the Lenders, Agent shall make the proceeds thereof available to Borrower on the applicable Funding Date by transferring immediately available funds equal to such proceeds received by Agent to the Designated Account; provided, that, subject to the provisions of Section 2.3(d)(ii), no Lender shall have an obligation to make any Revolving Loan, if (1) one or more of the applicable conditions precedent set forth in Section 3 will not be satisfied on the requested Funding Date for the applicable Borrowing unless such condition has been waived, or (2) the requested Borrowing would exceed the Availability on such Funding Date.

(ii) Unless Agent receives notice from a Lender prior to 9:30 a.m. on the Business Day that is the requested Funding Date relative to a requested Borrowing as to which Agent has notified the Lenders of a requested Borrowing that such Lender will not make available as and when required hereunder to Agent for the account of Borrower the amount of that Lender's Pro Rata Share of the Borrowing, Agent may assume that each Lender has made or will make such amount available to Agent in immediately available funds on the Funding Date and Agent may (but shall not be so required), in reliance upon such assumption, make available to Borrower a corresponding amount. If, on the requested Funding Date, any Lender shall not have remitted the full amount that it is required to make available to Agent in immediately available funds and if Agent has made available to Borrower such amount on the requested Funding Date, then such Lender shall make the amount of such Lender's Pro Rata Share of the requested Borrowing available to Agent in immediately available funds, to Agent's Account, no later than 10:00 a.m. on the Business Day that is the first Business Day after the requested Funding Date (in which case, the interest accrued on such Lender's portion of such Borrowing for the Funding Date shall be for Agent's separate account). If any Lender shall not remit the full amount that it is required to make available to Agent in immediately available funds as and when required hereby and if Agent has made available to Borrower such amount, then that Lender shall be obligated to immediately remit such amount to Agent, together with interest at the Defaulting Lender Rate for each day until the date on which such amount is so remitted. A notice submitted by Agent to any Lender with respect to amounts owing under this Section 2.3(c)(ii) shall be conclusive, absent manifest error. If the amount that a Lender is required to remit is made available to Agent, then such payment to Agent shall constitute such Lender's Revolving Loan for all purposes of this Agreement. If such amount is not made available to Agent on the Business Day following the Funding Date, Agent will notify Borrower of such failure to fund and, upon demand by Agent, Borrower shall pay such amount to Agent for Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate *per annum* equal to the interest rate applicable at the time to the Revolving Loans composing such Borrowing. Such payment by Borrower shall not in any way limit Borrower's ability to bring suit or exercise remedies it may have in law or equity against any Lender who so failed to fund its Pro Rata Share of the relevant Borrowing.

(d) **Protective Advances.**

(i) Any contrary provision of this Agreement or any other Loan Document notwithstanding, at any time (A) after the occurrence and during the continuance of a Default or an Event of Default, or (B) that any of the other applicable conditions precedent set forth in Section 3 are not satisfied, Agent hereby is authorized by Borrower and the Lenders, from time to time, in Agent's sole discretion, to make Revolving Loans to, or for the benefit of, Borrower, on behalf of the Revolving Lenders, that Agent, in its Permitted Discretion, deems necessary or desirable (1) to preserve or protect the Collateral, or any portion thereof, or (2) to enhance the likelihood of repayment of the Obligations (other than the Bank Product Obligations) (the Revolving Loans described in this Section 2.3(d)(i) shall be referred to as "Protective Advances").

(ii) Each Protective Advance shall be deemed to be a Revolving Loan hereunder, except that no Protective Advance shall be eligible to be a LIBOR Rate Loan and, prior to Settlement therefor, all payments on the Protective Advances shall be payable to Agent solely for its own account. The Protective Advances shall be repayable on demand, secured by Agent's Liens, constitute Obligations hereunder, and bear interest at the rate applicable from time to time to Revolving Loans that are Base Rate Loans. The provisions of this Section 2.3(d) are for the exclusive benefit of Agent, Swing Lender, and the Lenders and are not intended to benefit Borrower (or any other Loan Party) in any way.

(e) **Settlement.** It is agreed that each Lender's funded portion of the Revolving Loans is intended by the Lenders to equal, at all times, such Lender's Pro Rata Share of the outstanding Revolving Loans. Such agreement notwithstanding, Agent, Swing Lender, and the other Lenders agree (which agreement shall not be for the benefit of Borrower) that in order to facilitate the administration of this Agreement and the other Loan Documents, settlement among the Lenders as to the Revolving Loans, the Swing Loans, and the Protective Advances shall take place on a periodic basis in accordance with the following provisions:

(i) Agent shall request settlement ("Settlement") with the Lenders on a weekly basis, or on a more frequent basis if so determined by Agent in its sole discretion (1) on behalf of Swing Lender, with respect to the outstanding Swing Loans, (2) for itself, with respect to the outstanding Protective Advances, and (3) with respect to Borrower's or its Subsidiaries' payments or other amounts received, as to each by notifying the Lenders by telecopy, telephone, or other similar form of transmission, of such requested Settlement, no later than 2:00 p.m. on the Business Day immediately prior to the date of such requested Settlement (the date of such requested Settlement being the "Settlement Date"). Such notice of a Settlement Date shall include a summary statement of the amount of outstanding Revolving Loans, Swing Loans, and Protective Advances for the period since the prior Settlement Date. Subject to the terms and conditions contained herein (including Section 2.3(g)): (y) if the amount of the Revolving Loans (including Swing Loans, and Protective Advances) made by a Lender that is not a Defaulting Lender exceeds such Lender's Pro Rata Share of the Revolving Loans (including Swing Loans, and Protective Advances) as of a Settlement Date, then Agent shall, by no later than 12:00 p.m. on the Settlement Date, transfer in immediately available funds to a Deposit Account of such Lender (as such Lender may designate), an amount such that each such Lender shall, upon receipt of such amount, have as of the Settlement Date, its Pro Rata Share of the Revolving Loans (including Swing Loans, and Protective Advances), and (z) if the amount of the Revolving Loans (including Swing Loans, and Protective Advances) made by a Lender is less than such Lender's Pro Rata Share of the Revolving Loans (including Swing Loans, and Protective Advances) as of a Settlement Date, such Lender shall no later than 12:00 p.m. on the Settlement Date transfer in immediately available funds to Agent's Account, an amount such that each such Lender shall, upon transfer of such amount, have as of the Settlement Date, its Pro Rata Share of the Revolving Loans (including Swing Loans and Protective Advances). Such amounts made available to Agent under clause (z) of the immediately preceding sentence shall be applied against the amounts of the applicable Swing Loans or Protective Advances and, together with the portion of such Swing Loans or Protective Advances representing Swing Lender's Pro Rata Share thereof, shall constitute Revolving Loans of such Lenders. If any such amount is not made available to Agent by any Lender on the Settlement Date applicable thereto to the extent required by the terms hereof, Agent shall be entitled to recover for its account such amount on demand from such Lender together with interest thereon at the Defaulting Lender Rate.

(ii) In determining whether a Lender's balance of the Revolving Loans, Swing Loans, and Protective Advances is less than, equal to, or greater than such Lender's Pro Rata Share

of the Revolving Loans, Swing Loans, and Protective Advances as of a Settlement Date, Agent shall, as part of the relevant Settlement, apply to such balance the portion of payments actually received in good funds by Agent with respect to principal, interest, fees payable by Borrower and allocable to the Lenders hereunder, and proceeds of Collateral.

(iii) Between Settlement Dates, Agent, to the extent Protective Advances or Swing Loans are outstanding, may pay over to Agent or Swing Lender, as applicable, any payments or other amounts received by Agent, that in accordance with the terms of this Agreement would be applied to the reduction of the Revolving Loans, for application to the Protective Advances or Swing Loans. Between Settlement Dates, Agent, to the extent no Protective Advances or Swing Loans are outstanding, may pay over to Swing Lender any payments or other amounts received by Agent, that in accordance with the terms of this Agreement would be applied to the reduction of the Revolving Loans, for application to Swing Lender's Pro Rata Share of the Revolving Loans. If, as of any Settlement Date, payments or other amounts of Borrower or its Subsidiaries received since the then immediately preceding Settlement Date have been applied to Swing Lender's Pro Rata Share of the Revolving Loans other than to Swing Loans, as provided for in the previous sentence, Swing Lender shall pay to Agent for the accounts of the Lenders, and Agent shall pay to the Lenders (other than a Defaulting Lender if Agent has implemented the provisions of Section 2.3(g)), to be applied to the outstanding Revolving Loans of such Lenders, an amount such that each such Lender shall, upon receipt of such amount, have, as of such Settlement Date, its Pro Rata Share of the Revolving Loans. During the period between Settlement Dates, Swing Lender with respect to Swing Loans, Agent with respect to Protective Advances, and each Lender with respect to the Revolving Loans other than Swing Loans and Protective Advances, shall be entitled to interest at the applicable rate or rates payable under this Agreement on the daily amount of funds employed by Swing Lender, Agent, or the Lenders, as applicable.

(iv) Anything in this Section 2.3(e) to the contrary notwithstanding, in the event that a Lender is a Defaulting Lender, Agent shall be entitled to refrain from remitting settlement amounts to the Defaulting Lender and, instead, shall be entitled to elect to implement the provisions set forth in Section 2.3(g).

(f) **Notation.** Agent, as a non-fiduciary agent for Borrower, shall maintain a register showing the principal amount of the Revolving Loans (and portion of the Term Loan, as applicable), owing to each Lender, including the Swing Loans owing to Swing Lender, and Protective Advances owing to Agent, and the interests therein of each Lender, from time to time and such register shall, absent manifest error, conclusively be presumed to be correct and accurate. Agent shall make a copy of the foregoing register available for review by Borrower from time to time as Borrower may reasonably request.

(g) **Defaulting Lenders.**

(i) Notwithstanding the provisions of Section 2.4(b)(iii), Agent shall not be obligated to transfer to a Defaulting Lender any payments made by Borrower to Agent for the Defaulting Lender's benefit or any proceeds of Collateral that would otherwise be remitted hereunder to the Defaulting Lender, and, in the absence of such transfer to the Defaulting Lender, Agent shall transfer any such payments (A) first, to Swing Lender to the extent of any Swing Loans that were made by Swing Lender and that were required to be, but were not, paid by the Defaulting Lender, (B) second, to Issuing Bank, to the extent of the portion of a Letter of Credit Disbursement that was required to be, but was not, paid by the Defaulting Lender, (C) third, to each Non-Defaulting Lender ratably in accordance with their Commitments (but, in each case, only to the extent that such Defaulting Lender's portion of a Revolving Loan (or other funding obligation) was funded by such other Non-Defaulting Lender), (D) to a suspense account maintained by Agent, the proceeds of which shall be retained by Agent and may be made

available to be re-advanced to or for the benefit of Borrower (upon the request of Borrower and subject to the conditions set forth in Section 3.2) as if such Defaulting Lender had made its portion of Revolving Loans (or other funding obligations) hereunder, and (E) from and after the date on which all other Obligations have been paid in full, to such Defaulting Lender in accordance with tier (L) of Section 2.4(b)(iii). Subject to the foregoing, Agent may hold and, in its discretion, re-lend to Borrower for the account of such Defaulting Lender the amount of all such payments received and retained by Agent for the account of such Defaulting Lender. Solely for the purposes of voting or consenting to matters with respect to the Loan Documents (including the calculation of Pro Rata Share in connection therewith) and for the purpose of calculating the fee payable under Section 2.10(b), such Defaulting Lender shall be deemed not to be a “Lender” and such Lender’s Commitment shall be deemed to be zero; provided, that the foregoing shall not apply to any of the matters governed by Section 14.1(a)(i) through (iii). The provisions of this Section 2.3(g) shall remain effective with respect to such Defaulting Lender until the earlier of (y) the date on which all of the Non-Defaulting Lenders, Agent, Issuing Bank, and Borrower shall have waived, in writing, the application of this Section 2.3(g) to such Defaulting Lender, or (z) the date on which such Defaulting Lender makes payment of all amounts that it was obligated to fund hereunder, pays to Agent all amounts owing by Defaulting Lender in respect of the amounts that it was obligated to fund hereunder, and, if requested by Agent, provides adequate assurance of its ability to perform its future obligations hereunder (on which earlier date, so long as no Event of Default has occurred and is continuing, any remaining cash collateral held by Agent pursuant to Section 2.3(g)(ii) shall be released to Borrower). The operation of this Section 2.3(g) shall not be construed to increase or otherwise affect the Commitment of any Lender, to relieve or excuse the performance by such Defaulting Lender or any other Lender of its duties and obligations hereunder, or to relieve or excuse the performance by Borrower of its duties and obligations hereunder to Agent, Issuing Bank, or to the Lenders other than such Defaulting Lender. Any failure by a Defaulting Lender to fund amounts that it was obligated to fund hereunder shall constitute a material breach by such Defaulting Lender of this Agreement and shall entitle Borrower, at its option, upon written notice to Agent, to arrange for a substitute Lender to assume the Commitment of such Defaulting Lender, such substitute Lender to be reasonably acceptable to Agent. In connection with the arrangement of such a substitute Lender, the Defaulting Lender shall have no right to refuse to be replaced hereunder, and agrees to execute and deliver a completed form of Assignment and Acceptance in favor of the substitute Lender (and agrees that it shall be deemed to have executed and delivered such document if it fails to do so) subject only to being paid its share of the outstanding Obligations (other than Bank Product Obligations and any prepayment penalties, but including (1) all interest, fees, and other amounts that may be due and payable in respect thereof, and (2) an assumption of its Pro Rata Share of its participation in the Letters of Credit); provided, that any such assumption of the Commitment of such Defaulting Lender shall not be deemed to constitute a waiver of any of the Lender Groups’ or Borrower’s rights or remedies against any such Defaulting Lender arising out of or in relation to such failure to fund. In the event of a direct conflict between the priority provisions of this Section 2.3(g) and any other provision contained in this Agreement or any other Loan Document, it is the intention of the parties hereto that such provisions be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, the terms and provisions of this Section 2.3(g) shall control and govern.

(ii) If any Swing Loan or Letter of Credit is outstanding at the time that a Lender becomes a Defaulting Lender then:

(A) such Defaulting Lender’s Swing Loan Exposure and Letter of Credit Exposure shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Pro Rata Shares but only to the extent (x) the sum of all Non-Defaulting Lenders’ Revolving Loan Exposures plus such Defaulting Lender’s Swing Loan Exposure and Letter of Credit Exposure does not exceed the total of all Non-Defaulting Lenders’ Revolver Commitments and (y) the conditions set forth in Section 3.2 are satisfied at such time;

(B) if the reallocation described in clause (A) above cannot, or can only partially, be effected, Borrower shall within one Business Day following notice by the Agent (x) first, prepay such Defaulting Lender's Swing Loan Exposure (after giving effect to any partial reallocation pursuant to clause (A) above) and (y) second, cash collateralize such Defaulting Lender's Letter of Credit Exposure (after giving effect to any partial reallocation pursuant to clause (A) above), pursuant to a cash collateral agreement to be entered into in form and substance reasonably satisfactory to the Agent, for so long as such Letter of Credit Exposure is outstanding; provided, that Borrower shall not be obligated to cash collateralize any Defaulting Lender's Letter of Credit Exposure if such Defaulting Lender is also the Issuing Bank;

(C) if Borrower cash collateralizes any portion of such Defaulting Lender's Letter of Credit Exposure pursuant to this Section 2.3(g)(ii), Borrower shall not be required to pay any Letter of Credit Fees to Agent for the account of such Defaulting Lender pursuant to Section 2.6(b) with respect to such cash collateralized portion of such Defaulting Lender's Letter of Credit Exposure during the period such Letter of Credit Exposure is cash collateralized;

(D) to the extent the Letter of Credit Exposure of the Non-Defaulting Lenders is reallocated pursuant to this Section 2.3(g)(ii), then the Letter of Credit Fees payable to the Non-Defaulting Lenders pursuant to Section 2.6(b) shall be adjusted in accordance with such Non-Defaulting Lenders' Letter of Credit Exposure;

(E) to the extent any Defaulting Lender's Letter of Credit Exposure is neither cash collateralized nor reallocated pursuant to this Section 2.3(g)(ii), then, without prejudice to any rights or remedies of the Issuing Bank or any Lender hereunder, all Letter of Credit Fees that would have otherwise been payable to such Defaulting Lender under Section 2.6(b) with respect to such portion of such Letter of Credit Exposure shall instead be payable to the Issuing Bank until such portion of such Defaulting Lender's Letter of Credit Exposure is cash collateralized or reallocated;

(F) so long as any Lender is a Defaulting Lender, the Swing Lender shall not be required to make any Swing Loan and the Issuing Bank shall not be required to issue, amend, or increase any Letter of Credit, in each case, to the extent (x) the Defaulting Lender's Pro Rata Share of such Swing Loans or Letter of Credit cannot be reallocated pursuant to this Section 2.3(g)(ii) or (y) the Swing Lender or Issuing Bank, as applicable, has not otherwise entered into arrangements reasonably satisfactory to the Swing Lender or Issuing Bank, as applicable, and Borrower to eliminate the Swing Lender's or Issuing Bank's risk with respect to the Defaulting Lender's participation in Swing Loans or Letters of Credit; and

(G) Agent may release any cash collateral provided by Borrower pursuant to this Section 2.3(g)(ii) to the Issuing Bank and the Issuing Bank may apply any such cash collateral to the payment of such Defaulting Lender's Pro Rata Share of any Letter of Credit Disbursement that is not reimbursed by Borrower pursuant to Section 2.11(d).

(h) **Independent Obligations.** All Revolving Loans (other than Swing Loans and Protective Advances) shall be made by the Lenders contemporaneously and in accordance with their Pro Rata Shares. It is understood that (i) no Lender shall be responsible for any failure by any other Lender to perform its obligation to make any Revolving Loan (or other extension of credit) hereunder, nor shall any Commitment of any Lender be increased or decreased as a result of any failure by any other Lender to perform its obligations hereunder, and (ii) no failure by any Lender to perform its obligations hereunder shall excuse any other Lender from its obligations hereunder.

2.4 **Payments; Reductions of Commitments; Prepayments.**

(a) **Payments by Borrower.**

(i) Except as otherwise expressly provided herein, all payments by Borrower shall be made to Agent's Account for the account of the Lender Group and shall be made in immediately available funds, no later than 1:30 p.m. on the date specified herein. Any payment received by Agent later than 1:30 p.m. shall be deemed to have been received (unless Agent, in its sole discretion, elects to credit it on the date received) on the following Business Day and any applicable interest or fee shall continue to accrue until such following Business Day.

(ii) Unless Agent receives notice from Borrower prior to the date on which any payment is due to the Lenders that Borrower will not make such payment in full as and when required, Agent may assume that Borrower has made (or will make) such payment in full to Agent on such date in immediately available funds and Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent Borrower does not make such payment in full to Agent on the date when due, each Lender severally shall repay to Agent on demand such amount distributed to such Lender, together with interest thereon at the Defaulting Lender Rate for each day from the date such amount is distributed to such Lender until the date repaid.

(b) **Apportionment and Application.**

(i) So long as no Application Event has occurred and is continuing and except as otherwise provided herein with respect to Defaulting Lenders, all principal and interest payments received by Agent shall be apportioned ratably among the Lenders (according to the unpaid principal balance of the Obligations to which such payments relate held by each Lender) and all payments of fees and expenses received by Agent (other than fees or expenses that are for Agent's separate account or for the separate account of Issuing Bank) shall be apportioned ratably among the Lenders having a Pro Rata Share of the type of Commitment or Obligation to which a particular fee or expense relates.

(ii) Subject to Section 2.4(b)(v), Section 2.4(d)(ii), and Section 2.4(e), all payments to be made hereunder by Borrower shall be remitted to Agent and all such payments, and all proceeds of Collateral received by Agent, shall be applied, so long as no Application Event has occurred and is continuing and except as otherwise provided herein with respect to Defaulting Lenders, to reduce the balance of the Revolving Loans outstanding and, thereafter, to Borrower (to be wired to the Designated Account) or such other Person entitled thereto under applicable law.

(iii) At any time that an Application Event has occurred and is continuing and except as otherwise provided herein with respect to Defaulting Lenders, all payments remitted to Agent and all proceeds of Collateral received by Agent shall be applied as follows (without duplication):

(A) first, to pay any Lender Group Expenses (including cost or expense reimbursements) or indemnities then due to Agent under the Loan Documents, until paid in full,

(B) second, to pay any fees or premiums then due to Agent under the Loan Documents until paid in full,

- (C) third, to pay interest due in respect of all Protective Advances until paid in full,
- (D) fourth, to pay the principal of all Protective Advances until paid in full,
- (E) fifth, ratably, to pay any Lender Group Expenses (including cost or expense reimbursements) or indemnities then due to any of the Lenders under the Loan Documents, until paid in full,
- (F) sixth, ratably, to pay any fees or premiums then due to any of the Lenders under the Loan Documents until paid in full,
- (G) seventh, to pay interest accrued in respect of the Swing Loans until paid in full,
- (H) eighth, to pay the principal of all Swing Loans until paid in full,
- (I) ninth, ratably, to pay interest accrued in respect of the Revolving Loans (other than Protective Advances) and the Term Loan until paid in full,
- (J) tenth, ratably (i) to pay the principal of all Revolving Loans until paid in full, (ii) to Agent, to be held by Agent, for the benefit of Issuing Bank (and for the ratable benefit of each of the Lenders that have an obligation to pay to Agent, for the account of Issuing Bank, a share of each Letter of Credit Disbursement), as cash collateral in an amount up to 105% of the Letter of Credit Usage (to the extent permitted by applicable law, such cash collateral shall be applied to the reimbursement of any Letter of Credit Disbursement as and when such disbursement occurs and, if a Letter of Credit expires undrawn, the cash collateral held by Agent in respect of such Letter of Credit shall, to the extent permitted by applicable law, be reapplied pursuant to this Section 2.4(b)(iii), beginning with tier (A) hereof), (iii) ratably, to the Bank Product Providers based upon amounts then certified by the applicable Bank Product Provider to Agent (in form and substance satisfactory to Agent) to be due and payable to such Bank Product Providers on account of Bank Product Obligations, and (iv) to pay the outstanding principal balance of the Term Loan (in the inverse order of the maturity of the installments due thereunder) until the Term Loan is paid in full,
- (K) eleventh, to pay any other Obligations other than Obligations owed to Defaulting Lenders,
- (L) twelfth, ratably to pay any Obligations owed to Defaulting Lenders; and
- (M) thirteenth, to Borrower (to be wired to the Designated Account) or such other Person entitled thereto under applicable law.
- (iv) Agent promptly shall distribute to each Lender, pursuant to the applicable wire instructions received from each Lender in writing, such funds as it may be entitled to receive, subject to a Settlement delay as provided in Section 2.3(e).
- (v) In each instance, so long as no Application Event has occurred and is continuing, Section 2.4(b)(ii) shall not apply to any payment made by Borrower to Agent and specified by Borrower to be for the payment of specific Obligations then due and payable (or prepayable) under any provision of this Agreement or any other Loan Document.

(vi) For purposes of Section 2.4(b)(iii), “paid in full” of a type of Obligation means payment in cash or immediately available funds of all amounts owing on account of such type of Obligation, including interest accrued after the commencement of any Insolvency Proceeding, default interest, interest on interest, and expense reimbursements, irrespective of whether any of the foregoing would be or is allowed or disallowed in whole or in part in any Insolvency Proceeding.

(vii) In the event of a direct conflict between the priority provisions of this Section 2.4 and any other provision contained in this Agreement or any other Loan Document, it is the intention of the parties hereto that such provisions be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, if the conflict relates to the provisions of Section 2.3(g) and this Section 2.4, then the provisions of Section 2.3(g) shall control and govern, and if otherwise, then the terms and provisions of this Section 2.4 shall control and govern.

(c) **Termination of Commitments.**

(i) **Revolver Commitments.** The Revolver Commitments shall terminate on the Maturity Date.

(ii) **Term Loan Commitments.** The Term Loan Commitments shall terminate upon the making of the Term Loan.

(d) **Optional Prepayments.**

(i) **Revolving Loans.** Borrower may prepay the principal of any Revolving Loan at any time in whole or in part, without premium or penalty.

(ii) **Term Loan.** Borrower may, upon at least 10 Business Days prior written notice to Agent, prepay the principal of the Term Loan, in whole or in part. Each prepayment made pursuant to this Section 2.4(d)(ii) shall be accompanied by the payment of accrued interest to the date of such payment on the amount prepaid. Each such prepayment shall be applied as directed by Borrower against the remaining installments of principal due on the Term Loan (and if Borrower does not so direct, then such prepayments shall be applied against the remaining installments of principal due on the Term Loan in direct order of maturity (for the avoidance of doubt, any amount that is due and payable on the Maturity Date shall constitute an installment)).

(e) **Mandatory Prepayments.**

(i) **Overadvance.** If, at any time, (A) the Revolver Usage on such date plus the principal amount of the Term Loan outstanding on such date exceeds (B) the Credit Amount as of such date (based upon the most recent Credit Amount Certificate delivered by Borrower to Agent), then Borrower shall immediately prepay the Obligations in accordance with Section 2.4(f)(i) in an amount equal to the amount of such excess.

(ii) **Dispositions.** Within 5 Business Days of the date of receipt by Borrower or any of its Subsidiaries of the Net Cash Proceeds of any voluntary or involuntary sale or disposition by Borrower or any of its Subsidiaries of assets (including insurance proceeds from casualty losses and proceeds from condemnations, but excluding proceeds from sales or dispositions which qualify as

Permitted Dispositions under clauses (a), (b), (c), (d), (e), (f), (i), (j), (k), (l), (m), (n), (p), or (q) of the definition of Permitted Dispositions), Borrower shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.4(f)(ii) in an amount equal to 100% of such Net Cash Proceeds (including condemnation awards and payments in lieu thereof) received by such Person in connection with such sales or dispositions; provided that, so long as (A) no Default or Event of Default shall have occurred and is continuing or would result therefrom, (B) Borrower shall have given Agent written notice prior to the end of such 5 Business Day period of Borrower's intention to apply such monies to the costs of replacement of the properties or assets that are the subject of such sale or disposition or the cost of purchase or construction of other assets useful in the business of Borrower or its Subsidiaries, (C) subject to, in the case of Terra Mar, regulatory law and the terms of its reinsurance arrangements, the monies are held in a Deposit Account or Securities Account in which Agent has a perfected first-priority security interest, and (D) Borrower or its Subsidiaries, as applicable, complete such replacement, purchase, or construction within 180 days after the initial receipt of such monies (or enter into a binding contract for same within 180 days as long as such replacement, purchase, or construction occurs within 180 days after entering into such binding contract), then the Person whose assets were the subject of such disposition shall have the option to apply such monies to the costs of replacement of the assets that are the subject of such sale or disposition (or the costs of purchase or construction of other assets useful in the business of such Person) unless and to the extent that such applicable period shall have expired without such replacement, purchase, or construction being made or completed, in which case, any amounts remaining in the Deposit Account referred to in clause (C) above shall be paid to Agent and applied in accordance with Section 2.4(f)(ii); provided, that Borrower and its Subsidiaries shall not be required to make any mandatory prepayments in any given fiscal year pursuant to this Section 2.4(e)(ii) if the Net Cash Proceeds of dispositions otherwise required to be prepaid under this Section 2.4(e)(ii) do not exceed \$250,000 in any given fiscal year. Nothing contained in this Section 2.4(e)(ii) shall permit Borrower or any of its Subsidiaries to sell or otherwise dispose of any assets other than in accordance with Section 6.4.

(iii) **Extraordinary Receipts.** Within 5 Business Days of the date of receipt by Borrower or any of its Subsidiaries of any Extraordinary Receipts in excess of \$250,000 in any fiscal year, Borrower shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.4(f)(ii) in an amount equal to 100% of such Extraordinary Receipts, net of any reasonable expenses incurred in connection with or in collecting such Extraordinary Receipts.

(iv) **Indebtedness.** Within 5 Business Days of the date of incurrence by Borrower or any of its Subsidiaries of any Indebtedness (other than Permitted Indebtedness), Borrower shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.4(f)(ii) in an amount equal to 100% of the Net Cash Proceeds received by such Person in connection with such incurrence. The provisions of this Section 2.4(e)(iv) shall not be deemed to be implied consent to any such incurrence otherwise prohibited by the terms of this Agreement.

(v) **[Reserved].**

(vi) **Excess Cash Flow.** Within 10 days of delivery to Agent of audited annual financial statements pursuant to Section 5.1, commencing with the delivery to Agent of the financial statements for Borrower's fiscal year ended December 31, 2015 or, if such financial statements are not delivered to Agent on the date such statements are required to be delivered pursuant to Section 5.1, within 10 days after the date such statements were required to be delivered to Agent pursuant to Section 5.1, Borrower shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.4(f)(ii) in an amount equal to (1) 50% of the Excess Cash Flow of Borrower and its Subsidiaries for such fiscal year (provided that for Borrower's fiscal year ended December 31, 2015, Excess Cash Flow shall only be calculated from the period beginning on the Closing Date and ending on December 31, 2015), minus (2) the aggregate amount of all voluntary prepayments in respect of the outstanding principal balance of the Term Loan and the Revolving Loans (to the extent accompanied by commitment reductions) made by Borrower during such fiscal year.

(vii) **Curative Equity.** Within 5 Business Days of the date of receipt by Borrower of the proceeds of any Curative Equity pursuant to Section 9.3, Borrower shall prepay the outstanding principal of the Obligations in accordance with Section 2.4(f)(ii) in an amount equal to 100% of such proceeds, net of any reasonable out-of-pocket expenses incurred in connection with the issuance of such Curative Equity.

(f) **Application of Payments.**

(i) Each prepayment pursuant to Section 2.4(e)(i) shall, (A) so long as no Application Event shall have occurred and be continuing, be applied, *first*, to the outstanding principal amount of the Revolving Loans until paid in full (with no reduction to the Maximum Revolver Amount), *second*, to cash collateralize the Letters of Credit in an amount equal to 105% of the then outstanding Letter of Credit Usage, and *third*, to the outstanding principal amount of the Term Loan until paid in full, and (B) if an Application Event shall have occurred and be continuing, be applied in the manner set forth in Section 2.4(b)(iii). Each such prepayment of the Term Loan shall be applied against the remaining installments of principal of the Term Loan on a pro rata basis (for the avoidance of doubt, any amount that is due and payable on the Maturity Date shall constitute an installment).

(ii) Each prepayment pursuant to Section 2.4(e)(ii), 2.4(e)(iii), 2.4(e)(iv), 2.4(e)(vi), or 2.4(e)(vii) shall (A) so long as no Application Event shall have occurred and be continuing, be applied, *first*, to the outstanding principal amount of the Term Loan until paid in full, *second*, to the outstanding principal amount of the Revolving Loans (with a corresponding permanent reduction in the Maximum Revolver Amount), until paid in full, and *third*, to cash collateralize the Letters of Credit, if any, in an amount equal to 105% of the then outstanding Letter of Credit Usage (with a corresponding permanent reduction in the Maximum Revolver Amount), and (B) if an Application Event shall have occurred and be continuing, be applied in the manner set forth in Section 2.4(b)(iii). Each such prepayment of the Term Loan shall be applied against the remaining installments of principal of the Term Loan on a pro rata basis (for the avoidance of doubt, any amount that is due and payable on the Maturity Date shall constitute an installment).

2.5 Promise to Pay; Promissory Notes.

(a) Borrower agrees to pay the Lender Group Expenses on the earlier of (i) the first Business Day of the month following the date on which the applicable Lender Group Expenses were first invoiced to Borrower (so long as such invoice is received by Borrower at least 5 Business Days prior to such date) or (ii) the date on which demand therefor is made by Agent (it being acknowledged and agreed that any charging of such costs, expenses or Lender Group Expenses to the Loan Account pursuant to the provisions of Section 2.6(d) shall be deemed to constitute a demand for payment thereof for the purposes of this subclause (ii)). Borrower promises to pay all of the Obligations (including principal, interest, premiums, if any, fees, costs, and expenses (including Lender Group Expenses)) in full on the Maturity Date or, if earlier, on the date on which the Obligations (other than the Bank Product Obligations) become due and payable pursuant to the terms of this Agreement. Borrower agrees that its obligations contained in the first sentence of this Section 2.5(a) shall survive payment or satisfaction in full of all other Obligations.

(b) Any Lender may request that any portion of its Commitments or the Loans made by it be evidenced by one or more promissory notes. In such event, Borrower shall execute and deliver to such Lender the requested promissory notes payable to the order of such Lender in a form furnished by

Agent and reasonably satisfactory to Borrower. Thereafter, the portion of the Commitments and Loans evidenced by such promissory notes and interest thereon shall at all times be represented by one or more promissory notes in such form payable to the order of the payee named therein.

2.6 **Interest Rates and Letter of Credit Fee: Rates, Payments, and Calculations.**

(a) **Interest Rates.** Except as provided in Section 2.6(c), all Obligations (except for undrawn Letters of Credit) that have been charged to the Loan Account pursuant to the terms hereof shall bear interest as follows:

(i) if the relevant Obligation is a LIBOR Rate Loan, at a *per annum* rate equal to the LIBOR Rate plus the LIBOR Rate Margin, and

(ii) otherwise, at a *per annum* rate equal to the Base Rate plus the Base Rate Margin.

(b) **Letter of Credit Fee.** Borrower shall pay Agent (for the ratable benefit of the Revolving Lenders), a Letter of Credit fee (the "Letter of Credit Fee") (which fee shall be in addition to the fronting fees and commissions, other fees, charges and expenses set forth in Section 2.11(k)) that shall accrue at a *per annum* rate equal to the LIBOR Rate Margin times the undrawn amount of all outstanding Letters of Credit.

(c) **Default Rate.** Upon the occurrence and during the continuation of an Event of Default, if elected by Agent or the Required Lenders during such time,

(i) all Obligations (except for undrawn Letters of Credit) that have been charged to the Loan Account pursuant to the terms hereof shall bear interest at a *per annum* rate equal to 2 percentage points above the *per annum* rate otherwise applicable thereunder, and

(ii) the Letter of Credit Fee shall be increased to 2 percentage points above the *per annum* rate otherwise applicable hereunder.

(d) **Payment.** Except to the extent provided to the contrary in Section 2.10, Section 2.11(k), or Section 2.12(a), (i) all interest, all Letter of Credit Fees and all other fees payable hereunder or under any of the other Loan Documents shall be due and payable, in arrears, on the first day of each month and (ii) all costs and expenses payable hereunder or under any of the other Loan Documents, and all Lender Group Expenses shall be due and payable on the earlier of (x) the first Business Day of the month following the date on which the applicable costs, expenses, or Lender Group Expenses were first invoiced to Borrower (so long as such invoice is received by Borrower at least 5 Business Days prior to such date) or (y) the date on which demand therefor is made by Agent (it being acknowledged and agreed that any charging of such costs, expenses or Lender Group Expenses to the Loan Account pursuant to the provisions of the following sentence shall be deemed to constitute a demand for payment thereof for the purposes of this subclause (y)). Borrower hereby authorizes Agent, from time to time without prior notice to Borrower, to charge to the Loan Account (A) on the first day of each month, all interest accrued during the prior month on the Revolving Loans or the Term Loan hereunder, (B) on the first day of each month, all Letter of Credit Fees accrued or chargeable hereunder during the prior month, (C) as and when incurred or accrued, all fees and costs provided for in Section 2.10(a) or (c) (but, in the case of Section 2.10(c), no earlier than 5 Business Days following receipt by Borrower of an invoice with respect thereto), (D) on the first day of each month, the Unused Line Fee accrued during the prior month pursuant to Section 2.10(b), (E) as and when due and payable, all other fees payable hereunder or under any of the other Loan Documents, (F) as and when incurred or accrued, the fronting fees and all commissions, other

fees, charges and expenses provided for in Section 2.11(k), (G) as and when incurred or accrued (but no earlier than 5 Business Days following the receipt by Borrower of an invoice with respect thereto), all other Lender Group Expenses, and (H) as and when due and payable all other payment obligations payable under any Loan Document or any Bank Product Agreement (including any amounts due and payable to the Bank Product Providers in respect of Bank Products); provided, that the applicable delays set forth in the foregoing clauses shall not be applicable (and Agent shall be entitled to immediately charge to the Loan Account) at any time that an Event of Default has occurred and is continuing. All amounts (including interest, fees, costs, expenses, Lender Group Expenses, or other amounts payable hereunder or under any other Loan Document or under any Bank Product Agreement) charged to the Loan Account shall thereupon constitute Revolving Loans hereunder, shall constitute Obligations hereunder, and shall initially accrue interest at the rate then applicable to Revolving Loans that are Base Rate Loans (unless and until converted into LIBOR Rate Loans in accordance with the terms of this Agreement).

(e) **Computation.** All interest and fees chargeable under the Loan Documents shall be computed on the basis of a 360 day year, in each case, for the actual number of days elapsed in the period during which the interest or fees accrue. In the event the Base Rate is changed from time to time hereafter, the rates of interest hereunder based upon the Base Rate automatically and immediately shall be increased or decreased by an amount equal to such change in the Base Rate.

(f) **Intent to Limit Charges to Maximum Lawful Rate.** In no event shall the interest rate or rates payable under this Agreement, plus any other amounts paid in connection herewith, exceed the highest rate permissible under any law that a court of competent jurisdiction shall, in a final determination, deem applicable. Borrower and the Lender Group, in executing and delivering this Agreement, intend legally to agree upon the rate or rates of interest and manner of payment stated within it; provided, that, anything contained herein to the contrary notwithstanding, if such rate or rates of interest or manner of payment exceeds the maximum allowable under applicable law, then, *ipso facto*, as of the date of this Agreement, Borrower is and shall be liable only for the payment of such maximum amount as is allowed by law, and payment received from Borrower in excess of such legal maximum, whenever received, shall be applied to reduce the principal balance of the Obligations to the extent of such excess.

2.7 **Crediting Payments.** The receipt of any payment item by Agent shall not be required to be considered a payment on account unless such payment item is a wire transfer of immediately available federal funds made to Agent's Account or unless and until such payment item is honored when presented for payment. Should any payment item not be honored when presented for payment, then Borrower shall be deemed not to have made such payment and interest shall be calculated accordingly. Anything to the contrary contained herein notwithstanding, any payment item shall be deemed received by Agent only if it is received into Agent's Account on a Business Day on or before 1:30 p.m. If any payment item is received into Agent's Account on a non-Business Day or after 1:30 p.m. on a Business Day (unless Agent, in its sole discretion, elects to credit it on the date received), it shall be deemed to have been received by Agent as of the opening of business on the immediately following Business Day.

2.8 **Designated Account.** Agent is authorized to make the Revolving Loans and the Term Loan, and Issuing Bank is authorized to issue the Letters of Credit, under this Agreement based upon telephonic or other instructions received from anyone purporting to be an Authorized Person or, without instructions, if pursuant to Section 2.6(d). Borrower agrees to establish and maintain the Designated Account with the Designated Account Bank for the purpose of receiving the proceeds of the Revolving Loans requested by Borrower and made by Agent or the Lenders hereunder. Unless otherwise agreed by Agent and Borrower, any Revolving Loan or Swing Loan requested by Borrower and made by Agent or the Lenders hereunder shall be made to the Designated Account.

2.9 **Maintenance of Loan Account; Statements of Obligations.** Agent shall maintain an account on its books in the name of Borrower (the "Loan Account") on which Borrower will be charged with the Term Loan, all Revolving Loans (including Protective Advances and Swing Loans) made by Agent, Swing Lender, or the Lenders to Borrower or for Borrower's account, the Letters of Credit issued or arranged by Issuing Bank for Borrower's account, and with all other payment Obligations hereunder or under the other Loan Documents, including, accrued interest, fees and expenses, and Lender Group Expenses. In accordance with Section 2.7, the Loan Account will be credited with all payments received by Agent from Borrower or for Borrower's account. Agent shall make available to Borrower monthly statements regarding the Loan Account, including the principal amount of the Term Loan and the Revolving Loans, interest accrued hereunder, fees accrued or charged hereunder or under the other Loan Documents, and a summary itemization of all charges and expenses constituting Lender Group Expenses accrued hereunder or under the other Loan Documents, and each such statement, absent manifest error, shall be conclusively presumed to be correct and accurate and constitute an account stated between Borrower and the Lender Group unless, within 60 days after Agent first makes such a statement available to Borrower, Borrower shall deliver to Agent written objection thereto describing the error or errors contained in such statement.

2.10 **Fees.**

(a) **Agent Fees.** Borrower shall pay to Agent, for the account of Agent, as and when due and payable under the terms of the Fee Letter, the fees set forth in the Fee Letter.

(b) **Unused Line Fee.** Borrower shall pay to Agent, for the ratable account of the Revolving Lenders, an unused line fee (the "Unused Line Fee") in an amount equal to 0.50% *per annum* times the result of (i) the aggregate amount of the Revolver Commitments, less (ii) the average amount of the Revolver Usage during the immediately preceding month (or portion thereof), which Unused Line Fee shall be due and payable on the first day of each month from and after the Closing Date up to the first day of the month prior to the date on which the Obligations are paid in full and on the date on which the Obligations are paid in full.

(c) **Financial Examination and Other Fees.** Borrower shall pay to Agent, financial examination and valuation fees and charges, as and when incurred or chargeable, as follows (i) a fee of \$1,000 per day, per examiner, plus out-of-pocket expenses (including travel, meals, and lodging) for each financial examination or inspection of Borrower or its Subsidiaries performed by personnel employed by Agent, and (ii) the fees or charges paid or incurred by Agent (but, in any event, no less than a charge of \$1,000 per day, per Person, plus out-of-pocket expenses (including travel, meals, and lodging)) if it elects to employ the services of one or more third Persons to perform financial examinations of Borrower or its Subsidiaries, or to assess Borrower's or its Subsidiaries' business/recurring revenue valuation (any such financial examination or business/recurring revenue valuation collectively referred to herein as an "Examination"); provided, that so long as no Event of Default shall have occurred and be continuing, Borrower shall not be obligated to reimburse Agent for more than 1 Examination during any calendar year.

2.11 **Letters of Credit.**

(a) Subject to the terms and conditions of this Agreement, upon the request of Borrower made in accordance herewith, and prior to the Maturity Date, Issuing Bank agrees to issue a requested Letter of Credit for the account of Borrower (or for a Subsidiary of Borrower so long as Borrower agrees to be a co-applicant). By submitting a request to Issuing Bank for the issuance of a Letter of Credit, Borrower shall be deemed to have requested that Issuing Bank issue the requested Letter of Credit. Each request for the issuance of a Letter of Credit, or the amendment, renewal, or extension of

any outstanding Letter of Credit, shall be irrevocable and shall be made in writing by an Authorized Person and delivered to Issuing Bank via telefacsimile or other electronic method of transmission reasonably acceptable to Issuing Bank and reasonably in advance of the requested date of issuance, amendment, renewal, or extension. Each such request shall be in form and substance reasonably satisfactory to Issuing Bank and (i) shall specify (A) the amount of such Letter of Credit, (B) the date of issuance, amendment, renewal, or extension of such Letter of Credit, (C) the proposed expiration date of such Letter of Credit, (D) the name and address of the beneficiary of the Letter of Credit, and (E) such other information (including, the conditions to drawing, and, in the case of an amendment, renewal, or extension, identification of the Letter of Credit to be so amended, renewed, or extended) as shall be necessary to prepare, amend, renew, or extend such Letter of Credit, and (ii) shall be accompanied by such Issuer Documents as Agent or Issuing Bank may request or require, to the extent that such requests or requirements are consistent with the Issuer Documents that Issuing Bank generally requests for Letters of Credit in similar circumstances. Bank's records of the content of any such request will be conclusive. Anything contained herein to the contrary notwithstanding, Issuing Bank may, but shall not be obligated to, issue a Letter of Credit that supports the obligations of Borrower or its Subsidiaries in respect of (x) a lease of real property, or (y) an employment contract.

(b) Issuing Bank shall have no obligation to issue a Letter of Credit if any of the following would result after giving effect to the requested issuance:

(i) the Letter of Credit Usage would exceed \$250,000, or

(ii) the Letter of Credit Usage would exceed the Maximum Revolver Amount less the outstanding amount of Revolving Loans (including Swing Loans), or

(iii) the Letter of Credit Usage would exceed the Credit Amount at such time less the sum of (A) the outstanding principal balance of the Revolving Loans (inclusive of Swing Loans) at such time, *plus* (B) the outstanding principal balance of the Term Loan at such time.

(c) In the event there is a Defaulting Lender as of the date of any request for the issuance of a Letter of Credit, the Issuing Bank shall not be required to issue or arrange for such Letter of Credit to the extent (i) the Defaulting Lender's Letter of Credit Exposure with respect to such Letter of Credit may not be reallocated pursuant to Section 2.3(g)(ii), or (ii) the Issuing Bank has not otherwise entered into arrangements reasonably satisfactory to it and Borrower to eliminate the Issuing Bank's risk with respect to the participation in such Letter of Credit of the Defaulting Lender, which arrangements may include Borrower cash collateralizing such Defaulting Lender's Letter of Credit Exposure in accordance with Section 2.3(g)(ii). Additionally, Issuing Bank shall have no obligation to issue a Letter of Credit if (A) any order, judgment, or decree of any Governmental Authority or arbitrator shall, by its terms, purport to enjoin or restrain Issuing Bank from issuing such Letter of Credit, or any law applicable to Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over Issuing Bank shall prohibit or request that Issuing Bank refrain from the issuance of letters of credit generally or such Letter of Credit in particular, (B) the issuance of such Letter of Credit would violate one or more policies of Issuing Bank applicable to letters of credit generally, or (C) if amounts demanded to be paid under any Letter of Credit will or may not be in Dollars.

(d) Any Issuing Bank (other than Wells Fargo or any of its Affiliates) shall notify Agent in writing no later than the Business Day immediately following the Business Day on which such Issuing Bank issued any Letter of Credit; provided that (i) until Agent advises any such Issuing Bank that the provisions of Section 3.2 are not satisfied, or (ii) unless the aggregate amount of the Letters of Credit issued in any such week exceeds such amount as shall be agreed by Agent and such Issuing Bank, such

Issuing Bank shall be required to so notify Agent in writing only once each week of the Letters of Credit issued by such Issuing Bank during the immediately preceding week as well as the daily amounts outstanding for the prior week, such notice to be furnished on such day of the week as Agent and such Issuing Bank may agree. Each Letter of Credit shall be in form and substance reasonably acceptable to Issuing Bank, including the requirement that the amounts payable thereunder must be payable in Dollars. If Issuing Bank makes a payment under a Letter of Credit, Borrower shall pay to Agent an amount equal to the applicable Letter of Credit Disbursement on the Business Day such Letter of Credit Disbursement is made and, in the absence of such payment, the amount of the Letter of Credit Disbursement immediately and automatically shall be deemed to be a Revolving Loan hereunder (notwithstanding any failure to satisfy any condition precedent set forth in Section 3) and, initially, shall bear interest at the rate then applicable to Revolving Loans that are Base Rate Loans. If a Letter of Credit Disbursement is deemed to be a Revolving Loan hereunder, Borrower's obligation to pay the amount of such Letter of Credit Disbursement to Issuing Bank shall be automatically converted into an obligation to pay the resulting Revolving Loan. Promptly following receipt by Agent of any payment from Borrower pursuant to this paragraph, Agent shall distribute such payment to Issuing Bank or, to the extent that Revolving Lenders have made payments pursuant to Section 2.11(e) to reimburse Issuing Bank, then to such Revolving Lenders and Issuing Bank as their interests may appear.

(e) Promptly following receipt of a notice of a Letter of Credit Disbursement pursuant to Section 2.11(d), each Revolving Lender agrees to fund its Pro Rata Share of any Revolving Loan deemed made pursuant to Section 2.11(d) on the same terms and conditions as if Borrower had requested the amount thereof as a Revolving Loan and Agent shall promptly pay to Issuing Bank the amounts so received by it from the Revolving Lenders. By the issuance of a Letter of Credit (or an amendment, renewal, or extension of a Letter of Credit) and without any further action on the part of Issuing Bank or the Revolving Lenders, Issuing Bank shall be deemed to have granted to each Revolving Lender, and each Revolving Lender shall be deemed to have purchased, a participation in each Letter of Credit issued by Issuing Bank, in an amount equal to its Pro Rata Share of such Letter of Credit, and each such Revolving Lender agrees to pay to Agent, for the account of Issuing Bank, such Revolving Lender's Pro Rata Share of any Letter of Credit Disbursement made by Issuing Bank under the applicable Letter of Credit. In consideration and in furtherance of the foregoing, each Revolving Lender hereby absolutely and unconditionally agrees to pay to Agent, for the account of Issuing Bank, such Revolving Lender's Pro Rata Share of each Letter of Credit Disbursement made by Issuing Bank and not reimbursed by Borrower on the date due as provided in Section 2.11(d), or of any reimbursement payment that is required to be refunded (or that Agent or Issuing Bank elects, based upon the advice of counsel, to refund) to Borrower for any reason. Each Revolving Lender acknowledges and agrees that its obligation to deliver to Agent, for the account of Issuing Bank, an amount equal to its respective Pro Rata Share of each Letter of Credit Disbursement pursuant to this Section 2.11(e) shall be absolute and unconditional and such remittance shall be made notwithstanding the occurrence or continuation of an Event of Default or Default or the failure to satisfy any condition set forth in Section 3. If any such Revolving Lender fails to make available to Agent the amount of such Revolving Lender's Pro Rata Share of a Letter of Credit Disbursement as provided in this Section, such Revolving Lender shall be deemed to be a Defaulting Lender and Agent (for the account of Issuing Bank) shall be entitled to recover such amount on demand from such Revolving Lender together with interest thereon at the Defaulting Lender Rate until paid in full.

(f) Borrower agrees to indemnify, defend and hold harmless each member of the Lender Group (including Issuing Bank and its branches, Affiliates, and correspondents) and each such Person's respective directors, officers, employees, attorneys and agents (each, including Issuing Bank, a "Letter of Credit Related Person") (to the fullest extent permitted by law) from and against any and all claims, demands, suits, actions, investigations, proceedings, liabilities, fines, costs, penalties, and damages, and all reasonable fees and disbursements of attorneys, experts, or consultants and all other

costs and expenses actually incurred in connection therewith or in connection with the enforcement of this indemnification (as and when they are incurred and irrespective of whether suit is brought), which may be incurred by or awarded against any such Letter of Credit Related Person (other than Taxes, which shall be governed by Section 16) (the “Letter of Credit Indemnified Costs”), and which arise out of or in connection with, or as a result of:

- (i) any Letter of Credit or any pre-advice of its issuance;
- (ii) any transfer, sale, delivery, surrender or endorsement of any Drawing Document at any time(s) held by any such Letter of Credit Related Person in connection with any Letter of Credit;
- (iii) any action or proceeding arising out of, or in connection with, any Letter of Credit (whether administrative, judicial or in connection with arbitration), including any action or proceeding to compel or restrain any presentation or payment under any Letter of Credit, or for the wrongful dishonor of, or honoring a presentation under, any Letter of Credit;
- (iv) any independent undertakings issued by the beneficiary of any Letter of Credit;
- (v) any unauthorized instruction or request made to Issuing Bank in connection with any Letter of Credit or requested Letter of Credit or error in computer or electronic transmission;
- (vi) an adviser, confirmer or other nominated person seeking to be reimbursed, indemnified or compensated;
- (vii) any third party seeking to enforce the rights of an applicant, beneficiary, nominated person, transferee, assignee of Letter of Credit proceeds or holder of an instrument or document;
- (viii) the fraud, forgery or illegal action of parties other than the Letter of Credit Related Person;
- (ix) Issuing Bank’s performance of the obligations of a confirming institution or entity that wrongfully dishonors a confirmation; or
- (x) the acts or omissions, whether rightful or wrongful, of any present or future de jure or de facto governmental or regulatory authority or cause or event beyond the control of the Letter of Credit Related Person;

in each case, including that resulting from the Letter of Credit Related Person’s own negligence; provided, however, that such indemnity shall not be available to any Letter of Credit Related Person claiming indemnification under clauses (i) through (x) above to the extent that such Letter of Credit Indemnified Costs may be finally determined in a final, non-appealable judgment of a court of competent jurisdiction to have resulted directly from the gross negligence or willful misconduct of the Letter of Credit Related Person claiming indemnity. Borrower hereby agrees to pay the Letter of Credit Related Person claiming indemnity on demand from time to time all amounts owing under this Section 2.11(f). If and to the extent that the obligations of Borrower under this Section 2.11(f) are unenforceable for any reason, Borrower agrees to make the maximum contribution to the Letter of Credit Indemnified Costs permissible under applicable law. This indemnification provision shall survive termination of this Agreement and all Letters of Credit.

(g) The liability of Issuing Bank (or any other Letter of Credit Related Person) under, in connection with or arising out of any Letter of Credit (or pre-advice), regardless of the form or legal grounds of the action or proceeding, shall be limited to direct damages suffered by Borrower that are caused directly by Issuing Bank's gross negligence or willful misconduct in (i) honoring a presentation under a Letter of Credit that on its face does not at least substantially comply with the terms and conditions of such Letter of Credit, (ii) failing to honor a presentation under a Letter of Credit that strictly complies with the terms and conditions of such Letter of Credit or (iii) retaining Drawing Documents presented under a Letter of Credit. Issuing Bank shall be deemed to have acted with due diligence and reasonable care if Issuing Bank's conduct is in accordance with Standard Letter of Credit Practice or in accordance with this Agreement. Borrower's aggregate remedies against Issuing Bank and any Letter of Credit Related Person for wrongfully honoring a presentation under any Letter of Credit or wrongfully retaining honored Drawing Documents shall in no event exceed the aggregate amount paid by Borrower to Issuing Bank in respect of the honored presentation in connection with such Letter of Credit under Section 2.11(d), plus interest at the rate then applicable to Base Rate Loans hereunder. Borrower shall take action to avoid and mitigate the amount of any damages claimed against Issuing Bank or any other Letter of Credit Related Person, including by enforcing its rights against the beneficiaries of the Letters of Credit. Any claim by Borrower under or in connection with any Letter of Credit shall be reduced by an amount equal to the sum of (x) the amount (if any) saved by Borrower as a result of the breach or alleged wrongful conduct complained of; and (y) the amount (if any) of the loss that would have been avoided had Borrower taken all reasonable steps to mitigate any loss, and in case of a claim of wrongful dishonor, by specifically and timely authorizing Issuing Bank to effect a cure.

(h) Borrower is responsible for preparing or approving the final text of the Letter of Credit as issued by Issuing Bank, irrespective of any assistance Issuing Bank may provide such as drafting or recommending text or by Issuing Bank's use or refusal to use text submitted by Borrower. Borrower is solely responsible for the suitability of the Letter of Credit for Borrower's purposes. With respect to any Letter of Credit containing an "automatic amendment" to extend the expiration date of such Letter of Credit, Issuing Bank, in its sole and absolute discretion, may give notice of nonrenewal of such Letter of Credit and, if Borrower does not at any time want such Letter of Credit to be renewed, Borrower will so notify Agent and Issuing Bank at least 15 calendar days before Issuing Bank is required to notify the beneficiary of such Letter of Credit or any advising bank of such nonrenewal pursuant to the terms of such Letter of Credit.

(i) Borrower's reimbursement and payment obligations under this Section 2.11 are absolute, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever, including:

(i) any lack of validity, enforceability or legal effect of any Letter of Credit or this Agreement or any term or provision therein or herein;

(ii) payment against presentation of any draft, demand or claim for payment under any Drawing Document that does not comply in whole or in part with the terms of the applicable Letter of Credit or which proves to be fraudulent, forged or invalid in any respect or any statement therein being untrue or inaccurate in any respect, or which is signed, issued or presented by a Person or a transferee of such Person purporting to be a successor or transferee of the beneficiary of such Letter of Credit;

(iii) Issuing Bank or any of its branches or Affiliates being the beneficiary of any Letter of Credit;

(iv) Issuing Bank or any correspondent honoring a drawing against a Drawing Document up to the amount available under any Letter of Credit even if such Drawing Document claims an amount in excess of the amount available under the Letter of Credit;

(v) the existence of any claim, set-off, defense or other right that Borrower or any other Person may have at any time against any beneficiary, any assignee of proceeds, Issuing Bank or any other Person;

(vi) any other event, circumstance or conduct whatsoever, whether or not similar to any of the foregoing that might, but for this Section 2.11(i), constitute a legal or equitable defense to or discharge of, or provide a right of set-off against, Borrower's reimbursement and other payment obligations and liabilities, arising under, or in connection with, any Letter of Credit, whether against Issuing Bank, the beneficiary or any other Person; or

(vii) the fact that any Default or Event of Default shall have occurred and be continuing;

provided, however, that subject to Section 2.11(g) above, the foregoing shall not release Issuing Bank from such liability to Borrower as may be finally determined in a final, non-appealable judgment of a court of competent jurisdiction against Issuing Bank following reimbursement or payment of the obligations and liabilities, including reimbursement and other payment obligations, of Borrower to Issuing Bank arising under, or in connection with, this Section 2.11 or any Letter of Credit.

(j) Without limiting any other provision of this Agreement, Issuing Bank and each other Letter of Credit Related Person (if applicable) shall not be responsible to Borrower for, and Issuing Bank's rights and remedies against Borrower and the obligation of Borrower to reimburse Issuing Bank for each drawing under each Letter of Credit shall not be impaired by:

(i) honor of a presentation under any Letter of Credit that on its face substantially complies with the terms and conditions of such Letter of Credit, even if the Letter of Credit requires strict compliance by the beneficiary;

(ii) honor of a presentation of any Drawing Document that appears on its face to have been signed, presented or issued (A) by any purported successor or transferee of any beneficiary or other Person required to sign, present or issue such Drawing Document or (B) under a new name of the beneficiary;

(iii) acceptance as a draft of any written or electronic demand or request for payment under a Letter of Credit, even if nonnegotiable or not in the form of a draft or notwithstanding any requirement that such draft, demand or request bear any or adequate reference to the Letter of Credit;

(iv) the identity or authority of any presenter or signer of any Drawing Document or the form, accuracy, genuineness or legal effect of any Drawing Document (other than Issuing Bank's determination that such Drawing Document appears on its face substantially to comply with the terms and conditions of the Letter of Credit);

(v) acting upon any instruction or request relative to a Letter of Credit or requested Letter of Credit that Issuing Bank in good faith believes to have been given by a Person authorized to give such instruction or request;

(vi) any errors, omissions, interruptions or delays in transmission or delivery of any message, advice or document (regardless of how sent or transmitted) or for errors in interpretation of technical terms or in translation or any delay in giving or failing to give notice to Borrower;

(vii) any acts, omissions or fraud by, or the insolvency of, any beneficiary, any nominated person or entity or any other Person or any breach of contract between the beneficiary and Borrower or any of the parties to the underlying transaction to which the Letter of Credit relates;

(viii) assertion or waiver of any provision of the ISP or UCP that primarily benefits an issuer of a letter of credit, including any requirement that any Drawing Document be presented to it at a particular hour or place;

(ix) payment to any paying or negotiating bank (designated or permitted by the terms of the applicable Letter of Credit) claiming that it rightfully honored or is entitled to reimbursement or indemnity under Standard Letter of Credit Practice applicable to it;

(x) acting or failing to act as required or permitted under Standard Letter of Credit Practice applicable to where Issuing Bank has issued, confirmed, advised or negotiated such Letter of Credit, as the case may be;

(xi) honor of a presentation after the expiration date of any Letter of Credit notwithstanding that a presentation was made prior to such expiration date and dishonored by Issuing Bank if subsequently Issuing Bank or any court or other finder of fact determines such presentation should have been honored;

(xii) dishonor of any presentation that does not strictly comply or that is fraudulent, forged or otherwise not entitled to honor; or

(xiii) honor of a presentation that is subsequently determined by Issuing Bank to have been made in violation of international, federal, state or local restrictions on the transaction of business with certain prohibited Persons.

(k) Borrower shall pay immediately upon demand to Agent for the account of Issuing Bank as non-refundable fees, commissions, and charges (it being acknowledged and agreed that any charging of such fees, commissions, and charges to the Loan Account pursuant to the provisions of Section 2.6(d) shall be deemed to constitute a demand for payment thereof for the purposes of this Section 2.11(k)): (i) a fronting fee which shall be imposed by Issuing Bank upon the issuance of each Letter of Credit of 0.25% *per annum* of the face amount thereof, *plus* (ii) any and all other customary commissions, fees and charges then in effect imposed by, and any and all expenses incurred by, Issuing Bank, or by any adviser, confirming institution or entity or other nominated person, relating to Letters of Credit, at the time of issuance of any Letter of Credit and upon the occurrence of any other activity with respect to any Letter of Credit (including transfers, assignments of proceeds, amendments, drawings, renewals or cancellations).

(l) If by reason of (x) any Change in Law, or (y) compliance by Issuing Bank or any other member of the Lender Group with any direction, request, or requirement (irrespective of whether having the force of law) of any Governmental Authority or monetary authority including, Regulation D of the Board of Governors as from time to time in effect (and any successor thereto):

(i) any reserve, deposit, or similar requirement is or shall be imposed or modified in respect of any Letter of Credit issued or caused to be issued hereunder or hereby, or

(ii) there shall be imposed on Issuing Bank or any other member of the Lender Group any other condition regarding any Letter of Credit,

and the result of the foregoing is to increase, directly or indirectly, the cost to Issuing Bank or any other member of the Lender Group of issuing, making, participating in, or maintaining any Letter of Credit or to reduce the amount receivable in respect thereof, then, and in any such case, Agent may, at any time within a reasonable period after the additional cost is incurred or the amount received is reduced, notify Borrower, and Borrower shall pay within 30 days after demand therefor, such amounts as Agent may specify to be necessary to compensate Issuing Bank or any other member of the Lender Group for such additional cost or reduced receipt, together with interest on such amount from the date of such demand until payment in full thereof at the rate then applicable to Base Rate Loans hereunder; provided, that (A) Borrower shall not be required to provide any compensation pursuant to this Section 2.11(l) for any such amounts incurred more than 180 days prior to the date on which the demand for payment of such amounts is first made to Borrower, and (B) if an event or circumstance giving rise to such amounts is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof. The determination by Agent of any amount due pursuant to this Section 2.11(l), as set forth in a certificate setting forth the calculation thereof in reasonable detail, shall, in the absence of manifest or demonstrable error, be final and conclusive and binding on all of the parties hereto.

(i) Unless otherwise expressly agreed by Issuing Bank and Borrower when a Letter of Credit is issued, (i) the rules of the ISP and the UCP shall apply to each standby Letter of Credit, and (ii) the rules of the UCP shall apply to each commercial Letter of Credit.

(j) In the event of a direct conflict between the provisions of this Section 2.11 and any provision contained in any Issuer Document, it is the intention of the parties hereto that such provisions be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, the terms and provisions of this Section 2.11 shall control and govern.

2.12 **LIBOR Option.**

(a) **Interest and Interest Payment Dates.** In lieu of having interest charged at the rate based upon the Base Rate, Borrower shall have the option, subject to Section 2.12(b) below (the "LIBOR Option") to have interest on all or a portion of the Revolving Loans or the Term Loan be charged (whether at the time when made (unless otherwise provided herein), upon conversion from a Base Rate Loan to a LIBOR Rate Loan, or upon continuation of a LIBOR Rate Loan as a LIBOR Rate Loan) at a rate of interest based upon the LIBOR Rate. Interest on LIBOR Rate Loans shall be payable on the earliest of (i) the last day of the Interest Period applicable thereto; provided, that, subject to the following clauses (ii) and (iii), in the case of any Interest Period greater than 3 months in duration, interest shall be payable at 3 month intervals after the commencement of the applicable Interest Period and on the last day of such Interest Period), (ii) the date on which all or any portion of the Obligations are accelerated pursuant to the terms hereof, or (iii) the date on which this Agreement is terminated pursuant to the terms hereof. On the last day of each applicable Interest Period, unless Borrower properly has exercised the LIBOR Option with respect thereto, the interest rate applicable to such LIBOR Rate Loan automatically shall convert to the rate of interest then applicable to Base Rate Loans of the same type hereunder. At any time that an Event of Default has occurred and is continuing, Borrower no longer shall have the option to request that Revolving Loans bear interest at a rate based upon the LIBOR Rate.

(b) **LIBOR Election.**

(i) Borrower may, at any time and from time to time, so long as no Event of Default has occurred and is continuing, elect to exercise the LIBOR Option by notifying Agent prior to 11:00 a.m. at least 1 Business Day prior to the commencement of the proposed Interest Period (the "LIBOR Deadline"). Notice of Borrower's election of the LIBOR Option for a permitted portion of the Revolving Loans or the Term Loan and an Interest Period pursuant to this Section shall be made by delivery to Agent of a LIBOR Notice received by Agent before the LIBOR Deadline, or by telephonic notice received by Agent before the LIBOR Deadline (to be confirmed by delivery to Agent of a LIBOR Notice received by Agent prior to 5:00 p.m. on the same day). Promptly upon its receipt of each such LIBOR Notice, Agent shall provide a copy thereof to each of the affected Lenders.

(ii) Each LIBOR Notice shall be irrevocable and binding on Borrower. In connection with each LIBOR Rate Loan, Borrower shall indemnify, defend, and hold Agent and the Lenders harmless against any loss, cost, or expense actually incurred by Agent or any Lender as a result of (A) the payment of any principal of any LIBOR Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (B) the conversion of any LIBOR Rate Loan other than on the last day of the Interest Period applicable thereto, or (C) the failure to borrow, convert, continue or prepay any LIBOR Rate Loan on the date specified in any LIBOR Notice delivered pursuant hereto (such losses, costs, or expenses, "Funding Losses"). A certificate of Agent or a Lender delivered to Borrower setting forth in reasonable detail any amount or amounts that Agent or such Lender is entitled to receive pursuant to this Section 2.12 shall be conclusive absent manifest error. Borrower shall pay such amount to Agent or the Lender, as applicable, within 30 days of the date of its receipt of such certificate. If a payment of a LIBOR Rate Loan on a day other than the last day of the applicable Interest Period would result in a Funding Loss, Agent may, in its sole discretion at the request of Borrower, hold the amount of such payment as cash collateral in support of the Obligations until the last day of such Interest Period and apply such amounts to the payment of the applicable LIBOR Rate Loan on such last day, it being agreed that Agent has no obligation to so defer the application of payments to any LIBOR Rate Loan and that, in the event that Agent does not defer such application, Borrower shall be obligated to pay any resulting Funding Losses.

(iii) Unless Agent, in its sole discretion, agrees otherwise, Borrower shall have not more than 8 LIBOR Rate Loans in effect at any given time. Borrower only may exercise the LIBOR Option for proposed LIBOR Rate Loans of at least \$250,000.

(c) **Conversion.** Borrower may convert LIBOR Rate Loans to Base Rate Loans at any time; provided, that in the event that LIBOR Rate Loans are converted or prepaid on any date that is not the last day of the Interest Period applicable thereto, including as a result of any prepayment through the required application by Agent of any payments or proceeds of Collateral in accordance with Section 2.4(b) or for any other reason, including early termination of the term of this Agreement or acceleration of all or any portion of the Obligations pursuant to the terms hereof, Borrower shall indemnify, defend, and hold Agent and the Lenders and their Participants harmless against any and all Funding Losses in accordance with Section 2.12(b)(ii).

(d) **Special Provisions Applicable to LIBOR Rate.**

(i) The LIBOR Rate may be adjusted by Agent with respect to any Lender on a prospective basis to take into account any additional or increased costs to such Lender of maintaining or obtaining any eurodollar deposits or increased costs, in each case, due to changes in applicable law occurring subsequent to the commencement of the then applicable Interest Period, including any Changes in Law (including any changes in tax laws (except changes of general applicability in corporate income

tax laws)) and changes in the reserve requirements imposed by the Board of Governors, which additional or increased costs would increase the cost of funding or maintaining loans bearing interest at the LIBOR Rate. In any such event, the affected Lender shall give Borrower and Agent notice of such a determination and adjustment and Agent promptly shall transmit the notice to each other Lender and, upon its receipt of the notice from the affected Lender, Borrower may, by notice to such affected Lender (A) require such Lender to furnish to Borrower a statement setting forth in reasonable detail the basis for adjusting such LIBOR Rate and the method for determining the amount of such adjustment, or (B) repay the LIBOR Rate Loans of such Lender with respect to which such adjustment is made (together with any amounts due under Section 2.12(b)(ii)).

(ii) In the event that any change in market conditions or any Change in Law shall at any time after the date hereof, in the reasonable opinion of any Lender, make it unlawful or impractical for such Lender to fund or maintain LIBOR Rate Loans or to continue such funding or maintaining, or to determine or charge interest rates at the LIBOR Rate, such Lender shall give notice of such changed circumstances to Agent and Borrower and Agent promptly shall transmit the notice to each other Lender and (y) in the case of any LIBOR Rate Loans of such Lender that are outstanding, the date specified in such Lender's notice shall be deemed to be the last day of the Interest Period of such LIBOR Rate Loans, and interest upon the LIBOR Rate Loans of such Lender thereafter shall accrue interest at the rate then applicable to Base Rate Loans, and (z) Borrower shall not be entitled to elect the LIBOR Option until such Lender determines that it would no longer be unlawful or impractical to do so.

(e) **No Requirement of Matched Funding.** Anything to the contrary contained herein notwithstanding, neither Agent, nor any Lender, nor any of their Participants, is required actually to acquire eurodollar deposits to fund or otherwise match fund any Obligation as to which interest accrues at the LIBOR Rate.

2.13 **Capital Requirements.**

(a) If, after the date hereof, Issuing Bank or any Lender determines that (i) any Change in Law regarding capital or reserve requirements for banks or bank holding companies, or (ii) compliance by Issuing Bank or such Lender, or their respective parent bank holding companies, with any guideline, request or directive of any Governmental Authority regarding capital adequacy (whether or not having the force of law), has the effect of reducing the return on Issuing Bank's, such Lender's, or such holding companies' capital as a consequence of Issuing Bank's or such Lender's commitments hereunder to a level below that which Issuing Bank, such Lender, or such holding companies could have achieved but for such Change in Law or compliance (taking into consideration Issuing Bank's, such Lender's, or such holding companies' then existing policies with respect to capital adequacy and assuming the full utilization of such entity's capital) by any amount deemed by Issuing Bank or such Lender to be material, then Issuing Bank or such Lender may notify Borrower and Agent thereof. Following receipt of such notice, Borrower agrees to pay Issuing Bank or such Lender on demand the amount of such reduction of return of capital as and when such reduction is determined, payable within 30 days after presentation by Issuing Bank or such Lender of a statement in the amount and setting forth in reasonable detail Issuing Bank's or such Lender's calculation thereof and the assumptions upon which such calculation was based (which statement shall be deemed true and correct absent manifest error). In determining such amount, Issuing Bank or such Lender may use any reasonable averaging and attribution methods. Failure or delay on the part of Issuing Bank or any Lender to demand compensation pursuant to this Section shall not constitute a waiver of Issuing Bank's or such Lender's right to demand such compensation; provided that Borrower shall not be required to compensate Issuing Bank or a Lender pursuant to this Section for any reductions in return incurred more than 180 days prior to the date that Issuing Bank or such Lender notifies Borrower of such Change in Law giving rise to such reductions and of such Lender's intention to claim compensation therefor; provided further that if such claim arises by reason of the Change in Law that is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

(b) If Issuing Bank or any Lender requests additional or increased costs referred to in Section 2.11(l), or Section 2.12(d)(i) or amounts under Section 2.13(a) or sends a notice under Section 2.12(d)(ii) relative to changed circumstances (such Issuing Bank or Lender, an “Affected Lender”), then such Affected Lender shall use reasonable efforts to promptly designate a different one of its lending offices or to assign its rights and obligations hereunder to another of its offices or branches, if (i) in the reasonable judgment of such Affected Lender, such designation or assignment would eliminate or reduce amounts payable pursuant to Section 2.11(l), Section 2.12(d)(i) or Section 2.13(a), as applicable, or would eliminate the illegality or impracticality of funding or maintaining LIBOR Rate Loans and (ii) in the reasonable judgment of such Affected Lender, such designation or assignment would not subject it to any material unreimbursed cost or expense and would not otherwise be materially disadvantageous to it. Borrower agrees to pay all reasonable out-of-pocket costs and expenses incurred by such Affected Lender in connection with any such designation or assignment. If, after such reasonable efforts, such Affected Lender does not so designate a different one of its lending offices or assign its rights to another of its offices or branches so as to eliminate Borrower’s obligation to pay any future amounts to such Affected Lender pursuant to Section 2.11(l), Section 2.12(d)(i) or Section 2.13(a), as applicable, or to enable Borrower to obtain LIBOR Rate Loans, then Borrower (without prejudice to any amounts then due to such Affected Lender under Section 2.11(l), Section 2.12(d)(i) or Section 2.13(a), as applicable) may, unless prior to the effective date of any such assignment the Affected Lender withdraws its request for such additional amounts under Section 2.11(l), Section 2.12(d)(i) or Section 2.13(a), as applicable, or indicates that it is no longer unlawful or impractical to fund or maintain LIBOR Rate Loans, may designate a different Issuing Bank or substitute a Lender, in each case, reasonably acceptable to Agent to purchase the Obligations owed to such Affected Lender and such Affected Lender’s commitments hereunder (a “Replacement Lender”), and if such Replacement Lender agrees to such purchase, such Affected Lender shall assign to the Replacement Lender its Obligations and commitments, and upon such purchase by the Replacement Lender, which such Replacement Lender shall be deemed to be “Issuing Bank” or a “Lender” (as the case may be) for purposes of this Agreement and such Affected Lender shall cease to be “Issuing Bank” or a “Lender” (as the case may be) for purposes of this Agreement.

(c) Notwithstanding anything herein to the contrary, the protection of Sections 2.11(l), 2.12(d), and 2.13 shall be available to Issuing Bank and each Lender (as applicable) regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, judicial ruling, judgment, guideline, treaty or other change or condition which shall have occurred or been imposed, so long as it shall be customary for issuing banks or lenders affected thereby to comply therewith. Notwithstanding any other provision herein, neither Issuing Bank nor any Lender shall demand compensation pursuant to this Section 2.13 if it shall not at the time be the general policy or practice of Issuing Bank or such Lender (as the case may be) to demand such compensation in similar circumstances under comparable provisions of other credit agreements, if any.

2.14 Accordion.

(a) At any time from and after the Closing Date, at the option of Borrower (but subject to the conditions set forth in clause (b) below), the Revolver Commitments and the Maximum Revolver Amount or the Term Loan Amount may be increased by an amount in the aggregate for all such increases of the Revolver Commitments and the Maximum Revolver Amount and the Term Loan Amount not to exceed the Available Increase Amount (each such increase, an “Increase”). Promptly after receipt of notification by Borrower to Agent of any proposed Increase, Agent shall invite each Lender to increase its Revolver Commitments or its Pro Rata Share of the Term Loan Amount (as the case may be) (it being understood that no Lender shall be obligated to increase its Revolver Commitments or its Pro Rata Share

of the Term Loan Amount) in connection with a proposed Increase, at the interest margin proposed by Borrower, and if sufficient Lenders do not agree to increase their Revolver Commitments or their Pro Rata Share of the Term Loan Amount (as the case may be) in connection with such proposed Increase within 10 Business Days after notice from Agent, then Agent or Borrower may invite any prospective lender who is reasonably satisfactory to Agent and Borrower to become a Lender in connection with a proposed Increase. Any Increase shall be in an amount of at least \$1,000,000 and integral multiples of \$250,000 in excess thereof. In no event may the Revolver Commitments and the Maximum Revolver Amount or the Term Loan Amount be increased pursuant to this Section 2.14 on more than 3 occasions in the aggregate for all such Increases. Additionally, for the avoidance of doubt, it is understood and agreed that in no event shall the aggregate amount of the Increases to the Revolver Commitments and the Term Loan Amount exceed \$15,000,000.

(b) Each of the following shall be conditions precedent to any Increase of the Revolver Commitments and the Maximum Revolver Amount or any Increase of the Term Loan Amount and the making of the additional portion of the Term Loan (each, an “Additional Portion of the Term Loan” and collectively, the “Additional Portions of the Term Loan”) in connection therewith:

(i) Agent or Borrower have obtained the commitment of one or more Lenders (or other prospective lenders) reasonably satisfactory to Agent and Borrower to provide the applicable Increase and any such Lenders (or prospective lenders), Borrower, and Agent have signed a joinder agreement to this Agreement (an “Increase Joinder”), in form and substance reasonably satisfactory to Agent, to which such Lenders (or prospective lenders), Borrower, and Agent are party,

(ii) each of the conditions precedent set forth in Section 3.2 is satisfied, unless otherwise waived by those Lenders providing the Increase,

(iii) in connection with any Permitted Acquisition, the Purchase Price for which is greater than \$5,000,000, Borrower has delivered to Agent updated *pro forma* Projections (after giving effect to the applicable Increase) for Borrower and its Subsidiaries evidencing (A) that on a *pro forma* basis after giving effect to the applicable Increase, and any Permitted Acquisition in connection with such Increase, as of the end of the fiscal quarter most recently ended as to which financial statements were required to be delivered pursuant to this Agreement Borrower was in compliance with respect to each financial covenant in Section 7 that was applicable to it for such fiscal quarter, and (B) compliance on a *pro forma* basis with each financial covenant in Section 7 that would be applicable to it for the 4 fiscal quarters (on a quarter-by-quarter basis) immediately following the proposed date of the applicable Increase, and

(iv) Borrower shall have reached agreement with the Lenders (or prospective lenders) agreeing to the increased Revolver Commitments or with the Lenders (or prospective lenders) making the Additional Portion of the Term Loan with respect to the interest margins applicable to Revolving Loans to be made pursuant to the increased Revolver Commitments or the Additional Portion of the Term Loan (which interest margins may be (A) with respect to Revolving Loans made pursuant to the increased Revolver Commitments, higher than or equal to the interest margins applicable to Revolving Loans set forth in this Agreement immediately prior to the date of the increased Revolver Commitments, and (B) with respect to the Additional Portion of the Term Loan, higher than, equal to, or lower than the interest margins applicable to the Term Loan set forth in this Agreement immediately prior to the date of the making of such Additional Portion of the Term Loan, as applicable (the date of the effectiveness of the increased Revolver Commitments and the Maximum Revolver Amount or the making of such Additional Portion of the Term Loan, as applicable, the “Increase Date”)) and shall have communicated the amount of such interest margins to Agent. Any Increase Joinder may, with the consent of Agent, Borrower and the Lenders or prospective lenders agreeing to the proposed Increase, effect such

amendments to this Agreement and the other Loan Documents as may be necessary or appropriate to effectuate the provisions of this Section 2.14 (including any amendment necessary to effectuate the interest margins for the Revolving Loans to be made pursuant to the increased Revolver Commitments or the Additional Portion of the Term Loan). Anything to the contrary contained herein notwithstanding, if the interest margin that is to be applicable to the Revolving Loans to be made pursuant to the increased Revolver Commitments or the Additional Portion of the Term Loan (as the case may be) are higher than the interest margin applicable to the Revolving Commitments or the Term Loan hereunder (as applicable) in effect as of the Closing Date (the "Closing Date Revolver" and the "Closing Date Term Loan") by at least 25 basis points (the amount in excess of 25 basis points by which the interest margin is higher than the Closing Date Revolver or the Closing Date Term Loan, as the case may be, the "Excess"), then the interest margin applicable to the Closing Date Revolver or the Closing Date Term Loan (as the case may be) immediately prior to the Increase Date shall be increased by the amount of the Excess, effective on the applicable Increase Date, and without the necessity of any action by any party hereto, such that the Applicable Margin on the Closing Date Revolver is not more than 25 basis points less than the Applicable Margin on any increased Revolver Commitments and the Applicable Margin on the Closing Date Term Loan is not more than 25 basis points less than the Applicable Margin on the Additional Portion of the Term Loan.

(c) Anything to the contrary contained herein notwithstanding, each Additional Portion of the Term Loan shall be repaid in installments on the first day of each month after the funding of such Additional Portion of the Term Loan (beginning on the second full month after the funding of such Additional Portion of the Term Loan) through and including the month including the Maturity Date in such amounts as may be agreed between Borrower and the Lenders providing such Additional Portion of the Term Loan (it being understood and agreed that (i) only such installment payments arising after such Additional Portion of the Term Loan is made shall be required to be paid, but such installment payments shall be in addition to the payments required to be paid pursuant to Section 2.2 and (ii) the Additional Portion of the Term Loan may not have a shorter weighted average life to maturity than the Closing Date Term Loans). The outstanding unpaid principal balance and all accrued and unpaid interest on such Additional Portion of the Term Loan shall be due and payable on the earlier of (x) the Maturity Date, and (y) the date of the acceleration of the Term Loan in accordance with the terms hereof.

(d) Unless otherwise specifically provided herein, (i) all references in this Agreement and any other Loan Document to Revolving Loans shall be deemed, unless the context otherwise requires, to include Revolving Loans made pursuant to the increased Revolver Commitments and Maximum Revolver Amount pursuant to this Section 2.14, and (ii) all references in this Agreement and any other Loan Document to the Term Loan shall be deemed, unless the context otherwise requires, to include any Additional Portion of the Term Loan made pursuant to the increased Term Loan Amount pursuant to this Section 2.14.

(e) Each of the Lenders having a Revolver Commitment prior to the Increase Date (the "Pre-Increase Revolver Lenders") shall assign to any Lender which is acquiring a new or additional Revolver Commitment on the Increase Date (the "Post-Increase Revolver Lenders"), and such Post-Increase Revolver Lenders shall purchase from each Pre-Increase Revolver Lender, at the principal amount thereof, such interests in the Revolving Loans and participation interests in Letters of Credit on such Increase Date as shall be necessary in order that, after giving effect to all such assignments and purchases, such Revolving Loans and participation interests in Letters of Credit will be held by Pre-Increase Revolver Lenders and Post-Increase Revolver Lenders ratably in accordance with their Pro Rata Share after giving effect to such increased Revolver Commitments.

(f) The Revolving Loans, Revolver Commitments, and Maximum Revolver Amount established pursuant to this Section 2.14 shall constitute Revolving Loans, Revolver Commitments, and

Maximum Revolver Amount under, and shall be entitled to all the benefits afforded by, this Agreement and the other Loan Documents, and shall, without limiting the foregoing, benefit equally and ratably from any guarantees and the security interests created by the Loan Documents. Borrower shall take any actions reasonably required by Agent to ensure and demonstrate that the Liens and security interests granted by the Loan Documents continue to be perfected under the Code or otherwise after giving effect to the establishment of any such new Revolver Commitments and Maximum Revolver Amount.

(g) The Term Loan and the Term Loan Amount established pursuant to this Section 2.14 shall constitute the Term Loan and Term Loan Amount under, and shall be entitled to all the benefits afforded by this Agreement and the other Loan Documents, and shall, without limiting the foregoing, benefit equally and ratably from any guarantees and the security interests created by the Loan Documents. Borrower shall take any actions reasonably required by Agent to ensure and demonstrate that the Liens and security interests granted by the Loan Documents continue to be perfected under the Code or otherwise after giving effect to the establishment of any such new Term Loan Amount.

3. CONDITIONS; TERM OF AGREEMENT.

3.1 **Conditions Precedent to the Initial Extension of Credit.** The obligation of each Lender to make the initial extensions of credit provided for hereunder is subject to the fulfillment, to the satisfaction of Agent and each Lender, of each of the conditions precedent set forth on Schedule 3.1 (the making of such initial extensions of credit by a Lender being conclusively deemed to be its satisfaction or waiver of the conditions precedent).

3.2 **Conditions Precedent to all Extensions of Credit.** The obligation of the Lender Group (or any member thereof) to make any Revolving Loans hereunder (or to extend any other credit hereunder) at any time shall be subject to the following conditions precedent:

(a) the representations and warranties of Borrower or its Subsidiaries contained in this Agreement or in the other Loan Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date of such extension of credit, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date); and

(b) no Default or Event of Default shall have occurred and be continuing on the date of such extension of credit, nor shall either result from the making thereof.

3.3 **Maturity.** This Agreement shall continue in full force and effect for a term ending on the Maturity Date.

3.4 **Effect of Maturity.** On the Maturity Date, all commitments of the Lender Group to provide additional credit hereunder shall automatically be terminated and all of the Obligations immediately shall become due and payable without notice or demand and Borrower shall be required to repay all of the Obligations in full. No termination of the obligations of the Lender Group (other than payment in full of the Obligations and termination of the Commitments) shall relieve or discharge any Loan Party of its duties, obligations, or covenants hereunder or under any other Loan Document and Agent's Liens in the Collateral shall continue to secure the Obligations and shall remain in effect until all Obligations have been paid in full and the Commitments have been terminated. When all of the

Obligations have been paid in full and the Lender Group's obligations to provide additional credit under the Loan Documents have been terminated irrevocably, Agent will, at Borrower's sole expense, execute and deliver any termination statements, lien releases, discharges of security interests, and other similar discharge or release documents (and, if applicable, in recordable form) as are reasonably necessary to release, as of record, Agent's Liens and all notices of security interests and liens previously filed by Agent.

3.5 **Early Termination by Borrower.** Borrower has the option, at any time upon 10 Business Days prior written notice to Agent (or such shorter time period to which Agent may agree), to terminate this Agreement and terminate the Commitments hereunder by repaying to Agent all of the Obligations in full. The foregoing notwithstanding, (a) Borrower may rescind termination notices relative to proposed payments in full of the Obligations with the proceeds of third party Indebtedness if the closing for such issuance or incurrence does not happen on or before the date of the proposed termination (in which case, a new notice shall be required to be sent in connection with any subsequent termination), and (b) Borrower may extend the date of termination at any time with the consent of Agent (which consent shall not be unreasonably withheld or delayed).

3.6 **Conditions Subsequent.** The obligation of the Lender Group (or any member thereof) to continue to make Revolving Loans (or otherwise extend credit hereunder) is subject to the fulfillment, on or before the date applicable thereto, of the conditions subsequent set forth on Schedule 3.6 (the failure by Borrower to so perform or cause to be performed such conditions subsequent as and when required by the terms thereof (unless such date is extended, in writing, by Agent, which Agent may do without obtaining the consent of the other members of the Lender Group), shall constitute an Event of Default).

4. REPRESENTATIONS AND WARRANTIES.

In order to induce the Lender Group to enter into this Agreement, Borrower makes the following representations and warranties to the Lender Group which shall be true, correct, and complete, in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof), as of the Closing Date, and shall be true, correct, and complete, in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof), as of the date of the making of each Revolving Loan (or other extension of credit) made thereafter, as though made on and as of the date of such Revolving Loan (or other extension of credit) (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date) and such representations and warranties shall survive the execution and delivery of this Agreement:

4.1 Due Organization and Qualification; Subsidiaries.

(a) Each Loan Party (i) is duly organized and existing and in good standing under the laws of the jurisdiction of its organization, (ii) is qualified to do business in any state where the failure to be so qualified could reasonably be expected to result in a Material Adverse Effect, and (iii) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into the Loan Documents to which it is a party and to carry out the transactions contemplated thereby.

(b) As of the Closing Date, Schedule 4.1(b) is a complete and accurate description of the authorized Equity Interests of Borrower, by class, and, as of the Closing Date, a description of the

number of shares of each such class that are issued and outstanding. Borrower is not subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its Equity Interests or any security convertible into or exchangeable for any of its Equity Interests.

(c) As of the Closing Date, Schedule 4.1(c) is a complete and accurate list of the Loan Parties' direct and indirect Subsidiaries, showing: (i) the number of shares of each class of common and preferred Equity Interests authorized for each of such Subsidiaries, and (ii) the number and the percentage of the outstanding shares of each such class owned directly or indirectly by Borrower. All of the outstanding Equity Interests of each such Subsidiary has been validly issued and is fully paid and non-assessable.

(d) Except (i) as may be set forth on Schedule 4.1(d), (ii) as may be set forth in the certificate of incorporation of Borrower (as amended from time to time to the extent permitted hereunder), (iii) options to purchase Equity Interests of Borrower granted to or held by employees of Borrower in connection with Borrower's stock incentive plan, or (iv) pursuant to transactions otherwise permitted under Section 6.10, there are no subscriptions, options, warrants, or calls relating to any shares of Borrower's or its Subsidiaries' Equity Interests, including any right of conversion or exchange under any outstanding security or other instrument.

4.2 **Due Authorization; No Conflict.**

(a) As to each Loan Party, the execution, delivery, and performance by such Loan Party of the Loan Documents to which it is a party have been duly authorized by all necessary action on the part of such Loan Party.

(b) As to each Loan Party, the execution, delivery, and performance by such Loan Party of the Loan Documents to which it is a party do not and will not (i) violate any material provision of federal, state, or local law or regulation applicable to any Loan Party or its Subsidiaries, the Governing Documents of any Loan Party or its Subsidiaries, or any order, judgment, or decree of any court or other Governmental Authority binding on any Loan Party or its Subsidiaries, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material agreement of any Loan Party or its Subsidiaries where any such conflict, breach or default could individually or in the aggregate reasonably be expected to have a Material Adverse Effect, (iii) result in or require the creation or imposition of any Lien of any nature whatsoever upon any assets of any Loan Party, other than Permitted Liens, or (iv) require any approval of any holder of Equity Interests of a Loan Party or any approval or consent of any Person under any material agreement of any Loan Party, other than consents or approvals that have been obtained and that are still in force and effect and except, in the case of material agreements, for consents or approvals, the failure to obtain could not individually or in the aggregate reasonably be expected to cause a Material Adverse Effect.

4.3 **Governmental Consents.** The execution, delivery, and performance by each Loan Party of the Loan Documents to which such Loan Party is a party and the consummation of the transactions contemplated by the Loan Documents do not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any Governmental Authority, other than registrations, consents, approvals, notices, or other actions that have been obtained and that are still in force and effect and except for filings and recordings with respect to the Collateral to be made, or otherwise delivered to Agent for filing or recordation, as of the Closing Date.

4.4 **Binding Obligations; Perfected Liens.**

(a) Each Loan Document has been duly executed and delivered by each Loan Party that is a party thereto and is the legally valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

(b) Agent's Liens are validly created, perfected (other than (i) in respect of motor vehicles that are subject to a certificate of title, (ii) money, (iii) letter-of-credit rights (other than supporting obligations, (iv) commercial tort claims (other than those that, by the terms of the Guaranty and Security Agreement, are required to be perfected), (v) any Deposit Accounts and Securities Accounts not subject to a Control Agreement as permitted by Section 7(k)(iv) of the Guaranty and Security Agreement, and (vi) in respect of assets for which Agent has permitted actions to be taken subsequent to the Closing Date pursuant to Section 3.6 (and the time for such actions has not expired), and subject only to the filing of financing statements, the recordation of the Copyright Security Agreement (if any), and the recordation of the Mortgages (if any), in each case, in the appropriate filing offices), and first priority Liens, subject only to Permitted Liens which are non-consensual Permitted Liens, permitted purchase money Liens, or the interests of lessors under Capital Leases.

4.5 **Title to Assets; No Encumbrances.** Each of the Loan Parties and its Subsidiaries has (a) good, sufficient and legal title to (in the case of fee interests in Real Property), (b) valid leasehold interests in (in the case of leasehold interests in real or personal property), and (c) good and marketable title to (in the case of all other personal property), all of their respective assets reflected in their most recent financial statements delivered pursuant to Section 5.1, in each case except for assets disposed of since the date of such financial statements to the extent permitted hereby. All of such assets are free and clear of Liens except for Permitted Liens.

4.6 **Litigation.**

(a) There are no actions, suits, or proceedings pending or, to the knowledge of Borrower, after due inquiry, threatened in writing against a Loan Party or any of its Subsidiaries that either individually or in the aggregate could reasonably be expected to result in a Material Adverse Effect.

(b) As of the Closing Date, Schedule 4.6(b) sets forth a complete and accurate description, with respect to each of the actions, suits, or proceedings with asserted liabilities in excess of, or that could reasonably be expected to result in liabilities in excess of, \$250,000 that is pending or, to the knowledge of Borrower, after due inquiry, threatened against a Loan Party or any of its Subsidiaries, of (i) the parties to such actions, suits, or proceedings, (ii) the nature of the dispute that is the subject of such actions, suits, or proceedings, (iii) the procedural status, as of the Closing Date, with respect to such actions, suits, or proceedings, and (iv) whether any liability of the Loan Parties' and their Subsidiaries in connection with such actions, suits, or proceedings is covered by insurance.

4.7 **Compliance with Laws.** No Loan Party nor any of its Subsidiaries (a) is in violation of any applicable laws, rules, regulations, executive orders, or codes (including Environmental Laws) that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect, or (b) is subject to or in default with respect to any final judgments, writs, injunctions, decrees, rules or regulations of any court or any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

4.8 **No Material Adverse Effect.** All historical financial statements relating to the Loan Parties and their Subsidiaries that have been delivered by Borrower to Agent have been prepared in accordance with GAAP (except, in the case of unaudited financial statements, for the lack of footnotes and being subject to year-end audit adjustments) and present fairly in all material respects, the Loan Parties' and their Subsidiaries' consolidated financial condition as of the date thereof and results of operations for the period then ended. Since December 31, 2013 no event, circumstance, or change has occurred that has or could reasonably be expected to result in a Material Adverse Effect with respect to the Loan Parties and their Subsidiaries.

4.9 **Solvency.**

(a) Borrower and the Loan Parties, taken as a whole, are Solvent.

(b) No transfer of property is being made by any Loan Party and no obligation is being incurred by any Loan Party in connection with the transactions contemplated by this Agreement or the other Loan Documents with the intent to hinder, delay, or defraud either present or future creditors of such Loan Party.

4.10 **Employee Benefits.** No Loan Party, none of its Subsidiaries, nor any of their respective ERISA Affiliates maintains or contributes to any Benefit Plan.

4.11 **Environmental Condition.** Except as set forth on Schedule 4.11, or for other matters set forth in clauses (a), (b), or (d) that could not reasonably be expected to result in a Material Adverse Effect, (a) to Borrower's knowledge, no Loan Party's nor any of its Subsidiaries' properties or assets has ever been used by a Loan Party, its Subsidiaries, or by previous owners or operators in the disposal of, or to produce, store, handle, treat, release, or transport, any Hazardous Materials, where such disposal, production, storage, handling, treatment, release or transport was in violation, in any material respect, of any applicable Environmental Law, (b) to Borrower's knowledge, no Loan Party's nor any of its Subsidiaries' properties or assets has ever been designated or identified in any manner pursuant to any environmental protection statute as a Hazardous Materials disposal site, (c) no Loan Party nor any of its Subsidiaries has received notice that a Lien arising under any Environmental Law has attached to any revenues or to any Real Property owned or operated by a Loan Party or its Subsidiaries, and (d) no Loan Party nor any of its Subsidiaries nor any of their respective facilities or operations is subject to any outstanding written order, consent decree, or settlement agreement with any Person relating to any Environmental Law or Environmental Liability.

4.12 **Complete Disclosure.** All factual information taken as a whole (other than forward-looking information and projections and information of a general economic nature and general information about Borrower's industry) furnished by or on behalf of a Loan Party or its Subsidiaries in writing to Agent or any Lender (including all information contained in the Schedules hereto or in the other Loan Documents) for purposes of or in connection with this Agreement or the other Loan Documents, and all other such factual information taken as a whole (other than forward-looking information and projections and information of a general economic nature and general information about Borrower's industry) hereafter furnished by or on behalf of a Loan Party or its Subsidiaries in writing to Agent or any Lender will be, true and accurate, in all material respects, on the date as of which such information is dated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was provided. The Projections delivered to Agent on February 6, 2015 represent, and as of the date on which any other Projections are delivered to Agent, such additional Projections represent, Borrower's good faith estimate, on the date such Projections are delivered, of the Loan Parties' and their Subsidiaries' future performance for the periods covered thereby

based upon assumptions believed by Borrower to be reasonable at the time of the delivery thereof to Agent (it being understood that such Projections are subject to significant uncertainties and contingencies, many of which are beyond the control of the Loan Parties and their Subsidiaries, and no assurances can be given that such Projections will be realized, and although reflecting Borrower's good faith estimate, projections or forecasts based on methods and assumptions which Borrower believed to be reasonable at the time such Projections were prepared, are not to be viewed as facts, and that actual results during the period or periods covered by the Projections may differ materially from projected or estimated results).

4.13 **Patriot Act**. To the extent applicable, each Loan Party is in compliance, in all material respects, with the (a) Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (b) Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act of 2001) (the "**Patriot Act**"). No part of the proceeds of the loans made hereunder will be used by any Loan Party or any of their Affiliates, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

4.14 **Indebtedness**. Set forth on Schedule 4.14 is a true and complete list of all Indebtedness of each Loan Party and each of its Subsidiaries outstanding immediately prior to the Closing Date that is to remain outstanding immediately after giving effect to the closing hereunder on the Closing Date and such Schedule accurately sets forth the aggregate principal amount of such Indebtedness as of the Closing Date.

4.15 **Payment of Taxes**. Except as otherwise permitted under Section 5.5, all tax returns and reports of each Loan Party and its Subsidiaries required to be filed by any of them have been timely filed, and all taxes shown on such tax returns to be due and payable and all assessments, fees and other governmental charges upon a Loan Party and its Subsidiaries and upon their respective assets, income, businesses and franchises that are due and payable have been paid when due and payable. Each Loan Party and each of its Subsidiaries have made adequate provision in accordance with GAAP for all taxes not yet due and payable. Borrower knows of no material proposed tax assessment against a Loan Party or any of its Subsidiaries that is not being actively contested by such Loan Party or such Subsidiary diligently, in good faith, and by appropriate proceedings; provided such reserves or other appropriate provisions, if any, as shall be required in conformity with GAAP shall have been made or provided therefor.

4.16 **Margin Stock**. No Loan Party nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No part of the proceeds of the loans made to Borrower will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock or for any purpose that violates the provisions of Regulation T, U or X of the Board of Governors.

4.17 **Governmental Regulation**. No Loan Party nor any of its Subsidiaries is subject to regulation under the Federal Power Act or the Investment Company Act of 1940 or under any other federal or state statute or regulation which may limit its ability to incur Indebtedness or which may otherwise render all or any portion of the Obligations unenforceable. No Loan Party nor any of its Subsidiaries is a "registered investment company" or a company "controlled" by a "registered investment company" or a "principal underwriter" of a "registered investment company" as such terms are defined in the Investment Company Act of 1940.

4.18 **OFAC.** No Loan Party nor any of its Subsidiaries is in violation of any of the country or list based economic and trade sanctions administered and enforced by OFAC. No Loan Party nor any of its Subsidiaries (a) is a Sanctioned Person or a Sanctioned Entity, (b) has its assets located in Sanctioned Entities, or (c) derives revenues from investments in, or transactions with Sanctioned Persons or Sanctioned Entities. No proceeds of any loan made hereunder will be used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity.

4.19 **Employee and Labor Matters.** Except as could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, there is (i) no unfair labor practice complaint pending or, to the knowledge of Borrower, threatened against Borrower or its Subsidiaries before any Governmental Authority and no grievance or arbitration proceeding pending or threatened against Borrower or its Subsidiaries which arises out of or under any collective bargaining agreement and that could reasonably be expected to result in a material liability, (ii) no strike, labor dispute, slowdown, stoppage or similar action or grievance pending or threatened in writing against Borrower or its Subsidiaries that could reasonably be expected to result in a material liability, or (iii) to the knowledge of Borrower, after due inquiry, no union representation question existing with respect to the employees of Borrower or its Subsidiaries and no union organizing activity taking place with respect to any of the employees of Borrower or its Subsidiaries. None of Borrower or its Subsidiaries has incurred any liability or obligation under the Worker Adjustment and Retraining Notification Act or similar state law, which remains unpaid or unsatisfied, except to the extent that the same could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. The hours worked and payments made to employees of Borrower or its Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable legal requirements, except to the extent such violations could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. All material payments due from Borrower or its Subsidiaries on account of wages and employee health and welfare insurance and other benefits have been paid or accrued as a liability on the books of Borrower, except where the failure to do so could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

4.20 **[Reserved].**

4.21 **[Reserved].**

4.22 **[Reserved].**

4.23 **Leases.** Each Loan Party and its Subsidiaries enjoy peaceful and undisturbed possession under all leases material to their business and to which they are parties or under which they are operating (or any replacement leases therefor entered into in the ordinary course of business), and, subject to Permitted Protests, all of such material leases (or replacement leases) are valid and subsisting and no material default by the applicable Loan Party or its Subsidiaries exists under any of them.

4.24 **Hedge Agreements.** On each date that any Hedge Agreement is executed by any Hedge Provider, Borrower or the applicable Loan Party executing such Hedge Agreement satisfy all eligibility, suitability and other requirements under the Commodity Exchange Act (7 U.S.C. § 1, et seq., as in effect from time to time) and the Commodity Futures Trading Commission regulations.

5. AFFIRMATIVE COVENANTS.

Borrower covenants and agrees that, until termination of all of the Commitments and payment in full of the Obligations:

5.1 **Financial Statements, Reports, Certificates.** Borrower (a) will deliver to Agent, with copies to each Lender, each of the financial statements, reports, and other items set forth on Schedule 5.1 no later than the times specified therein, (b) agrees that no Subsidiary of a Loan Party will have a fiscal year different from that of Borrower, (c) agrees to maintain a system of accounting that enables Borrower to produce financial statements in accordance with GAAP, and (d) agrees that it will, and will cause each other Loan Party to, maintain its billing systems and practices substantially as in effect as of the Closing Date and shall only make material modifications thereto with notice to, and with the consent of, Agent.

5.2 **Reporting.** Borrower will deliver to Agent (and if so requested by Agent, with copies for each Lender) each of the reports set forth on Schedule 5.1 at the times specified therein.

5.3 **Existence.** Except as otherwise permitted under Section 6.3 or Section 6.4, Borrower will, and will cause each of its Subsidiaries to, at all times preserve and keep in full force and effect such Person's valid existence and good standing in its jurisdiction of organization and, except as could not reasonably be expected to result in a Material Adverse Effect, good standing with respect to all other jurisdictions in which it is qualified to do business and any rights, franchises, permits, licenses, accreditations, authorizations, or other approvals material to their businesses.

5.4 **Maintenance of Properties.** Borrower will, and will cause each of its Subsidiaries to, maintain and preserve all of its assets that are necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear, tear, casualty, and condemnation and Permitted Dispositions excepted, except where the failure to so comply with this Section 5.4 could not reasonably be expected to have a Material Adverse Effect.

5.5 **Taxes.** Borrower will, and will cause each of its Subsidiaries to, pay in full before delinquency or before the expiration of any extension period all material governmental assessments and taxes imposed, levied, or assessed against it, or any of its assets or in respect of any of its income, businesses, or franchises, except to the extent that the validity of such governmental assessment or tax is the subject of a Permitted Protest.

5.6 **Insurance.** Borrower will, and will cause each of its Subsidiaries to, at Borrower's expense, maintain insurance respecting each of Borrower's and its Subsidiaries' assets wherever located, covering liabilities, losses or damages as are customarily insured against by other Persons engaged in same or similar businesses and similarly situated and located. All such policies of insurance shall be with financially sound and reputable insurance companies acceptable to Agent (it being agreed that, as of the Closing Date, The Hartford Insurance Company is acceptable to Agent) and in such amounts as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated and located and, in any event, in amount, adequacy, and scope reasonably satisfactory to Agent (it being agreed that the amount, adequacy, and scope of the policies of insurance of Borrower in effect as of the Closing Date are acceptable to Agent). All property insurance policies covering the Collateral shall name Agent as lender loss payee pursuant to a standard loss payable endorsement with a standard non contributory "lender" or "secured party" clause and are to contain such other provisions as Agent may reasonably require to fully protect the Lenders' interest in the Collateral and to any payments to be made under such policies. All certificates of property and general liability insurance are to be delivered to Agent, with the loss payable (but only in respect of Collateral) and additional insured endorsements in favor of Agent and shall provide for not less than 30 days (10 days in the case of non-payment) prior written notice to Agent of the exercise of any right of cancellation. Borrower shall give Agent prompt notice of any loss exceeding \$250,000 covered by its or its Subsidiaries' casualty or business interruption insurance. Upon the occurrence and during the continuance of an Event of Default, Agent shall have the sole right to file claims under any property and general liability insurance policies in respect of the Collateral, to receive, receipt and give acquittance for any payments that may be payable thereunder, and

to execute any and all endorsements, receipts, releases, assignments, reassignments or other documents that may be necessary to effect the collection, compromise or settlement of any claims under any such insurance policies.

5.7 **Inspection.**

(a) Borrower will, and will cause each of its Subsidiaries to, permit Agent, any Lender, and each of their respective duly authorized representatives or agents to visit any of its properties and inspect any of its assets or books and records, to examine and make copies of its books and records, and to discuss its affairs, finances, and accounts with, and to be advised as to the same by, its officers and employees (provided an authorized representative of Borrower shall be allowed to be present) at such reasonable times and intervals as Agent or any Lender, as applicable, may designate and, so long as no Default or Event of Default has occurred and is continuing, with reasonable prior notice to Borrower and during regular business hours.

(b) Borrower will, and will cause each of its Subsidiaries to, permit Agent and each of its duly authorized representatives or agents to conduct valuations at such reasonable times and intervals as Agent may designate. So long as no Default or Event of Default has occurred and is continuing, Agent agrees to provide Borrower with a copy of the report for any such valuation upon request by Borrower so long as (i) such report exists, (ii) the third person employed by Agent to perform such valuation consents to such disclosure, and (iii) Borrower executes and delivers to Agent a non-reliance letter reasonably satisfactory to Agent.

(c) The inspections and valuations referred to in Section 5.7(a) and Section 5.7(b) shall be considered Examinations and be subject to the same limitation on reimbursement by Borrower as set forth in Section 2.10(c).

5.8 **Compliance with Laws.** Borrower will, and will cause each of its Subsidiaries to, comply with the requirements of all applicable laws, rules, regulations, and orders of any Governmental Authority, other than laws, rules, regulations, and orders the non-compliance with which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

5.9 **Environmental.** Borrower will, and will cause each of its Subsidiaries to,

(a) Keep any property either owned or operated by Borrower or its Subsidiaries free of any Environmental Liens or post bonds or other financial assurances sufficient to satisfy the obligations or liability evidenced by such Environmental Liens,

(b) Comply, in all material respects, with Environmental Laws and provide to Agent documentation of such compliance which Agent reasonably requests,

(c) Promptly notify Agent of any release of which Borrower has knowledge of a Hazardous Material in any reportable quantity from or onto property owned or operated by Borrower or its Subsidiaries and take any Remedial Actions required to abate said release or otherwise to come into compliance, in all material respects, with applicable Environmental Law, and

(d) Promptly, but in any event within 5 Business Days of its receipt thereof, provide Agent with written notice of any of the following: (i) notice that an Environmental Lien has been filed against any of the real or personal property of Borrower or its Subsidiaries, (ii) commencement of any Environmental Action or written notice that an Environmental Action will be filed against Borrower or its Subsidiaries, and (iii) written notice of a violation, citation, or other administrative order from a Governmental Authority.

5.10 **Disclosure Updates.** Borrower will, promptly and in no event later than 5 Business Days after an officer obtains knowledge thereof, notify Agent if any written information, exhibit, or report furnished to Agent or the Lenders contained, at the time it was furnished, any untrue statement of a material fact or omitted to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances in which made. The foregoing notwithstanding, any notification pursuant to the foregoing provision will not cure or remedy the effect of the prior untrue statement of a material fact or omission of any material fact nor shall any such notification have the effect of amending or modifying this Agreement or any of the Schedules hereto.

5.11 **Formation of Subsidiaries.** Borrower will, at the time that any Loan Party forms any direct or indirect Subsidiary or acquires any direct or indirect Subsidiary after the Closing Date, within 10 Business Days of such formation or acquisition (or such later date as permitted by Agent in its sole discretion) (a) cause such new Subsidiary to provide to Agent a joinder to the Guaranty and Security Agreement, together with such other security agreements (including mortgages with respect to any Real Property owned in fee of such new Subsidiary with a fair market value greater than \$1,000,000), as well as appropriate financing statements (and with respect to all property subject to a mortgage, fixture filings), all in form and substance reasonably satisfactory to Agent (including being sufficient to grant Agent a first priority Lien (subject to Permitted Liens) in and to the assets of such newly formed or acquired Subsidiary); provided, that (i) the joinder to the Guaranty and Security Agreement, and such other security agreements shall not be required to be provided to Agent with respect to any Excluded Subsidiary if providing such agreements would result in adverse tax consequences, or could reasonably be expected to result in future adverse tax consequences, or the costs to the Loan Parties of providing such guaranty or such security agreements are unreasonably excessive (as determined by Agent in consultation with Borrower) in relation to the benefits to Agent and the Lenders of the security or guarantee afforded thereby, and (ii) Borrower shall have 90 days (or such later date as permitted by Agent in its sole discretion) to provide the mortgages and related documentation with respect to any Real Property owned in fee of such new Subsidiary with a fair market value greater than \$1,000,000, (b) provide, or cause the applicable Loan Party to provide, to Agent a pledge agreement (or an addendum to the Guaranty and Security Agreement) and appropriate certificates and powers or financing statements, pledging all of the direct or beneficial ownership interest in such new Subsidiary in form and substance reasonably satisfactory to Agent; provided, that only 65% of the total outstanding voting Equity Interests of any first tier Excluded Subsidiary and none of the Equity Interests of any second tier Excluded Subsidiary (and none of the assets (including Equity Interests) of any Excluded Subsidiary) shall be required to be pledged if pledging a greater amount would result in adverse tax consequences, or could reasonably be expected to result in future adverse tax consequences, or the costs to the Loan Parties of providing such pledge are unreasonably excessive (as determined by Agent in consultation with Borrower) in relation to the benefits to Agent and the Lenders of the security afforded thereby (which pledge, if reasonably requested by Agent, shall be governed by the laws of the jurisdiction of such Subsidiary), and (c) provide to Agent all other documentation, including one or more opinions of counsel reasonably satisfactory to Agent, which, in its opinion, is appropriate with respect to the execution and delivery of the applicable documentation referred to above (including policies of title insurance or other documentation with respect to all Real Property owned in fee and subject to a mortgage, subject to clause (a)(ii) above). Any document, agreement, or instrument executed or issued pursuant to this Section 5.11 shall constitute a Loan Document.

5.12 **Further Assurances.** Borrower will, and will cause each of the other Loan Parties to, at any time upon the reasonable request of Agent, execute or deliver to Agent any and all financing statements, fixture filings, security agreements, pledges, assignments, mortgages, deeds of trust, opinions

of counsel, and all other documents (the “Additional Documents”) that Agent may reasonably request in form and substance reasonably satisfactory to Agent, to create, perfect, and continue perfected or to better perfect Agent’s Liens in all of the assets of Borrower and its Subsidiaries (whether now owned or hereafter arising or acquired, tangible or intangible, real or personal), to create and perfect Liens in favor of Agent in any Real Property acquired by Borrower or any other Loan Party with a fair market value in excess of \$1,000,000, and in order to fully consummate all of the transactions contemplated hereby and under the other Loan Documents; provided that the foregoing shall not apply to any Excluded Subsidiary if providing such documents would result in adverse tax consequences, or could reasonably be expected to result in future adverse tax consequences, or the costs to the Loan Parties of providing such documents are unreasonably excessive (as determined by Agent in consultation with Borrower) in relation to the benefits to Agent and the Lenders of the security afforded thereby. To the maximum extent permitted by applicable law, if Borrower or any other Loan Party (other than in respect of an Excluded Subsidiary described in the preceding sentence) refuses or fails to execute or deliver any reasonably requested Additional Documents within a reasonable period of time following the request to do so, Borrower and each other Loan Party hereby authorizes Agent to execute any such Additional Documents in the applicable Loan Party’s name and authorizes Agent to file such executed Additional Documents in any appropriate filing office. In furtherance of, and not in limitation of, the foregoing, each Loan Party shall take such actions as Agent may reasonably request from time to time to ensure that the Obligations are guaranteed by the Guarantors and are secured by substantially all of the assets of Borrower and its Subsidiaries, including all of the outstanding capital Equity Interests of Borrower and Borrower’s Subsidiaries (subject to exceptions and limitations contained in the Loan Documents with respect to Excluded Subsidiaries and the assets (including Equity Interests) of Excluded Subsidiaries); provided, that notwithstanding the foregoing, in no event shall any action be required with respect to Terra Mar, no pledge of Terra Mar’s Equity Interests shall be required, and Terra Mar shall not be required to be a Guarantor, provide any credit support, or pledge any of its assets.

5.13 **Lender Meetings.** Borrower will, within 120 days after the close of each fiscal year of Borrower, at the request of Agent or of the Required Lenders and upon reasonable prior notice, hold a meeting (at a mutually agreeable location and time or, at the option of Agent, by conference call) with all Lenders who choose to attend such meeting at which meeting shall be reviewed the financial results of the previous fiscal year and the financial condition of Borrower and its Subsidiaries and the projections presented for the current fiscal year of Borrower.

5.14 **Bank Products.** The Loan Parties shall maintain their primary depository and treasury management relationships with Wells Fargo or one or more of its Affiliates at all times during the term of the Agreement; provided that MyCase may maintain its existing checking account with JPMorgan Chase, Borrower may maintain its existing savings account with JPMorgan Chase, and, following the RentLinx Acquisition, RentLinx may keep its existing cash depository account with Citibank, so long as in each case Borrower or its Subsidiary, as applicable, shall have arranged to have amounts in such accounts swept to one or more accounts at Wells Fargo, such arrangements to be consummated within a time period reasonably acceptable to Agent.

5.15 **Hedge Agreements.** Borrower agrees that it shall offer to Wells Fargo or one or more of its Affiliates the first opportunity to bid for all Hedge Agreements to be entered into by any Loan Party or any of its Subsidiaries during the term of the Agreement.

5.16 **Payments Collection Amounts.** Borrower agrees that it shall promptly upon receipt segregate Payments Collection Amounts that have been collected on behalf of and are owed to customers of Borrower or its Subsidiaries and maintain such amounts in segregated deposit accounts until paid to such customers.

6. NEGATIVE COVENANTS.

Borrower covenants and agrees that, until termination of all of the Commitments and payment in full of the Obligations:

6.1 **Indebtedness.** Borrower will not, and will not permit any of its Subsidiaries to create, incur, assume, suffer to exist, guarantee, or otherwise become or remain, directly or indirectly, liable with respect to any Indebtedness, except for Permitted Indebtedness.

6.2 **Liens.** Borrower will not, and will not permit any of its Subsidiaries to create, incur, assume, or suffer to exist, directly or indirectly, any Lien on or with respect to any of its assets, of any kind, whether now owned or hereafter acquired, or any income or profits therefrom, except for Permitted Liens.

6.3 **Restrictions on Fundamental Changes.** Borrower will not, and will not permit any of its Subsidiaries to,

(a) Other than in order to consummate a Permitted Acquisition, enter into any merger, consolidation, reorganization, or recapitalization, or reclassify its Equity Interests, except for (i) any merger between Loan Parties, provided, that Borrower must be the surviving entity of any such merger to which it is a party, (ii) any merger between a Loan Party and a Subsidiary of such Loan Party that is not a Loan Party so long as such Loan Party is the surviving entity of any such merger, (iii) any merger between Subsidiaries of Borrower that are not Loan Parties, and (iv) any reclassification of its Equity Interests in preparation for or resulting from the Qualifying Initial Public Offering,

(b) liquidate, wind up, or dissolve itself (or suffer any liquidation or dissolution), except for (i) the liquidation or dissolution of non-operating Subsidiaries of Borrower with nominal assets and nominal liabilities, (ii) the liquidation or dissolution of a Loan Party (other than Borrower) or any of its wholly-owned Subsidiaries so long as all of the assets (including any interest in any Equity Interests) of such liquidating or dissolving Loan Party or Subsidiary are transferred to a Loan Party that is not liquidating or dissolving, or (iii) the liquidation or dissolution of a Subsidiary of Borrower that is not a Loan Party (other than any such Subsidiary the Equity Interests of which (or any portion thereof) is subject to a Lien in favor of Agent) so long as all of the assets of such liquidating or dissolving Subsidiary are transferred to a Subsidiary of Borrower that is not liquidating or dissolving, or

(c) suspend or cease operating a substantial portion of its or their business, except as permitted pursuant to clauses (a) or (b) above or in connection with a transaction permitted under Section 6.4.

6.4 **Disposal of Assets.** Other than Permitted Dispositions or transactions expressly permitted by Sections 6.3 or 6.9, Borrower will not, and will not permit any of its Subsidiaries to convey, sell, lease, license, assign, transfer, or otherwise dispose of (or enter into an agreement to convey, sell, lease, license, assign, transfer, or otherwise dispose of) any of its or their assets.

6.5 **Nature of Business.** Borrower will not, and will not permit any of its Subsidiaries to make any change in the nature of its or their business as described in Schedule 6.5 or acquire any properties or assets that are not reasonably related to the conduct of such business activities; provided, that the foregoing shall not prevent Borrower and its Subsidiaries from engaging in any business that is reasonably related or ancillary to its or their business.

6.6 **Prepayments and Amendments.** Borrower will not, and will not permit any of its Subsidiaries to,

(a) Except in connection with Refinancing Indebtedness permitted by Section 6.1,

(i) optionally prepay, redeem, defease, purchase, or otherwise acquire any Indebtedness of Borrower or its Subsidiaries, other than (A) the Obligations in accordance with this Agreement, (B) Permitted Intercompany Advances, or (C) any other Permitted Indebtedness other than Permitted Indebtedness set forth under clauses (f), (g), (m), (q) and (u) of the definition of Permitted Indebtedness (unless otherwise permitted pursuant to Section 6.7(f)), or

(ii) unless otherwise permitted by Section 6.7(f), make any payment on account of Indebtedness that has been contractually subordinated in right of payment to the Obligations if such payment is not permitted at such time under the subordination terms and conditions, or

(b) Directly or indirectly, amend, modify, or change any of the terms or provisions of

(i) any agreement, instrument, document, indenture, or other writing evidencing or concerning Permitted Indebtedness other than (A) the Obligations in accordance with this Agreement, (B) Permitted Intercompany Advances, and (C) any Permitted Indebtedness other than Permitted Indebtedness set forth under clauses (f), (g), (m), (q) and (u) of the definition of Permitted Indebtedness, or

(ii) the Governing Documents of any Loan Party or any of its Subsidiaries if the effect thereof, either individually or in the aggregate, could reasonably be expected to be materially adverse to the interests of the Lenders.

6.7 **Restricted Payments.** Borrower will not, and will not permit any of its Subsidiaries to make any Restricted Payment; provided, that, so long as it is permitted by law, and so long as no Default or Event of Default shall have occurred and be continuing or would result therefrom,

(a) Borrower may make distributions to former employees, officers, or directors of Borrower (or any spouses, ex-spouses, or estates of any of the foregoing) on account of redemptions of Equity Interests of Borrower held by such Persons, provided, that the aggregate amount of such redemptions made by Borrower during the term of this Agreement plus the amount of Indebtedness outstanding under clause (l) of the definition of Permitted Indebtedness, does not exceed \$250,000 in the aggregate,

(b) Borrower may make distributions to former employees, officers, or directors of Borrower (or any spouses, ex-spouses, or estates of any of the foregoing), solely in the form of forgiveness of Indebtedness of such Persons owing to Borrower on account of repurchases of the Equity Interests of Borrower held by such Persons; provided that such Indebtedness was incurred by such Persons solely to acquire Equity Interests of Borrower,

(c) Borrower may declare and make dividend payments or other distributions solely in Qualified Equity Interests,

(d) Borrower may purchase, redeem or otherwise acquire its Equity Interests with the proceeds received from the substantially concurrent issue of new Qualified Equity Interests,

(e) Borrower may (i) pay cash in lieu of fractional Equity Interests in connection with any dividend, split or combination thereof or any Permitted Acquisition and (ii) honor any conversion request by a holder of preferred or convertible Equity Interests to convert to Qualified Equity Interests, and make cash payments in lieu of fractional Equity Interests in connection with any such conversion, and

(f) Borrower may make Restricted Payments in an aggregate amount not to exceed the then amount available under the Additional Equity Interest Basket, so long as (i) no Default or Event of Default has occurred and is continuing or would result from the consummation of such Restricted Payment and (ii) after giving effect to such Restricted Payment Borrower will have Liquidity of at least \$16,000,000.

6.8 **Accounting Methods.** Borrower will not, and will not permit any of its Subsidiaries to modify or change its fiscal year or its method of accounting (other than as may be required to conform to GAAP, or in order to change the fiscal year of a Subsidiary acquired in a Permitted Acquisition to conform with the fiscal year of Borrower).

6.9 **Investments.** Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, make or acquire any Investment or incur any liabilities (including contingent obligations) for or in connection with any Investment except for Permitted Investments.

6.10 **Transactions with Affiliates.** Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction with any Affiliate of Borrower or any of its Subsidiaries (other than a Loan Party) except for:

(a) transactions (other than the payment of management, consulting, monitoring, or advisory fees) between Borrower or its Subsidiaries, on the one hand, and any Affiliate of Borrower or its Subsidiaries, on the other hand, so long as such transactions (i) are fully disclosed to Agent prior to the consummation thereof, if they involve one or more payments by Borrower or its Subsidiaries in excess of \$250,000 for any single transaction or series of related transactions, and (ii) are no less favorable, taken as a whole, to Borrower or its Subsidiaries, as applicable, than would be obtained in an arm's length transaction with a non-Affiliate,

(b) so long as it has been approved by Borrower's or its applicable Subsidiary's board of directors (or comparable governing body) in accordance with applicable law, any indemnity provided for the benefit of directors (or comparable managers) of Borrower or its applicable Subsidiary,

(c) so long as it has been approved by Borrower's or its applicable Subsidiary's board of directors (or comparable governing body) in accordance with applicable law, the payment of reasonable compensation, severance, or employee benefit arrangements to employees, officers, and outside directors of Borrower and its Subsidiaries in the ordinary course of business and consistent with industry practice, and

(d) the rights, privileges and preferences granted to the holders of any class of preferred equity or additional class of common equity of Borrower arising under any related certificate of designation or investor rights agreement in existence on the Closing Date, in each case so long as such equity does not comprise Disqualified Equity Interests,

(e) transactions permitted by Section 6.3 or Section 6.7, or any Permitted Intercompany Advance (or payment thereon pursuant to Section 6.6).

6.11 **Use of Proceeds.** Borrower will not, and will not permit any of its Subsidiaries to use the proceeds of any loan made hereunder for any purpose other than (a) to pay the fees, costs, and expenses incurred in connection with this Agreement, the other Loan Documents, and the transactions contemplated hereby and thereby, and (b) consistent with the terms and conditions hereof, for all lawful and permitted purposes (including that no part of the proceeds of the loans made to Borrower will be used to purchase or carry any such Margin Stock or to extend credit to others for the purpose of purchasing or carrying any such Margin Stock or for any purpose that violates the provisions of Regulation T, U or X of the Board of Governors).

6.12 **Limitation on Issuance of Equity Interests.** Except for (a) the issuance or sale of Qualified Equity Interests by Borrower or (b) the issuance or sale of Equity Interests by a Subsidiary of Borrower to Borrower or another Subsidiary of Borrower if the Investment in any such Equity Issuance is permitted as a Permitted Intercompany Advance, Borrower will not, and will not permit any of its Subsidiaries to issue or sell or enter into any agreement or arrangement for the issuance or sale of any of its Equity Interests.

7. FINANCIAL COVENANTS.

Borrower covenants and agrees that, until termination of all of the Commitments and payment in full of the Obligations, Borrower will:

(a) **Minimum EBITDA.** On and prior to the Financial Covenant Replacement Date, achieve EBITDA, measured on a quarter-end basis, of at least the required amount set forth in the following table for the applicable period set forth opposite thereto:

Applicable Amount	Applicable Amount During IPO Covenant Period	Applicable Period
(\$3,100,000)	(\$4,100,000)	For the one quarter period ending March 31, 2015
(\$5,500,000)	(\$6,000,000)	For the two quarter period ending June 30, 2015
(\$6,200,000)	(\$7,700,000)	For the three quarter period ending September 30, 2015
(\$5,950,000)	(\$8,500,000)	For the four quarter period ending December 31, 2015
(\$3,350,000)	(\$5,300,000)	For the four quarter period ending March 31, 2016
(\$950,000)	(\$3,000,000)	For the four quarter period ending June 30, 2016
\$2,000,000	\$0	For the four quarter period ending September 30, 2016
\$3,000,000	\$2,500,000	For the four quarter period ending December 31, 2016, and on each quarter-end thereafter

(b) **Minimum Liquidity.** On and prior to the Financial Covenant Replacement Date, maintain Liquidity, at all times, of at least \$4,000,000.

(c) **Fixed Charge Coverage Ratio.** After the Financial Covenant Replacement Date, have a Fixed Charge Coverage Ratio, measured on a quarter-end basis, of at least the required amount set forth in the following table for the applicable period set forth opposite thereto:

Applicable Ratio	Applicable Ratio During IPO Covenant Period	Applicable Period
1.00:1.00	1.00:1.00	For the four quarter period ending June 30, 2016
1.00:1.00	1.00:1.00	For the four quarter period ending September 30, 2016
1.10:1.00	1.00:1.00	For the four quarter period ending December 31, 2016
1.10:1.00	1.00:1.00	For the four quarter period ending March 31, 2017
1.15:1.00	1.00:1.00	For the four quarter period ending June 30, 2017
1.20:1.00	1.00:1.00	For the four quarter period ending September 30, 2017
1.25:1.00	1.00:1.00	For the four quarter period ending December 31, 2017, and on each quarter-end thereafter

(d) **Senior Leverage Ratio.** After the Financial Covenant Replacement Date, have a Senior Leverage Ratio, measured on a quarter-end basis, of not greater than the applicable ratio set forth in the following table for the applicable date set forth opposite thereto:

Applicable Ratio	Applicable Ratio During IPO Covenant Period	Applicable Date
4.25:1.00	4.25:1.00	For the four quarter period ending June 30, 2016
3.90:1.00	4.25:1.00	For the four quarter period ending September 30, 2016

3.50:1.00	4.00:1.00	For the four quarter period ending December 31, 2016
3.25:1.00	3.75:1.00	For the four quarter period ending March 31, 2017
3.00:1.00	3.50:1.00	For the four quarter period ending June 30, 2017
2.75:1.00	3.25:1.00	For the four quarter period ending September 30, 2017
2.50:1.00	3.00:1.00	For the four quarter period ending December 31, 2017
2.375:1.00	2.875:1.00	For the four quarter period ending March 31, 2018
2.25:1.00	2.75:1.00	For the four quarter period ending June 30, 2018
2.125:1.00	2.625:1.00	For the four quarter period ending September 30, 2018
2.00:1.00	2.50:1.00	For the four quarter period ending December 31, 2018, and on each quarter-end thereafter

8. EVENTS OF DEFAULT.

Any one or more of the following events shall constitute an event of default (each, an “Event of Default”) under this Agreement:

8.1 **Payments.** If Borrower fails to pay when due and payable, or when declared due and payable, (a) all or any portion of the Obligations consisting of interest, fees, or charges due the Lender Group, reimbursement of Lender Group Expenses, or other amounts (other than any portion thereof constituting principal) constituting Obligations (including any portion thereof that accrues after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), and such failure continues for a period of 3 Business Days, (b) all or any portion of the principal of the Loans, or (c) any amount payable to Issuing Bank in reimbursement of any drawing under a Letter of Credit;

8.2 **Covenants.** If any Loan Party or any of its Subsidiaries:

(a) fails to perform or observe any covenant or other agreement contained in any of (i) Sections 3.6, 5.1, 5.2, 5.3 (solely if Borrower is not in good standing in its jurisdiction of organization), 5.6, 5.7 (solely if Borrower refuses to allow Agent or its representatives or agents to visit Borrower’s properties, inspect its assets or books or records, examine and make copies of its books and records, or discuss Borrower’s affairs, finances, and accounts with officers and employees of Borrower), 5.10, 5.11, 5.13, 5.14, or 5.15 of this Agreement, (ii) Section 6 of this Agreement, (iii) Section 7 of this Agreement, or (iv) Section 7 of the Guaranty and Security Agreement;

(b) fails to perform or observe any covenant or other agreement contained in any of Sections 5.3 (other than if Borrower is not in good standing in its jurisdiction of organization), 5.4, 5.5, 5.8, and 5.12 of this Agreement and such failure continues for a period of 10 days after the earlier of (i) the date on which such failure shall first become known to any officer of Borrower or (ii) the date on which written notice thereof is given to Borrower by Agent; or

(c) fails to perform or observe any covenant or other agreement contained in this Agreement, or in any of the other Loan Documents, in each case, other than any such covenant or agreement that is the subject of another provision of this Section 8 (in which event such other provision of this Section 8 shall govern), and such failure continues for a period of 30 days after the earlier of (i) the date on which such failure shall first become known to any officer of Borrower or (ii) the date on which written notice thereof is given to Borrower by Agent;

8.3 **Judgments.** If one or more judgments, orders, or awards for the payment of money involving an aggregate amount of \$250,000, or more (except to the extent covered (other than to the extent of customary deductibles) by insurance pursuant to which the insurer has not denied coverage) is entered or filed against a Loan Party or any of its Subsidiaries, or with respect to any of their respective assets, and either (a) there is a period of 30 consecutive days at any time after the entry of any such judgment, order, or award during which (1) the same is not discharged, satisfied, vacated, or bonded pending appeal, or (2) a stay of enforcement thereof is not in effect, or (b) enforcement proceedings are commenced upon such judgment, order, or award;

8.4 **Voluntary Bankruptcy, etc.** If an Insolvency Proceeding is commenced by a Loan Party or any of its Subsidiaries;

8.5 **Involuntary Bankruptcy, etc.** If an Insolvency Proceeding is commenced against a Loan Party or any of its Subsidiaries and any of the following events occur: (a) such Loan Party or such Subsidiary consents to the institution of such Insolvency Proceeding against it, (b) the petition commencing the Insolvency Proceeding is not timely controverted, (c) the petition commencing the Insolvency Proceeding is not dismissed within 60 calendar days of the date of the filing thereof, (d) an interim trustee is appointed to take possession of all or any substantial portion of the properties or assets of, or to operate all or any substantial portion of the business of, such Loan Party or its Subsidiary, or (e) an order for relief shall have been issued or entered therein;

8.6 **Default Under Other Agreements.** If there is (a) a default in one or more agreements to which a Loan Party or any of its Subsidiaries is a party with one or more third Persons relative to a Loan Party's or any of its Subsidiaries' Indebtedness involving an aggregate amount of \$250,000 or more, and such default (i) occurs at the final maturity of the obligations thereunder, or (ii) results in a right by such third Person, irrespective of whether exercised, to accelerate the maturity of such Loan Party's or its Subsidiary's obligations thereunder, (b) a Deemed Liquidation Event, or (c) a default in or an involuntary early termination of one or more Hedge Agreements to which a Loan Party or any of its Subsidiaries is a party involving an aggregate amount of \$250,000 or more;

8.7 **Representations, etc.** If any warranty, representation, certificate, statement, or Record made herein or in any other Loan Document or delivered in writing to Agent or any Lender in connection with this Agreement or any other Loan Document proves to be untrue in any material respect (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of the date of issuance or making or deemed making thereof;

8.8 **Guaranty.** If the obligation of any Guarantor under the guaranty contained in the Guaranty and Security Agreement is limited or terminated by operation of law or by such Guarantor (other than in accordance with the terms of this Agreement);

8.9 **Security Documents.** If the Guaranty and Security Agreement or any other Loan Document that purports to create a Lien, shall, for any reason, fail or cease to create a valid and perfected and, except to the extent of Permitted Liens which are non-consensual Permitted Liens, permitted purchase money Liens or the interests of lessors under Capital Leases, first priority Lien on the Collateral covered thereby, except (a) as a result of a disposition of the applicable Collateral in a transaction permitted under this Agreement, or (b) as the result of an action or failure to act on the part of Agent;

8.10 **Loan Documents.** The validity or enforceability of any Loan Document shall at any time for any reason (other than solely as the result of an action or failure to act on the part of Agent) be declared to be null and void, or a proceeding shall be commenced by a Loan Party or its Subsidiaries, or by any Governmental Authority having jurisdiction over a Loan Party or its Subsidiaries, seeking to establish the invalidity or unenforceability thereof, or a Loan Party or its Subsidiaries shall deny that such Loan Party or its Subsidiaries has any liability or obligation purported to be created under any Loan Document; or

8.11 **Change of Control.** A Change of Control shall occur, whether directly or indirectly.

9. RIGHTS AND REMEDIES.

9.1 **Rights and Remedies.** Upon the occurrence and during the continuation of an Event of Default, Agent may, and, at the instruction of the Required Lenders, shall (in each case under clauses (a) or (b) by written notice to Borrower), in addition to any other rights or remedies provided for hereunder or under any other Loan Document or by applicable law, do any one or more of the following:

(a) (i) declare the principal of, and any and all accrued and unpaid interest and fees in respect of, the Loans and all other Obligations (other than the Bank Product Obligations), whether evidenced by this Agreement or by any of the other Loan Documents to be immediately due and payable, whereupon the same shall become and be immediately due and payable and Borrower shall be obligated to repay all of such Obligations in full, without presentment, demand, protest, or further notice or other requirements of any kind, all of which are hereby expressly waived by Borrower, and (ii) direct Borrower to provide (and Borrower agrees that upon receipt of such notice it will provide) Letter of Credit Collateralization to Agent to be held as security for Borrower's reimbursement obligations for drawings that may subsequently occur under issued and outstanding Letters of Credit;

(b) declare the Commitments terminated, whereupon the Commitments shall immediately be terminated together with (i) any obligation of any Revolving Lender to make Revolving Loans, (ii) the obligation of the Swing Lender to make Swing Loans, and (iii) the obligation of Issuing Bank to issue Letters of Credit; and

(c) exercise all other rights and remedies available to Agent or the Lenders under the Loan Documents, under applicable law, or in equity.

The foregoing to the contrary notwithstanding, upon the occurrence of any Event of Default described in [Section 8.4](#) or [Section 8.5](#), in addition to the remedies set forth above, without any notice to Borrower or

any other Person or any act by the Lender Group, the Commitments shall automatically terminate and the Obligations (other than the Bank Product Obligations), inclusive of the principal of, and any and all accrued and unpaid interest and fees in respect of, the Loans and all other Obligations (other than the Bank Product Obligations), whether evidenced by this Agreement or by any of the other Loan Documents, shall automatically become and be immediately due and payable and Borrower shall automatically be obligated to repay all of such Obligations in full (including Borrower being obligated to provide (and Borrower agrees that it will provide) (1) Letter of Credit Collateralization to Agent to be held as security for Borrower's reimbursement obligations in respect of drawings that may subsequently occur under issued and outstanding Letters of Credit, and (2) Bank Product Collateralization to be held as security for Borrower's or its Subsidiaries' obligations in respect of outstanding Bank Products), without presentment, demand, protest, or notice or other requirements of any kind, all of which are expressly waived by Borrower.

9.2 **Remedies Cumulative.** The rights and remedies of the Lender Group under this Agreement, the other Loan Documents, and all other agreements shall be cumulative. The Lender Group shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by the Lender Group of one right or remedy shall be deemed an election, and no waiver by the Lender Group of any Event of Default shall be deemed a continuing waiver. No delay by the Lender Group shall constitute a waiver, election, or acquiescence by it.

9.3 **Curative Equity.**

(a) Subject to the limitations set forth in clause (f) below, prior to the consummation of a Qualifying Initial Public Offering, Borrower may cure (and shall be deemed to have cured) an Event of Default arising out of a breach of any of the financial covenants set forth in clauses (a), (c) or (d) of Section 7 (the "Specified Financial Covenants") if it receives the cash proceeds of an investment of Curative Equity within 10 Business Days after the date that is the earlier to occur of (i) the date on which the Compliance Certificate is delivered to Agent in respect of the quarter with respect to which any such breach occurred and (ii) the date on which the Compliance Certificate is required to be delivered to Agent pursuant to Section 5.1 in respect of the quarter with respect to which any such breach occurred; provided that Borrower's right to so cure an Event of Default shall be contingent on its timely delivery of such Compliance Certificate as required under Section 5.1.

(b) Borrower shall promptly notify Agent of its receipt of any proceeds of Curative Equity (and shall immediately apply the same to the payment of the Obligations in the manner specified in Section 2.4(e)(vii)).

(c) Any investment of Curative Equity shall be in immediately available funds and, subject to the limitations set forth in clause (f) below, shall be in an amount that is sufficient to cause Borrower to be in compliance with all of the Specified Financial Covenants as at the last day of the most recently ended fiscal quarter, calculated for such purpose as if such amount of Curative Equity were additional EBITDA of Borrower as at such date.

(d) In the Compliance Certificate delivered pursuant to Section 5.1 in respect of the quarter end on which Curative Equity is used or in a supplemental subsequent Compliance Certificate delivered after the contribution of Curative Equity, Borrower shall (i) include evidence of its receipt of Curative Equity proceeds, and (ii) set forth a calculation of the financial results and balance sheet of Borrower as at such month end (including for such purposes the proceeds of such Curative Equity (broken out separately) as deemed EBITDA as if received on such date), which shall confirm that on a pro forma basis after taking into account the receipt of the Curative Equity proceeds, Borrower would have been in compliance with the Specified Financial Covenants as of such date.

(e) Upon delivery of a Compliance Certificate pursuant to Section 5.1 or such supplemental subsequent Compliance Certificate conforming to the requirements of this Section, any Event of Default that occurred and is continuing as a result of a breach of any of the Specified Financial Covenants shall be deemed cured with no further action required by Borrower, Lenders or Agent. Prior to the date of the delivery of a Compliance Certificate pursuant to Section 5.1 or such supplemental subsequent Compliance Certificate conforming to the requirements of this Section, any Event of Default that has occurred as a result of a breach of any of the Specified Financial Covenants shall be deemed to be continuing and, as a result, the Lenders (including the Swing Lender and the Issuing Bank) shall have no obligation to make additional loans or otherwise extend additional credit hereunder (provided, however, that Agent shall not, notwithstanding the existence of such Event of Default, be permitted to accelerate the Loans, terminate the Commitments, or exercise remedies against the Loan Parties, or the Collateral for a breach of any of the Specified Financial Covenants for so long as Borrower has the ability to exercise its cure rights hereunder). In the event Borrower does not cure all financial covenant violations as provided in this Section 9.3, the existing Event(s) of Default shall continue unless waived in writing by the Required Lenders in accordance herewith.

(f) Notwithstanding the foregoing, Borrower's rights under this Section 9.3 may (i) be exercised not more than 3 times during the term of this Agreement, (ii) not be exercised with respect to consecutive fiscal quarters, (iii) not be exercised if the amount of the proposed investment of Curative Equity, together with the amount of all prior investments of Curative Equity, exceeds \$3,000,000, and (iv) not be exercised if the amount of the proposed investment of Curative Equity exceeds \$2,000,000 for the first exercise thereof, or \$1,000,000 for any subsequent exercise. Any amount of Curative Equity that is in excess of the amount sufficient to cause Borrower to be in compliance with all of the Specified Financial Covenants as at such date shall not constitute Curative Equity. Curative Equity shall be disregarded for purposes of determining EBITDA for any pricing, financial covenant based conditions or any baskets with respect to the covenants contained in this Agreement and there shall be no pro forma reduction in Indebtedness with the proceeds of any Curative Equity for purposes of determining compliance with the Specified Financial Covenants or for determining any pricing, financial covenant based conditions or baskets with respect to the covenants contained in this Agreement, in each case in the month or quarter (as the case may be) in which such Curative Equity is used.

(g) To the extent that Curative Equity is received and included in the calculation of the Specified Financial Covenants as deemed EBITDA for any quarter pursuant to this Section 9.3, such Curative Equity shall be deemed to be EBITDA for purposes of determining compliance with the Specified Financial Covenants for subsequent periods that include such quarter.

10. WAIVERS; INDEMNIFICATION.

10.1 **Demand; Protest; etc.** Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, nonpayment at maturity, release, compromise, settlement, extension, or renewal of documents, instruments, chattel paper, and guarantees at any time held by the Lender Group on which Borrower may in any way be liable.

10.2 **The Lender Group's Liability for Collateral.** Borrower hereby agrees that: (a) so long as Agent complies with its obligations, if any, under the Code, the Lender Group shall not in any way or manner be liable or responsible for: (i) the safekeeping of the Collateral, (ii) any loss or damage thereto occurring or arising in any manner or fashion from any cause, (iii) any diminution in the value thereof, or (iv) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other Person, and (b) all risk of loss, damage, or destruction of the Collateral shall be borne by Borrower.

10.3 **Indemnification.** Borrower shall pay, indemnify, defend, and hold the Agent-Related Persons, the Lender-Related Persons, and each Participant (each, an “Indemnified Person”) harmless (to the fullest extent permitted by law) from and against any and all claims, demands, suits, actions, investigations, proceedings, liabilities, fines, costs, penalties, and damages, and all reasonable fees and disbursements of attorneys, experts, or consultants and all other costs and expenses actually incurred in connection therewith or in connection with the enforcement of this indemnification (as and when they are incurred and irrespective of whether suit is brought), at any time asserted against, imposed upon, or incurred by any of them (a) in connection with or as a result of or related to the execution and delivery (provided that Borrower shall not be liable for costs and expenses (including attorneys fees) of any Lender (other than Wells Fargo) incurred in advising, structuring, drafting, reviewing, administering or syndicating the Loan Documents), enforcement, performance, or administration (including any restructuring or workout with respect hereto) of this Agreement, any of the other Loan Documents, or the transactions contemplated hereby or thereby or the monitoring of Borrower’s and its Subsidiaries’ compliance with the terms of the Loan Documents (provided, that the indemnification in this clause (a) shall not extend to (i) disputes solely between or among the Lenders that do not involve any acts or omissions of any Loan Party, or (ii) disputes solely between or among the Lenders and their respective Affiliates that do not involve any acts or omissions of any Loan Party; it being understood and agreed that the indemnification in this clause (a) shall extend to Agent (but not the Lenders) relative to disputes between or among Agent on the one hand, and one or more Lenders, or one or more of their Affiliates, on the other hand, or (iii) any Taxes or any costs attributable to Taxes, which shall be governed by Section 16), (b) with respect to any actual or prospective investigation, litigation, or proceeding related to this Agreement, any other Loan Document, the making of any Loans or issuance of any Letters of Credit hereunder, or the use of the proceeds of the Loans or the Letters of Credit provided hereunder (irrespective of whether any Indemnified Person is a party thereto), or any act, omission, event, or circumstance in any manner related thereto, and (c) in connection with or arising out of any presence or release of Hazardous Materials at, on, under, to or from any assets or properties owned, leased or operated by Borrower or any of its Subsidiaries or any Environmental Actions, Environmental Liabilities or Remedial Actions related in any way to any such assets or properties of Borrower or any of its Subsidiaries (each and all of the foregoing, the “Indemnified Liabilities”). The foregoing to the contrary notwithstanding, Borrower shall have no obligation to any Indemnified Person under this Section 10.3 with respect to any Indemnified Liability that a court of competent jurisdiction finally determines to have resulted from the gross negligence or willful misconduct of such Indemnified Person or its officers, directors, employees, attorneys, or agents. This provision shall survive the termination of this Agreement and the repayment in full of the Obligations. If any Indemnified Person makes any payment to any other Indemnified Person with respect to an Indemnified Liability as to which Borrower was required to indemnify the Indemnified Person receiving such payment, the Indemnified Person making such payment is entitled to be indemnified and reimbursed by Borrower with respect thereto.

WITHOUT LIMITATION, THE FOREGOING INDEMNITY SHALL APPLY TO EACH INDEMNIFIED PERSON WITH RESPECT TO INDEMNIFIED LIABILITIES WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF ANY NEGLIGENT ACT OR OMISSION OF SUCH INDEMNIFIED PERSON OR OF ANY OTHER PERSON.

11. NOTICES.

Unless otherwise provided in this Agreement, all notices or demands relating to this Agreement or any other Loan Document shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail (postage prepaid, return receipt requested), overnight courier, electronic mail (at such email addresses as a party may designate in accordance herewith), or telefacsimile. In the case of notices or demands to Borrower or Agent, as the case may be, they shall be sent to the respective address set forth below:

If to Borrower: **APPFOLIO, INC.**
50 Castilian Drive
Goleta, California 93117
Attn: Brett Little
Fax No. 805.968.0653

with copies to: **STRADLING YOCCA CARLSON & RAUTH, P.C.**
100 Wilshire Boulevard
Santa Monica, California 90401
Attn: Dayan Rosen, Esq.
Fax No.: 310.564.7794

If to Agent: **WELLS FARGO BANK, NATIONAL ASSOCIATION**
2450 Colorado Avenue, Suite 3000 West
Santa Monica, California 90404
Attn: Technology Finance Manager
Fax No.: 310.453.7413

with copies to: **BUCHALTER NEMER**
1000 Wilshire Boulevard, Suite 1500
Los Angeles, California 90017
Attn: Robert J. Davidson, Esq.
Fax No.: 213.551.6913

Any party hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other party. All notices or demands sent in accordance with this Section 11, shall be deemed received on the earlier of the date of actual receipt or 3 Business Days after the deposit thereof in the mail; provided, that (a) notices sent by overnight courier service shall be deemed to have been given when received, (b) notices by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient) and (c) notices by electronic mail shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgment).

12. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER; JUDICIAL REFERENCE PROVISION.

(a) **THE VALIDITY OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (UNLESS EXPRESSLY PROVIDED TO THE CONTRARY IN ANOTHER LOAN DOCUMENT IN RESPECT OF SUCH OTHER LOAN DOCUMENT), THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, THE RIGHTS OF THE PARTIES HERETO AND THERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO, AND ANY CLAIMS, CONTROVERSIES OR DISPUTES ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.**

(b) THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, FEDERAL COURTS LOCATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA; PROVIDED, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE AGENT ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. BORROWER AND EACH MEMBER OF THE LENDER GROUP WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 12(b).

(c) TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AND EACH MEMBER OF THE LENDER GROUP HEREBY WAIVE THEIR RESPECTIVE RIGHTS, IF ANY, TO A JURY TRIAL OF ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION DIRECTLY OR INDIRECTLY BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS (EACH A "CLAIM"). BORROWER AND EACH MEMBER OF THE LENDER GROUP REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(d) BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF LOS ANGELES AND THE STATE OF CALIFORNIA, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT AGENT MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(e) NO CLAIM MAY BE MADE BY ANY LOAN PARTY AGAINST THE AGENT, THE SWING LENDER, ANY OTHER LENDER, ISSUING BANK, OR ANY AFFILIATE, DIRECTOR, OFFICER, EMPLOYEE, COUNSEL, REPRESENTATIVE, AGENT, OR ATTORNEY-IN-FACT OF ANY OF THEM FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES OR LOSSES IN RESPECT OF ANY CLAIM FOR BREACH OF CONTRACT OR ANY OTHER THEORY OF LIABILITY ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY ACT, OMISSION, OR EVENT OCCURRING IN CONNECTION THEREWITH, AND EACH LOAN PARTY HEREBY WAIVES, RELEASES, AND AGREES NOT TO SUE UPON ANY CLAIM FOR SUCH DAMAGES, WHETHER OR NOT ACCRUED AND WHETHER OR NOT KNOWN OR SUSPECTED TO EXIST IN ITS FAVOR.

(f) IN THE EVENT ANY LEGAL PROCEEDING IS FILED IN A COURT OF THE STATE OF CALIFORNIA (THE "COURT") BY OR AGAINST ANY PARTY HERETO IN CONNECTION WITH ANY CLAIM AND THE WAIVER SET FORTH IN CLAUSE (C) ABOVE IS NOT ENFORCEABLE IN SUCH PROCEEDING, THE PARTIES HERETO AGREE AS FOLLOWS:

(i) WITH THE EXCEPTION OF THE MATTERS SPECIFIED IN SUBCLAUSE (ii) BELOW, ANY CLAIM SHALL BE DETERMINED BY A GENERAL REFERENCE PROCEEDING IN ACCORDANCE WITH THE PROVISIONS OF CALIFORNIA CODE OF CIVIL PROCEDURE SECTIONS 638 THROUGH 645.1. THE PARTIES INTEND THIS GENERAL REFERENCE AGREEMENT TO BE SPECIFICALLY ENFORCEABLE. VENUE FOR THE REFERENCE PROCEEDING SHALL BE IN THE COUNTY OF LOS ANGELES, CALIFORNIA.

(ii) THE FOLLOWING MATTERS SHALL NOT BE SUBJECT TO A GENERAL REFERENCE PROCEEDING: (A) NON-JUDICIAL FORECLOSURE OF ANY SECURITY INTERESTS IN REAL OR PERSONAL PROPERTY, (B) EXERCISE OF SELF-HELP REMEDIES (INCLUDING SET-OFF OR RECOUPMENT), (C) APPOINTMENT OF A RECEIVER, AND (D) TEMPORARY, PROVISIONAL, OR ANCILLARY REMEDIES (INCLUDING WRITS OF ATTACHMENT, WRITS OF POSSESSION, TEMPORARY RESTRAINING ORDERS, OR PRELIMINARY INJUNCTIONS). THIS AGREEMENT DOES NOT LIMIT THE RIGHT OF ANY PARTY TO EXERCISE OR OPPOSE ANY OF THE RIGHTS AND REMEDIES DESCRIBED IN CLAUSES (A) - (D) AND ANY SUCH EXERCISE OR OPPOSITION DOES NOT WAIVE THE RIGHT OF ANY PARTY TO PARTICIPATE IN A REFERENCE PROCEEDING PURSUANT TO THIS AGREEMENT WITH RESPECT TO ANY OTHER MATTER.

(iii) UPON THE WRITTEN REQUEST OF ANY PARTY, THE PARTIES SHALL SELECT A SINGLE REFEREE, WHO SHALL BE A RETIRED JUDGE OR JUSTICE. IF THE PARTIES DO NOT AGREE UPON A REFEREE WITHIN 10 DAYS OF SUCH WRITTEN REQUEST, THEN, ANY PARTY SHALL HAVE THE RIGHT TO REQUEST THE COURT TO APPOINT A REFEREE PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 640(B). THE REFEREE SHALL BE APPOINTED TO SIT WITH ALL OF THE POWERS PROVIDED BY LAW. PENDING APPOINTMENT OF THE REFEREE, THE COURT SHALL HAVE THE POWER TO ISSUE TEMPORARY OR PROVISIONAL REMEDIES.

(iv) EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE REFEREE SHALL DETERMINE THE MANNER IN WHICH THE REFERENCE PROCEEDING IS CONDUCTED INCLUDING THE TIME AND PLACE OF HEARINGS, THE ORDER OF PRESENTATION OF EVIDENCE, AND ALL OTHER QUESTIONS THAT ARISE WITH RESPECT TO THE COURSE OF THE REFERENCE PROCEEDING. ALL PROCEEDINGS AND HEARINGS CONDUCTED BEFORE THE REFEREE, EXCEPT FOR TRIAL, SHALL BE CONDUCTED WITHOUT A COURT REPORTER, EXCEPT WHEN ANY PARTY SO REQUESTS A COURT REPORTER AND A TRANSCRIPT IS ORDERED, A COURT REPORTER SHALL BE USED AND THE REFEREE SHALL BE PROVIDED A COURTESY COPY OF THE TRANSCRIPT. THE PARTY MAKING SUCH REQUEST SHALL HAVE THE OBLIGATION TO ARRANGE FOR AND PAY THE COSTS OF THE COURT

REPORTER, PROVIDED THAT SUCH COSTS, ALONG WITH THE REFEREE'S FEES, SHALL ULTIMATELY BE BORNE BY THE PARTY WHO DOES NOT PREVAIL, AS DETERMINED BY THE REFEREE.

(v) THE REFEREE MAY REQUIRE ONE OR MORE PREHEARING CONFERENCES. THE PARTIES HERETO SHALL BE ENTITLED TO DISCOVERY, AND THE REFEREE SHALL OVERSEE DISCOVERY IN ACCORDANCE WITH THE RULES OF DISCOVERY, AND SHALL ENFORCE ALL DISCOVERY ORDERS IN THE SAME MANNER AS ANY TRIAL COURT JUDGE IN PROCEEDINGS AT LAW IN THE STATE OF CALIFORNIA.

(vi) THE REFEREE SHALL APPLY THE RULES OF EVIDENCE APPLICABLE TO PROCEEDINGS AT LAW IN THE STATE OF CALIFORNIA AND SHALL DETERMINE ALL ISSUES IN ACCORDANCE WITH CALIFORNIA SUBSTANTIVE AND PROCEDURAL LAW. THE REFEREE SHALL BE EMPOWERED TO ENTER EQUITABLE AS WELL AS LEGAL RELIEF AND RULE ON ANY MOTION WHICH WOULD BE AUTHORIZED IN A TRIAL, INCLUDING MOTIONS FOR DEFAULT JUDGMENT OR SUMMARY JUDGMENT. THE REFEREE SHALL REPORT HIS OR HER DECISION, WHICH REPORT SHALL ALSO INCLUDE FINDINGS OF FACT AND CONCLUSIONS OF LAW. THE REFEREE SHALL ISSUE A DECISION AND PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE, SECTION 644, THE REFEREE'S DECISION SHALL BE ENTERED BY THE COURT AS A JUDGMENT IN THE SAME MANNER AS IF THE ACTION HAD BEEN TRIED BY THE COURT. THE FINAL JUDGMENT OR ORDER FROM ANY APPEALABLE DECISION OR ORDER ENTERED BY THE REFEREE SHALL BE FULLY APPEALABLE AS IF IT HAS BEEN ENTERED BY THE COURT.

(vii) THE PARTIES RECOGNIZE AND AGREE THAT ALL CLAIMS RESOLVED IN A GENERAL REFERENCE PROCEEDING PURSUANT HERETO WILL BE DECIDED BY A REFEREE AND NOT BY A JURY. AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR OWN CHOICE, EACH PARTY HERETO KNOWINGLY AND VOLUNTARILY AND FOR THEIR MUTUAL BENEFIT AGREES THAT THIS REFERENCE PROVISION SHALL APPLY TO ANY DISPUTE BETWEEN THEM THAT ARISES OUT OF OR IS RELATED TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

13. ASSIGNMENTS AND PARTICIPATIONS; SUCCESSORS.

13.1 Assignments and Participations.

(a) (i) Subject to the conditions set forth in clause (a)(ii) below, any Lender may assign and delegate all or any portion of its rights and duties under the Loan Documents (including the Obligations owed to it and its Commitments) to one or more assignees (each, an "Assignee") with the prior written consent (such consent not be unreasonably withheld or delayed) of:

(A) Borrower; provided, that no consent of Borrower shall be required (1) if an Event of Default has occurred and is continuing, or (2) in connection with an assignment to a Person that is a Lender or an Affiliate (other than natural persons) of a Lender; provided further, that Borrower shall be deemed to have consented to a proposed assignment unless it objects thereto by written notice to Agent within 5 Business Days after having received notice thereof; and

(B) Agent, Swing Lender, and Issuing Bank.

(ii) Assignments shall be subject to the following additional conditions:

(A) no assignment may be made (i) so long as no Event of Default has occurred and is continuing, to a Competitor, or (ii) to a natural person,

(B) no assignment may be made to a Loan Party or an Affiliate of a Loan Party,

(C) the amount of the Commitments and the other rights and obligations of the assigning Lender hereunder and under the other Loan Documents subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to Agent) shall be in a minimum amount (unless waived by Agent) of \$5,000,000 (except such minimum amount shall not apply to (I) an assignment or delegation by any Lender to any other Lender, an Affiliate of any Lender, or a Related Fund of such Lender or (II) a group of new Lenders, each of which is an Affiliate of each other or a Related Fund of such new Lender to the extent that the aggregate amount to be assigned to all such new Lenders is at least \$5,000,000),

(D) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement,

(E) the parties to each assignment shall execute and deliver to Agent an Assignment and Acceptance; provided, that Borrower and Agent may continue to deal solely and directly with the assigning Lender in connection with the interest so assigned to an Assignee until written notice of such assignment, together with payment instructions, addresses, and related information with respect to the Assignee, have been given to Borrower and Agent by such Lender and the Assignee,

(F) unless waived by Agent, the assigning Lender or Assignee has paid to Agent, for Agent's separate account, a processing fee in the amount of \$3,500, and

(G) the assignee, if it is not a Lender, shall deliver to Agent an Administrative Questionnaire in a form approved by Agent (the "Administrative Questionnaire").

(b) From and after the date that Agent receives the executed Assignment and Acceptance and, if applicable, payment of the required processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall be a "Lender" and shall have the rights and obligations of a Lender under the Loan Documents, and (ii) the assigning Lender shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (except with respect to Section 10.3) and be released from any future obligations under this Agreement (and in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement and the other Loan Documents, such Lender shall cease to be a party hereto and thereto); provided, that nothing contained herein shall release any assigning Lender from obligations that survive the termination of this Agreement, including such assigning Lender's obligations under Section 15 and Section 17.9(a).

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the Assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality,

validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document furnished pursuant hereto, (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower or the performance or observance by Borrower of any of its obligations under this Agreement or any other Loan Document furnished pursuant hereto, (iii) such Assignee confirms that it has received a copy of this Agreement, together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance, (iv) such Assignee will, independently and without reliance upon Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement, (v) such Assignee appoints and authorizes Agent to take such actions and to exercise such powers under this Agreement and the other Loan Documents as are delegated to Agent, by the terms hereof and thereof, together with such powers as are reasonably incidental thereto, and (vi) such Assignee agrees that it will perform all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) Immediately upon Agent's receipt of the required processing fee, if applicable, and delivery of notice to the assigning Lender pursuant to Section 13.1(b), this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Lender *pro tanto*.

(e) Any Lender may at any time sell to one or more commercial banks, financial institutions, or other Persons (a "Participant") participating interests in all or any portion of its Obligations, its Commitment, and the other rights and interests of that Lender (the "Originating Lender") hereunder and under the other Loan Documents; provided, that (i) the Originating Lender shall remain a "Lender" for all purposes of this Agreement and the other Loan Documents and the Participant receiving the participating interest in the Obligations, the Commitments, and the other rights and interests of the Originating Lender hereunder shall not constitute a "Lender" hereunder or under the other Loan Documents and the Originating Lender's obligations under this Agreement shall remain unchanged, (ii) the Originating Lender shall remain solely responsible for the performance of such obligations, (iii) Borrower, Agent, and the Lenders shall continue to deal solely and directly with the Originating Lender in connection with the Originating Lender's rights and obligations under this Agreement and the other Loan Documents, (iv) no Lender shall transfer or grant any participating interest under which the Participant has the right to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment to, or consent or waiver with respect to this Agreement or of any other Loan Document would (A) extend the final maturity date of the Obligations hereunder in which such Participant is participating, (B) reduce the interest rate applicable to the Obligations hereunder in which such Participant is participating, (C) release all or substantially all of the Collateral or guaranties (except to the extent expressly provided herein or in any of the Loan Documents) supporting the Obligations hereunder in which such Participant is participating, (D) postpone the payment of, or reduce the amount of, the interest or fees payable to such Participant through such Lender (other than a waiver of default interest), or (E) decreases the amount or postpones the due dates of scheduled principal repayments or prepayments or premiums payable to such Participant through such Lender, (v) no participation shall be sold to a natural person, (vi) no participation shall be sold to a Loan Party or an Affiliate of a Loan Party, or, so long as no Event of Default has occurred and is continuing, to a Competitor, and (vii) all amounts payable by Borrower hereunder shall be determined as if such Lender had not sold such participation, except that, if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement. The rights of any

Participant only shall be derivative through the Originating Lender with whom such Participant participates and no Participant shall have any rights under this Agreement or the other Loan Documents or any direct rights as to the other Lenders, Agent, Borrower, the Collateral, or otherwise in respect of the Obligations. No Participant shall have the right to participate directly in the making of decisions by the Lenders among themselves.

(f) In connection with any such assignment or participation or proposed assignment or participation or any grant of a security interest in, or pledge of, its rights under and interest in this Agreement, a Lender may, subject to the provisions of Section 17.9, disclose all documents and information which it now or hereafter may have relating to Borrower and its Subsidiaries and their respective businesses.

(g) Any other provision in this Agreement notwithstanding, any Lender may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Bank or U.S. Treasury Regulation 31 CFR §203.24, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

(h) Agent (as a non-fiduciary agent on behalf of Borrower) shall maintain, or cause to be maintained, a register (the "Register") on which it enters the name and address of each Lender as the registered owner of the Term Loan (and the principal amount thereof and stated interest thereon) held by such Lender (each, a "Registered Loan"). Other than in connection with an assignment by a Lender of all or any portion of its portion of the Term Loan to an Affiliate of such Lender or a Related Fund of such Lender (i) a Registered Loan (and the registered note, if any, evidencing the same) may be assigned or sold in whole or in part only by registration of such assignment or sale on the Register (and each registered note shall expressly so provide) and (ii) any assignment or sale of all or part of such Registered Loan (and the registered note, if any, evidencing the same) may be effected only by registration of such assignment or sale on the Register, together with the surrender of the registered note, if any, evidencing the same duly endorsed by (or accompanied by a written instrument of assignment or sale duly executed by) the holder of such registered note, whereupon, at the request of the designated assignee(s) or transferee(s), one or more new registered notes in the same aggregate principal amount shall be issued to the designated assignee(s) or transferee(s). Prior to the registration of assignment or sale of any Registered Loan (and the registered note, if any evidencing the same), Borrower shall treat the Person in whose name such Registered Loan (and the registered note, if any, evidencing the same) is registered as the owner thereof for the purpose of receiving all payments thereon and for all other purposes, notwithstanding notice to the contrary. In the case of any assignment by a Lender of all or any portion of its Term Loan to an Affiliate of such Lender or a Related Fund of such Lender, and which assignment is not recorded in the Register, the assigning Lender, on behalf of Borrower, shall maintain a register comparable to the Register.

(i) In the event that a Lender sells participations in the Registered Loan, such Lender, as a non-fiduciary agent on behalf of Borrower, shall maintain (or cause to be maintained) a register on which it enters the name of all participants in the Registered Loans held by it (and the principal amount (and stated interest thereon) of the portion of such Registered Loans that is subject to such participations) (the "Participant Register"). A Registered Loan (and the Registered Note, if any, evidencing the same) may be participated in whole or in part only by registration of such participation on the Participant Register (and each registered note shall expressly so provide). Any participation of such Registered Loan (and the registered note, if any, evidencing the same) may be effected only by the registration of such participation on the Participant Register.

(j) Agent shall make a copy of the Register (and each Lender shall make a copy of its Participant Register in the extent it has one) available for review by Borrower from time to time as Borrower may reasonably request.

13.2 **Successors.** This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, that Borrower may not assign this Agreement or any rights or duties hereunder without the Lenders' prior written consent and any prohibited assignment shall be absolutely void *ab initio*. No consent to assignment by the Lenders shall release Borrower from its Obligations. A Lender may assign this Agreement and the other Loan Documents and its rights and duties hereunder and thereunder pursuant to Section 13.1 and, except as expressly required pursuant to Section 13.1, no consent or approval by Borrower is required in connection with any such assignment.

14. AMENDMENTS; WAIVERS.

14.1 **Amendments and Waivers.**

(a) No amendment, waiver or other modification of any provision of this Agreement or any other Loan Document (other than Bank Product Agreements or the Fee Letter), and no consent with respect to any departure by Borrower therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders (or by Agent at the written request of the Required Lenders) and the Loan Parties that are party thereto and then any such waiver or consent shall be effective, but only in the specific instance and for the specific purpose for which given; provided, that no such waiver, amendment, or consent shall, unless in writing and signed by all of the Lenders directly affected thereby and all of the Loan Parties that are party thereto, do any of the following:

(i) increase the amount of or extend the expiration date of any Commitment of any Lender,

(ii) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees, or other amounts due hereunder or under any other Loan Document,

(iii) reduce the principal of, or the rate of interest on, any loan or other extension of credit hereunder, or reduce any fees or other amounts payable hereunder or under any other Loan Document (except (y) in connection with the waiver of applicability of Section 2.6(c) (which waiver shall be effective with the written consent of the Required Lenders), and (z) that any amendment or modification of defined terms used in the financial covenants in this Agreement shall not constitute a reduction in the rate of interest or a reduction of fees for purposes of this clause (iii)),

(iv) amend, modify, or eliminate this Section or any provision of this Agreement providing for consent or other action by all Lenders,

(v) amend, modify, or eliminate Section 3.1 or 3.2,

(vi) amend, modify, or eliminate Section 15.11,

(vii) other than as permitted by Section 15.11, or as permitted by Section 23 of the Guaranty and Security Agreement, release Agent's Lien in and to any of the Collateral,

(viii) amend, modify, or eliminate the definitions of "Required Lenders" or "Pro Rata Share",

(ix) contractually subordinate any of Agent's Liens, other than as provided in the last sentence of Section 15.11(a),

(x) other than in connection with a merger, liquidation, dissolution or sale of such Person expressly permitted by the terms hereof or the other Loan Documents, release Borrower or any Guarantor from any obligation for the payment of money or consent to the assignment or transfer by Borrower or any Guarantor of any of its rights or duties under this Agreement or the other Loan Documents, or

(xi) amend, modify, or eliminate any of the provisions of Section 2.4(b)(i), (ii) or (iii) or Section 2.4(f);

(b) No amendment, waiver, modification, or consent shall amend, modify, waive, or eliminate,

(i) the definition of, or any of the terms or provisions of, the Fee Letter, without the written consent of Agent and Borrower (and shall not require the written consent of any of the Lenders),

(ii) any provision of Section 15 pertaining to Agent, or any other rights or duties of Agent under this Agreement or the other Loan Documents, without the written consent of Agent, Borrower, and the Required Lenders;

(c) No amendment, waiver, modification, elimination, or consent shall amend, modify, or waive any provision of this Agreement or the other Loan Documents pertaining to Issuing Bank, or any other rights or duties of Issuing Bank under this Agreement or the other Loan Documents, without the written consent of Issuing Bank, Agent, Borrower, and the Required Lenders;

(d) No amendment, waiver, modification, elimination, or consent shall amend, modify, or waive any provision of this Agreement or the other Loan Documents pertaining to Swing Lender, or any other rights or duties of Swing Lender under this Agreement or the other Loan Documents, without the written consent of Swing Lender, Agent, Borrower, and the Required Lenders; and

(e) Anything in this Section 14.1 to the contrary notwithstanding, (i) any amendment, modification, elimination, waiver, consent, termination, or release of, or with respect to, any provision of this Agreement or any other Loan Document that relates only to the relationship of the Lender Group among themselves, and that does not affect the rights or obligations of Borrower, shall not require consent by or the agreement of any Loan Party, and (ii) any amendment, waiver, modification, elimination, or consent of or with respect to any provision of this Agreement or any other Loan Document may be entered into without the consent of, or over the objection of, any Defaulting Lender.

14.2 **Replacement of Certain Lenders.**

(a) If (i) any action to be taken by the Lender Group or Agent hereunder requires the consent, authorization, or agreement of all Lenders or all Lenders affected thereby and if such action has received the consent, authorization, or agreement of the Required Lenders but not of all Lenders or all Lenders affected thereby, or (ii) any Lender makes a claim for compensation under Section 16, then Borrower or Agent, upon at least 5 Business Days prior irrevocable notice, may permanently replace any Lender that failed to give its consent, authorization, or agreement (a "Non-Consenting Lender") or any Lender that made a claim for compensation (a "Tax Lender") with one or more Replacement Lenders, and the Non-Consenting Lender or Tax Lender, as applicable, shall have no right to refuse to be replaced

hereunder. Such notice to replace the Non-Consenting Lender or Tax Lender, as applicable, shall specify an effective date for such replacement, which date shall not be later than 15 Business Days after the date such notice is given.

(b) Prior to the effective date of such replacement, the Non-Consenting Lender or Tax Lender, as applicable, and each Replacement Lender shall execute and deliver an Assignment and Acceptance, subject only to the Non-Consenting Lender or Tax Lender, as applicable, being repaid in full its share of the outstanding Obligations (without any premium or penalty of any kind whatsoever, but including (i) all interest, fees and other amounts that may be due in payable in respect thereof, and (ii) an assumption of its Pro Rata Share of participations in the Letters of Credit). If the Non-Consenting Lender or Tax Lender, as applicable, shall refuse or fail to execute and deliver any such Assignment and Acceptance prior to the effective date of such replacement, Agent may, but shall not be required to, execute and deliver such Assignment and Acceptance in the name or and on behalf of the Non-Consenting Lender or Tax Lender, as applicable, and irrespective of whether Agent executes and delivers such Assignment and Acceptance, the Non-Consenting Lender or Tax Lender, as applicable, shall be deemed to have executed and delivered such Assignment and Acceptance. The replacement of any Non-Consenting Lender or Tax Lender, as applicable, shall be made in accordance with the terms of Section 13.1. Until such time as one or more Replacement Lenders shall have acquired all of the Obligations, the Commitments, and the other rights and obligations of the Non-Consenting Lender or Tax Lender, as applicable, hereunder and under the other Loan Documents, the Non-Consenting Lender or Tax Lender, as applicable, shall remain obligated to make the Non-Consenting Lender's or Tax Lender's, as applicable, Pro Rata Share of Revolving Loans and to purchase a participation in each Letter of Credit, in an amount equal to its Pro Rata Share of participations in such Letters of Credit.

14.3 **No Waivers; Cumulative Remedies.** No failure by Agent or any Lender to exercise any right, remedy, or option under this Agreement or any other Loan Document, or delay by Agent or any Lender in exercising the same, will operate as a waiver thereof. No waiver by Agent or any Lender will be effective unless it is in writing, and then only to the extent specifically stated. No waiver by Agent or any Lender on any occasion shall affect or diminish Agent's and each Lender's rights thereafter to require strict performance by Borrower of any provision of this Agreement. Agent's and each Lender's rights under this Agreement and the other Loan Documents will be cumulative and not exclusive of any other right or remedy that Agent or any Lender may have.

15. AGENT; THE LENDER GROUP.

15.1 **Appointment and Authorization of Agent.** Each Lender hereby designates and appoints Wells Fargo as its agent under this Agreement and the other Loan Documents and each Lender hereby irrevocably authorizes (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to designate, appoint, and authorize) Agent to execute and deliver each of the other Loan Documents on its behalf and to take such other action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to Agent by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Agent agrees to act as agent for and on behalf of the Lenders (and the Bank Product Providers) on the conditions contained in this Section 15. Any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document notwithstanding, Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Loan Documents, nor shall Agent have or be deemed to have any fiduciary relationship with any Lender (or Bank Product Provider), and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Agent. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement or the other Loan Documents with reference to Agent is not intended to connote any fiduciary or other implied

(or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only a representative relationship between independent contracting parties. Each Lender hereby further authorizes (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to authorize) Agent to act as the secured party under each of the Loan Documents that create a Lien on any item of Collateral. Except as expressly otherwise provided in this Agreement, Agent shall have and may use its sole discretion with respect to exercising or refraining from exercising any discretionary rights or taking or refraining from taking any actions that Agent expressly is entitled to take or assert under or pursuant to this Agreement and the other Loan Documents. Without limiting the generality of the foregoing, or of any other provision of the Loan Documents that provides rights or powers to Agent, Lenders agree that Agent shall have the right to exercise the following powers as long as this Agreement remains in effect: (a) maintain, in accordance with its customary business practices, ledgers and records reflecting the status of the Obligations, the Collateral, payments and proceeds of Collateral, and related matters, (b) execute or file any and all financing or similar statements or notices, amendments, renewals, supplements, documents, instruments, proofs of claim, notices and other written agreements with respect to the Loan Documents, (c) make Revolving Loans, for itself or on behalf of Lenders, as provided in the Loan Documents, (d) exclusively receive, apply, and distribute payments and proceeds of the Collateral as provided in the Loan Documents, (e) open and maintain such bank accounts and cash management arrangements as Agent deems necessary and appropriate in accordance with the Loan Documents for the foregoing purposes, (f) perform, exercise, and enforce any and all other rights and remedies of the Lender Group with respect to Borrower or its Subsidiaries, the Obligations, the Collateral, or otherwise related to any of same as provided in the Loan Documents, and (g) incur and pay such Lender Group Expenses as Agent may deem necessary or appropriate for the performance and fulfillment of its functions and powers pursuant to the Loan Documents.

15.2 **Delegation of Duties.** Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys in fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Agent shall not be responsible for the negligence or misconduct of any agent or attorney in fact that it selects as long as such selection was made without gross negligence or willful misconduct.

15.3 **Liability of Agent.** None of the Agent-Related Persons shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (b) be responsible in any manner to any of the Lenders (or Bank Product Providers) for any recital, statement, representation or warranty made by Borrower or any of its Subsidiaries or Affiliates, or any officer or director thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of Borrower or its Subsidiaries or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lenders (or Bank Product Providers) to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the books and records or properties of Borrower or its Subsidiaries.

15.4 **Reliance by Agent.** Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, telefacsimile or other electronic method of transmission, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent, or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrower or

counsel to any Lender), independent accountants and other experts selected by Agent. Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless Agent shall first receive such advice or concurrence of the Lenders as it deems appropriate and until such instructions are received, Agent shall act, or refrain from acting, as it deems advisable. If Agent so requests, it shall first be indemnified to its reasonable satisfaction by the Lenders (and, if it so elects, the Bank Product Providers) against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders (and Bank Product Providers).

15.5 **Notice of Default or Event of Default.** Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest, fees, and expenses required to be paid to Agent for the account of the Lenders and, except with respect to Events of Default of which Agent has actual knowledge, unless Agent shall have received written notice from a Lender or Borrower referring to this Agreement, describing such Default or Event of Default, and stating that such notice is a “notice of default.” Agent promptly will notify the Lenders of its receipt of any such notice or of any Event of Default of which Agent has actual knowledge. If any Lender obtains actual knowledge of any Event of Default, such Lender promptly shall notify the other Lenders and Agent of such Event of Default. Each Lender shall be solely responsible for giving any notices to its Participants, if any. Subject to Section 15.4, Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required Lenders in accordance with Section 9; provided, that unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable.

15.6 **Credit Decision.** Each Lender (and Bank Product Provider) acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by Agent hereinafter taken, including any review of the affairs of Borrower and its Subsidiaries or Affiliates, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender (or Bank Product Provider). Each Lender represents (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to represent) to Agent that it has, independently and without reliance upon any Agent-Related Person and based on such due diligence, documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower or any other Person party to a Loan Document, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to Borrower. Each Lender also represents (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to represent) that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower or any other Person party to a Loan Document. Except for notices, reports, and other documents expressly herein required to be furnished to the Lenders by Agent, Agent shall not have any duty or responsibility to provide any Lender (or Bank Product Provider) with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of Borrower or any other Person party to a Loan Document that may come into the possession of any of the Agent-Related Persons. Each Lender acknowledges (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to acknowledge) that Agent does not have any duty or responsibility, either initially or on a continuing basis (except to the extent, if

any, that is expressly specified herein) to provide such Lender (or Bank Product Provider) with any credit or other information with respect to Borrower, its Affiliates or any of their respective business, legal, financial or other affairs, and irrespective of whether such information came into Agent's or its Affiliates' or representatives' possession before or after the date on which such Lender became a party to this Agreement (or such Bank Product Provider entered into a Bank Product Agreement).

15.7 **Costs and Expenses; Indemnification.** Agent may incur and pay Lender Group Expenses to the extent Agent reasonably deems necessary or appropriate for the performance and fulfillment of its functions, powers, and obligations pursuant to the Loan Documents, including court costs, attorneys fees and expenses, fees and expenses of financial accountants, advisors, consultants, and appraisers, costs of collection by outside collection agencies, auctioneer fees and expenses, and costs of security guards or insurance premiums paid to maintain the Collateral, whether or not Borrower is obligated to reimburse Agent or Lenders for such expenses pursuant to this Agreement or otherwise. Agent is authorized and directed to deduct and retain sufficient amounts from payments or proceeds of the Collateral received by Agent to reimburse Agent for such out-of-pocket costs and expenses prior to the distribution of any amounts to Lenders (or Bank Product Providers). In the event Agent is not reimbursed for such costs and expenses by Borrower or its Subsidiaries, each Lender hereby agrees that it is and shall be obligated to pay to Agent such Lender's ratable thereof. Whether or not the transactions contemplated hereby are consummated, each of the Lenders, on a ratable basis, shall indemnify and defend the Agent-Related Persons (to the extent not reimbursed by or on behalf of Borrower and without limiting the obligation of Borrower to do so) from and against any and all Indemnified Liabilities; provided, that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct nor shall any Lender be liable for the obligations of any Defaulting Lender in failing to make a Revolving Loan or other extension of credit hereunder. Without limitation of the foregoing, each Lender shall reimburse Agent upon demand for such Lender's ratable share of any costs or out of pocket expenses (including attorneys, accountants, advisors, and consultants fees and expenses) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any other Loan Document to the extent that Agent is not reimbursed for such expenses by or on behalf of Borrower. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of Agent.

15.8 **Agent in Individual Capacity.** Wells Fargo and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, provide Bank Products to, acquire Equity Interests in, and generally engage in any kind of banking, trust, financial advisory, underwriting, or other business with Borrower and its Subsidiaries and Affiliates and any other Person party to any Loan Document as though Wells Fargo were not Agent hereunder, and, in each case, without notice to or consent of the other members of the Lender Group. The other members of the Lender Group acknowledge (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to acknowledge) that, pursuant to such activities, Wells Fargo or its Affiliates may receive information regarding Borrower or its Affiliates or any other Person party to any Loan Documents that is subject to confidentiality obligations in favor of Borrower or such other Person and that prohibit the disclosure of such information to the Lenders (or Bank Product Providers), and the Lenders acknowledge (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to acknowledge) that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver Agent will use its reasonable best efforts to obtain), Agent shall not be under any obligation to provide such information to them. The terms "Lender" and "Lenders" include Wells Fargo in its individual capacity.

15.9 **Successor Agent.** Agent may resign as Agent upon 30 days (10 days if an Event of Default has occurred and is continuing) prior written notice to the Lenders (unless such notice is waived by the Required Lenders) and Borrower (unless such notice is waived by Borrower) and without any notice to the Bank Product Providers. If Agent resigns under this Agreement, the Required Lenders shall be entitled, with (so long as no Event of Default has occurred and is continuing) the consent of Borrower (such consent not to be unreasonably withheld, delayed, or conditioned), appoint a successor Agent for the Lenders (and the Bank Product Providers). If, at the time that Agent's resignation is effective, it is acting as Issuing Bank or the Swing Lender, such resignation shall also operate to effectuate its resignation as Issuing Bank or the Swing Lender, as applicable, and it shall automatically be relieved of any further obligation to issue Letters of Credit (without in any way limiting its obligation to honor Letters of Credit then outstanding) or to make Swing Loans. If no successor Agent is appointed prior to the effective date of the resignation of Agent, Agent may appoint, after consulting with the Lenders and Borrower, a successor Agent. If Agent has materially breached or failed to perform any material provision of this Agreement or of applicable law, the Required Lenders may agree in writing to remove and replace Agent with a successor Agent from among the Lenders with (so long as no Event of Default has occurred and is continuing) the consent of Borrower (such consent not to be unreasonably withheld, delayed, or conditioned). In any such event, upon the acceptance of its appointment as successor Agent hereunder, such successor Agent shall succeed to all the rights, powers, and duties of the retiring Agent and the term "Agent" shall mean such successor Agent and the retiring Agent's appointment, powers, and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 15 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. If no successor Agent has accepted appointment as Agent by the date which is 30 days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of Agent hereunder until such time, if any, as the Lenders appoint a successor Agent as provided for above.

15.10 **Lender in Individual Capacity.** Any Lender and its respective Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, provide Bank Products to, acquire Equity Interests in and generally engage in any kind of banking, trust, financial advisory, underwriting, or other business with Borrower and its Subsidiaries and Affiliates and any other Person party to any Loan Documents as though such Lender were not a Lender hereunder without notice to or consent of the other members of the Lender Group (or the Bank Product Providers). The other members of the Lender Group acknowledge (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to acknowledge) that, pursuant to such activities, such Lender and its respective Affiliates may receive information regarding Borrower or its Affiliates or any other Person party to any Loan Documents that is subject to confidentiality obligations in favor of Borrower or such other Person and that prohibit the disclosure of such information to the Lenders, and the Lenders acknowledge (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to acknowledge) that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver such Lender will use its reasonable best efforts to obtain), such Lender shall not be under any obligation to provide such information to them.

15.11 **Collateral Matters.**

(a) The Lenders hereby irrevocably authorize (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to authorize) Agent to release any Lien on any Collateral (i) upon the termination of the Commitments and payment and satisfaction in full by Borrower of all of the Obligations, (ii) constituting property being sold or disposed of if a release is required or desirable in connection therewith and if Borrower certifies to Agent that the sale or disposition is permitted under Section 6.4 (and Agent may rely conclusively on any such certificate, without further

inquiry), (iii) constituting property in which Borrower or its Subsidiaries owned no interest at the time Agent's Lien was granted nor at any time thereafter, (iv) constituting property leased or licensed to Borrower or its Subsidiaries under a lease or license that has expired or is terminated in a transaction permitted under this Agreement, or (v) in connection with a credit bid or purchase authorized under this Section 15.11. The Loan Parties and the Lenders hereby irrevocably authorize (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to authorize) Agent, based upon the instruction of the Required Lenders upon the occurrence or during the continuance of an Event of Default, to (a) consent to the sale of, credit bid, or purchase (either directly or indirectly through one or more entities) all or any portion of the Collateral at any sale thereof conducted under the provisions of the Bankruptcy Code, including Section 363 of the Bankruptcy Code, (b) credit bid or purchase (either directly or indirectly through one or more entities) all or any portion of the Collateral at any sale or other disposition thereof conducted under the provisions of the Code, including pursuant to Sections 9-610 or 9-620 of the Code, or (c) credit bid or purchase (either directly or indirectly through one or more entities) all or any portion of the Collateral at any other sale or foreclosure conducted or consented to by Agent in accordance with applicable law in any judicial action or proceeding or by the exercise of any legal or equitable remedy. In connection with any such credit bid or purchase, (i) the Obligations owed to the Lenders and the Bank Product Providers shall be entitled to be, and shall be, credit bid on a ratable basis (with Obligations with respect to contingent or unliquidated claims being estimated for such purpose if the fixing or liquidation thereof would not impair or unduly delay the ability of Agent to credit bid or purchase at such sale or other disposition of the Collateral and, if such contingent or unliquidated claims cannot be estimated without impairing or unduly delaying the ability of Agent to credit bid at such sale or other disposition, then such claims shall be disregarded, not credit bid, and not entitled to any interest in the Collateral that is the subject of such credit bid or purchase) and the Lenders and the Bank Product Providers whose Obligations are credit bid shall be entitled to receive interests (ratably based upon the proportion of their Obligations credit bid in relation to the aggregate amount of Obligations so credit bid) in the Collateral that is the subject of such credit bid or purchase (or in the Equity Interests of the any entities that are used to consummate such credit bid or purchase), and (ii) Agent, based upon the instruction of the Required Lenders, may accept non-cash consideration, including debt and equity securities issued by any entities used to consummate such credit bid or purchase and in connection therewith Agent may reduce the Obligations owed to the Lenders and the Bank Product Providers (ratably based upon the proportion of their Obligations credit bid in relation to the aggregate amount of Obligations so credit bid) based upon the value of such non-cash consideration. Except as provided above, Agent will not execute and deliver a release of any Lien on any Collateral without the prior written authorization of (y) if the release is of all or substantially all of the Collateral, all of the Lenders (without requiring the authorization of the Bank Product Providers), or (z) otherwise, the Required Lenders (without requiring the authorization of the Bank Product Providers). Upon request by Agent or Borrower at any time, the Lenders will (and if so requested, the Bank Product Providers will) confirm in writing Agent's authority to release any such Liens on particular types or items of Collateral pursuant to this Section 15.11; provided, that (1) anything to the contrary contained in any of the Loan Documents notwithstanding, Agent shall not be required to execute any document or take any action necessary to evidence such release on terms that, in Agent's opinion, could expose Agent to liability or create any obligation or entail any consequence other than the release of such Lien without recourse, representation, or warranty, and (2) such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly released) upon (or obligations of Borrower in respect of) any and all interests retained by Borrower, including, the proceeds of any sale, all of which shall continue to constitute part of the Collateral. Each Lender further hereby irrevocably authorize (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to irrevocably authorize) Agent, at its option and in its sole discretion, to subordinate any Lien granted to or held by Agent under any Loan Document to the holder of any Permitted Lien on such property if such Permitted Lien secures Permitted Purchase Money Indebtedness.

(b) Agent shall have no obligation whatsoever to any of the Lenders (or the Bank Product Providers) (i) to verify or assure that the Collateral exists or is owned by Borrower or its Subsidiaries or is cared for, protected, or insured or has been encumbered, (ii) to verify or assure that Agent's Liens have been properly or sufficiently or lawfully created, perfected, protected, or enforced or are entitled to any particular priority, (iii) [reserved] (iv) to impose, maintain, increase, reduce, implement, or eliminate any particular reserve hereunder or to determine whether the amount of any reserve is appropriate or not, or (v) to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission, or event related thereto, subject to the terms and conditions contained herein, Agent may act in any manner it may deem appropriate, in its sole discretion given Agent's own interest in the Collateral in its capacity as one of the Lenders and that Agent shall have no other duty or liability whatsoever to any Lender (or Bank Product Provider) as to any of the foregoing, except as otherwise expressly provided herein.

15.12 **Restrictions on Actions by Lenders; Sharing of Payments.**

(a) Each of the Lenders agrees that it shall not, without the express written consent of Agent, and that it shall, to the extent it is lawfully entitled to do so, upon the written request of Agent, set off against the Obligations, any amounts owing by such Lender to Borrower or its Subsidiaries or any deposit accounts of Borrower or its Subsidiaries now or hereafter maintained with such Lender. Each of the Lenders further agrees that it shall not, unless specifically requested to do so in writing by Agent, take or cause to be taken any action, including, the commencement of any legal or equitable proceedings to enforce any Loan Document against Borrower or any Guarantor or to foreclose any Lien on, or otherwise enforce any security interest in, any of the Collateral.

(b) If, at any time or times any Lender shall receive (i) by payment, foreclosure, setoff, or otherwise, any proceeds of Collateral or any payments with respect to the Obligations, except for any such proceeds or payments received by such Lender from Agent pursuant to the terms of this Agreement, or (ii) payments from Agent in excess of such Lender's Pro Rata Share of all such distributions by Agent, such Lender promptly shall (A) turn the same over to Agent, in kind, and with such endorsements as may be required to negotiate the same to Agent, or in immediately available funds, as applicable, for the account of all of the Lenders and for application to the Obligations in accordance with the applicable provisions of this Agreement, or (B) purchase, without recourse or warranty, an undivided interest and participation in the Obligations owed to the other Lenders so that such excess payment received shall be applied ratably as among the Lenders in accordance with their Pro Rata Shares; provided, that to the extent that such excess payment received by the purchasing party is thereafter recovered from it, those purchases of participations shall be rescinded in whole or in part, as applicable, and the applicable portion of the purchase price paid therefor shall be returned to such purchasing party, but without interest except to the extent that such purchasing party is required to pay interest in connection with the recovery of the excess payment.

15.13 **Agency for Perfection.** Agent hereby appoints each other Lender (and each Bank Product Provider) as its agent (and each Lender hereby accepts (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to accept) such appointment) for the purpose of perfecting Agent's Liens in assets which, in accordance with Article 8 or Article 9, as applicable, of the Code can be perfected by possession or control. Should any Lender obtain possession or control of any such Collateral, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor shall deliver possession or control of such Collateral to Agent or in accordance with Agent's instructions.

15.14 **Payments by Agent to the Lenders.** All payments to be made by Agent to the Lenders (or Bank Product Providers) shall be made by bank wire transfer of immediately available funds pursuant to such wire transfer instructions as each party may designate for itself by written notice to Agent. Concurrently with each such payment, Agent shall identify whether such payment (or any portion thereof) represents principal, premium, fees, or interest of the Obligations.

15.15 **Concerning the Collateral and Related Loan Documents.** Each member of the Lender Group authorizes and directs Agent to enter into this Agreement and the other Loan Documents. Each member of the Lender Group agrees (and by entering into a Bank Product Agreement, each Bank Product Provider shall be deemed to agree) that any action taken by Agent in accordance with the terms of this Agreement or the other Loan Documents relating to the Collateral and the exercise by Agent of its powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders (and such Bank Product Provider).

15.16 **Financial Examination Reports; Confidentiality; Disclaimers by Lenders; Other Reports and Information.** By becoming a party to this Agreement, each Lender:

(a) is deemed to have requested that Agent furnish such Lender, promptly after it becomes available, a copy of each financial examination report respecting Borrower or its Subsidiaries (each, a "Report") prepared by or at the request of Agent, and Agent shall so furnish each Lender with such Reports,

(b) expressly agrees and acknowledges that Agent does not (i) make any representation or warranty as to the accuracy of any Report, and (ii) shall not be liable for any information contained in any Report,

(c) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that Agent or other party performing any financial examination will inspect only specific information regarding Borrower and its Subsidiaries and will rely significantly upon Borrower's and its Subsidiaries' books and records, as well as on representations of Borrower's personnel,

(d) agrees to keep all Reports and other material, non-public information regarding Borrower and its Subsidiaries and their operations, assets, and existing and contemplated business plans in a confidential manner in accordance with Section 17.9, and

(e) without limiting the generality of any other indemnification provision contained in this Agreement, agrees: (i) to hold Agent and any other Lender preparing a Report harmless from any action the indemnifying Lender may take or fail to take or any conclusion the indemnifying Lender may reach or draw from any Report in connection with any loans or other credit accommodations that the indemnifying Lender has made or may make to Borrower, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a loan or loans of Borrower, and (ii) to pay and protect, and indemnify, defend and hold Agent, and any such other Lender preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses, and other amounts (including, attorneys fees and costs) incurred by Agent and any such other Lender preparing a Report as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

(f) In addition to the foregoing, (x) any Lender may from time to time request of Agent in writing that Agent provide to such Lender a copy of any report or document provided by Borrower or its Subsidiaries to Agent that has not been contemporaneously provided by Borrower or such Subsidiary to such Lender, and, upon receipt of such request, Agent promptly shall provide a copy of

same to such Lender, (y) to the extent that Agent is entitled, under any provision of the Loan Documents, to request additional reports or information from Borrower or its Subsidiaries, any Lender may, from time to time, reasonably request Agent to exercise such right as specified in such Lender's notice to Agent, whereupon Agent promptly shall request of Borrower the additional reports or information reasonably specified by such Lender, and, upon receipt thereof from Borrower or such Subsidiary, Agent promptly shall provide a copy of same to such Lender, and (z) any time that Agent renders to Borrower a statement regarding the Loan Account, Agent shall send a copy of such statement to each Lender.

15.17 **Several Obligations; No Liability.** Notwithstanding that certain of the Loan Documents now or hereafter may have been or will be executed only by or in favor of Agent in its capacity as such, and not by or in favor of the Lenders, any and all obligations on the part of Agent (if any) to make any credit available hereunder shall constitute the several (and not joint) obligations of the respective Lenders on a ratable basis, according to their respective Commitments, to make an amount of such credit not to exceed, in principal amount, at any one time outstanding, the amount of their respective Commitments. Nothing contained herein shall confer upon any Lender any interest in, or subject any Lender to any liability for, or in respect of, the business, assets, profits, losses, or liabilities of any other Lender. Each Lender shall be solely responsible for notifying its Participants of any matters relating to the Loan Documents to the extent any such notice may be required, and no Lender shall have any obligation, duty, or liability to any Participant of any other Lender. Except as provided in Section 15.7, no member of the Lender Group shall have any liability for the acts of any other member of the Lender Group. No Lender shall be responsible to Borrower or any other Person for any failure by any other Lender (or Bank Product Provider) to fulfill its obligations to make credit available hereunder, nor to advance for such Lender (or Bank Product Provider) or on its behalf, nor to take any other action on behalf of such Lender (or Bank Product Provider) hereunder or in connection with the financing contemplated herein.

16. WITHHOLDING TAXES.

16.1 **Payments.** All payments made by Borrower hereunder or under any note or other Loan Document will be made without setoff, counterclaim, or other defense. In addition, all such payments will be made free and clear of, and without deduction or withholding for, any present or future Indemnified Taxes, and in the event any deduction or withholding of Indemnified Taxes is required, Borrower shall comply with the next sentence of this Section 16.1. If any Indemnified Taxes are so levied or imposed, Borrower agrees to pay the full amount of such Indemnified Taxes and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement, any note, or Loan Document, including any amount paid pursuant to this Section 16.1 after withholding or deduction for or on account of any Indemnified Taxes, will not be less than the amount provided for herein. Borrower will furnish to Agent as promptly as possible after the date the payment of any Indemnified Tax is due pursuant to applicable law, certified copies of tax receipts evidencing such payment by Borrower. Borrower agrees to pay any present or future stamp, value added or documentary taxes or any other excise or property taxes, charges, or similar levies that arise from any payment made hereunder or from the execution, delivery, performance, recordation, or filing of, or otherwise with respect to this Agreement or any other Loan Document, except any such taxes imposed with respect to the sale, assignment, grant of participation in, or other transfer of all or part of the Obligations of Borrower to a Lender or a Participant under any Loan Documents by the jurisdiction (or by any political subdivision or taxing authority thereof) in which such transferor is or was organized or the jurisdiction (or by any political subdivision of taxing authority thereof) in which such transferor's principal office is or was located in each case as a result of a present or former connection between such transferor and the jurisdiction or taxing authority imposing the tax (other than any such connection arising solely from such transferor having executed delivered, or performed its obligations or received payment under, or enforced its rights or remedies under the Agreement or any other Loan Document).

16.2 Exemptions.

(a) If a Lender or Participant is entitled to claim an exemption or reduction from United States withholding tax, such Lender or Participant agrees with and in favor of Agent, to deliver to Agent (or, in the case of a Participant, to the Lender granting the participation only) one of the following before receiving its first payment under this Agreement:

(i) if such Lender or Participant is entitled to claim an exemption from United States withholding tax pursuant to the portfolio interest exception, (A) a statement of the Lender or Participant, signed under penalty of perjury, that it is not a (I) a “bank” as described in Section 881(c)(3)(A) of the IRC, (II) a 10% shareholder of Borrower (within the meaning of Section 871(h)(3)(B) of the IRC), or (III) a controlled foreign corporation related to Borrower within the meaning of Section 864(d)(4) of the IRC, and (B) a properly completed and executed IRS Form W-8BEN, IRS Form W-8BEN-E, or Form W-8IMY (with proper attachments);

(ii) if such Lender or Participant is entitled to claim an exemption from, or a reduction of, withholding tax under a United States tax treaty, a properly completed and executed copy of IRS Form W-8BEN, or IRS Form W-8BEN-E;

(iii) if such Lender or Participant is entitled to claim that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Lender, a properly completed and executed copy of IRS Form W-8ECI;

(iv) if such Lender or Participant is entitled to claim that interest paid under this Agreement is exempt from United States withholding tax because such Lender or Participant serves as an intermediary, a properly completed and executed copy of IRS Form W-8IMY (with proper attachments); or

(v) a properly completed and executed copy of any other form or forms, including IRS Form W-9, as may be required under the IRC or other laws of the United States as a condition to exemption from, or reduction of, United States withholding or backup withholding tax.

(b) Each Lender or Participant shall provide new forms (or successor forms) upon the expiration or obsolescence of any previously delivered forms and to promptly notify Agent (or, in the case of a Participant, to the Lender granting the participation only) of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(c) If a Lender or Participant claims an exemption from withholding tax in a jurisdiction other than the United States, such Lender or such Participant agrees with and in favor of Agent, to deliver to Agent (or, in the case of a Participant, to the Lender granting the participation only) any such form or forms, as may be required under the laws of such jurisdiction as a condition to exemption from, or reduction of, foreign withholding or backup withholding tax before receiving its first payment under this Agreement, but only if such Lender or such Participant is legally able to deliver such forms, provided, that, except for a disclosure to a Governmental Authority in accordance with applicable Laws as determined by the Agent in its reasonable discretion, nothing in this Section 16.2(c) shall require a Lender or Participant to disclose any information that it deems to be confidential (including without limitation, its tax returns). Each Lender and each Participant shall provide new forms (or successor forms) upon the expiration or obsolescence of any previously delivered forms and to promptly notify Agent (or, in the case of a Participant, to the Lender granting the participation only) of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(d) If a Lender or Participant claims exemption from, or reduction of, withholding tax and such Lender or Participant sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of Borrower to such Lender or Participant, such Lender or Participant agrees to notify Agent (or, in the case of a sale of a participation interest, to the Lender granting the participation only) of the percentage amount in which it is no longer the beneficial owner of Obligations of Borrower to such Lender or Participant. To the extent of such percentage amount, Agent will treat such Lender's or such Participant's documentation provided pursuant to Section 16.2(a) or 16.2(c) as no longer valid. With respect to such percentage amount, such Participant or Assignee may provide new documentation, pursuant to Section 16.2(a) or 16.2(c), if applicable. Borrower agrees that each Participant shall be entitled to the benefits of this Section 16 with respect to its participation in any portion of the Commitments and the Obligations so long as such Participant complies with the obligations set forth in this Section 16 with respect thereto.

16.3 **Reductions.**

(a) If a Lender or a Participant is subject to an applicable withholding tax, Agent (or, in the case of a Participant, the Lender granting the participation) may withhold from any payment to such Lender or such Participant an amount equivalent to the applicable withholding tax. If the forms or other documentation required by Section 16.2(a) or 16.2(c) are not delivered to Agent (or, in the case of a Participant, to the Lender granting the participation), then Agent (or, in the case of a Participant, to the Lender granting the participation) may withhold from any payment to such Lender or such Participant not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

(b) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that Agent (or, in the case of a Participant, to the Lender granting the participation) did not properly withhold tax from amounts paid to or for the account of any Lender or any Participant due to a failure on the part of the Lender or any Participant (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify Agent (or such Participant failed to notify the Lender granting the participation) of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Lender shall indemnify and hold Agent harmless (or, in the case of a Participant, such Participant shall indemnify and hold the Lender granting the participation harmless) for all amounts paid, directly or indirectly, by Agent (or, in the case of a Participant, to the Lender granting the participation), as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to Agent (or, in the case of a Participant, to the Lender granting the participation only) under this Section 16, together with all costs and expenses (including attorneys fees and expenses). The obligation of the Lenders and the Participants under this subsection shall survive the payment of all Obligations and the resignation or replacement of Agent.

16.4 **Refunds.** If Agent or a Lender determines, in its reasonable discretion acting in good faith, that it has received a refund of any Indemnified Taxes to which Borrower has paid additional amounts pursuant to this Section 16, it shall pay over such refund to Borrower (but only to the extent of payments made, or additional amounts paid, by Borrower under this Section 16 with respect to Indemnified Taxes giving rise to such a refund), net of all out-of-pocket expenses of Agent or such Lender and without interest (other than any interest paid by the applicable Governmental Authority with respect to such a refund). Notwithstanding anything in this Agreement to the contrary, this Section 16 shall not be construed to require Agent or any Lender to make available its tax returns (or any other information which it deems confidential) to Borrower or any other Person.

17. **GENERAL PROVISIONS.**

17.1 **Effectiveness.** This Agreement shall be binding and deemed effective when executed by Borrower, Agent, and each Lender whose signature is provided for on the signature pages hereof.

17.2 **Section Headings.** Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Section applies equally to this entire Agreement.

17.3 **Interpretation.** Neither this Agreement nor any uncertainty or ambiguity herein shall be construed against the Lender Group or Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to accomplish fairly the purposes and intentions of all parties hereto.

17.4 **Severability of Provisions.** Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

17.5 **Bank Product Providers.** Each Bank Product Provider in its capacity as such shall be deemed a third party beneficiary hereof and of the provisions of the other Loan Documents for purposes of any reference in a Loan Document to the parties for whom Agent is acting. Agent hereby agrees to act as agent for such Bank Product Providers and, by virtue of entering into a Bank Product Agreement, the applicable Bank Product Provider shall be automatically deemed to have appointed Agent as its agent and to have accepted the benefits of the Loan Documents. It is understood and agreed that the rights and benefits of each Bank Product Provider under the Loan Documents consist exclusively of such Bank Product Provider's being a beneficiary of the Liens and security interests (and, if applicable, guarantees) granted to Agent and the right to share in payments and collections out of the Collateral as more fully set forth herein. In addition, each Bank Product Provider, by virtue of entering into a Bank Product Agreement, shall be automatically deemed to have agreed that Agent shall have the right, but shall have no obligation, to establish, maintain, relax, or release reserves in respect of the Bank Product Obligations and that if reserves are established there is no obligation on the part of Agent to determine or insure whether the amount of any such reserve is appropriate or not. In connection with any such distribution of payments or proceeds of Collateral, Agent shall be entitled to assume no amounts are due or owing to any Bank Product Provider unless such Bank Product Provider has provided a written certification (setting forth a reasonably detailed calculation) to Agent as to the amounts that are due and owing to it and such written certification is received by Agent a reasonable period of time prior to the making of such distribution. Agent shall have no obligation to calculate the amount due and payable with respect to any Bank Products, but may rely upon the written certification of the amount due and payable from the applicable Bank Product Provider. In the absence of an updated certification, Agent shall be entitled to assume that the amount due and payable to the applicable Bank Product Provider is the amount last certified to Agent by such Bank Product Provider as being due and payable (less any distributions made to such Bank Product Provider on account thereof). Borrower may obtain Bank Products from any Bank Product Provider, although Borrower is not required to do so. Borrower acknowledges and agrees that no Bank Product Provider has committed to provide any Bank Products and that the providing of Bank Products by any Bank Product Provider is in the sole and absolute discretion of such Bank Product Provider. Notwithstanding anything to the contrary in this Agreement or any other Loan Document, no provider or holder of any Bank Product shall have any voting or approval rights hereunder (or be deemed a Lender) solely by virtue of its status as the provider or holder of such agreements or products or the Obligations owing thereunder, nor shall the consent of any such provider or holder be required (other than in their capacities as Lenders, to the extent applicable) for any matter hereunder or under any of the other Loan Documents, including as to any matter relating to the Collateral or the release of Collateral or Guarantors.

17.6 **Debtor-Creditor Relationship.** The relationship between the Lenders and Agent, on the one hand, and the Loan Parties, on the other hand, is solely that of creditor and debtor. No member of the Lender Group has (or shall be deemed to have) any fiduciary relationship or duty to any Loan Party arising out of or in connection with the Loan Documents or the transactions contemplated thereby, and there is no agency or joint venture relationship between the members of the Lender Group, on the one hand, and the Loan Parties, on the other hand, by virtue of any Loan Document or any transaction contemplated therein.

17.7 **Counterparts; Electronic Execution.** This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. The foregoing shall apply to each other Loan Document *mutatis mutandis*.

17.8 **Revival and Reinstatement of Obligations; Certain Waivers.**

(a) If any member of the Lender Group or any Bank Product Provider repays, refunds, restores, or returns in whole or in part, any payment or property (including any proceeds of Collateral) previously paid or transferred to such member of the Lender Group or such Bank Product Provider in full or partial satisfaction of any Obligation or on account of any other obligation of any Loan Party under any Loan Document or any Bank Product Agreement, because the payment, transfer, or the incurrence of the obligation so satisfied is asserted or declared to be void, voidable, or otherwise recoverable under any law relating to creditors' rights, including provisions of the Bankruptcy Code relating to fraudulent transfers, preferences, or other voidable or recoverable obligations or transfers (each, a "Voidable Transfer"), or because such member of the Lender Group or Bank Product Provider elects to do so on the reasonable advice of its counsel in connection with a claim that the payment, transfer, or incurrence is or may be a Voidable Transfer, then, as to any such Voidable Transfer, or the amount thereof that such member of the Lender Group or Bank Product Provider elects to repay, restore, or return (including pursuant to a settlement of any claim in respect thereof), and as to all reasonable costs, expenses, and attorneys fees of such member of the Lender Group or Bank Product Provider related thereto, (i) the liability of the Loan Parties with respect to the amount or property paid, refunded, restored, or returned will automatically and immediately be revived, reinstated, and restored and will exist and (ii) Agent's Liens securing such liability shall be effective, revived, and remain in full force and effect, in each case, as fully as if such Voidable Transfer had never been made. If, prior to any of the foregoing, (A) Agent's Liens shall have been released or terminated or (B) any provision of this Agreement shall have been terminated or cancelled, Agent's Liens, or such provision of this Agreement, shall be reinstated in full force and effect and such prior release, termination, cancellation or surrender shall not diminish, release, discharge, impair or otherwise affect the obligation of any Loan Party in respect of such liability or any Collateral securing such liability.

(a) Agent and Lenders each individually (and not jointly or jointly and severally) agree that any material, non-public information regarding Borrower and its Subsidiaries, their operations, assets, and existing and contemplated business plans (“Confidential Information”) shall be treated by Agent and the Lenders in a confidential manner, and shall not be disclosed by Agent and the Lenders to Persons who are not parties to this Agreement, except: (i) to attorneys for and other advisors, accountants, auditors, and consultants to any member of the Lender Group and to employees, directors and officers of any member of the Lender Group (the Persons in this clause (i), “Lender Group Representatives”) on a “need to know” basis in connection with this Agreement and the transactions contemplated hereby and on a confidential basis, (ii) to Subsidiaries and Affiliates of any member of the Lender Group (including the Bank Product Providers), provided that any such Subsidiary or Affiliate shall have agreed to receive such information hereunder subject to the terms of this Section 17.9, (iii) as may be required by regulatory authorities so long as such authorities are informed of the confidential nature of such information, (iv) as may be required by statute, decision, or judicial or administrative order, rule, or regulation; provided that (x) prior to any disclosure under this clause (iv), the disclosing party agrees to provide Borrower with prior notice thereof, to the extent that it is practicable to do so and to the extent that the disclosing party is permitted to provide such prior notice to Borrower pursuant to the terms of the applicable statute, decision, or judicial or administrative order, rule, or regulation and (y) any disclosure under this clause (iv) shall be limited to the portion of the Confidential Information as may be required by such statute, decision, or judicial or administrative order, rule, or regulation, (v) as may be agreed to in advance in writing by Borrower, (vi) as requested or required by any Governmental Authority pursuant to any subpoena or other legal process, provided, that, (x) prior to any disclosure under this clause (vi) the disclosing party agrees to provide Borrower with prior written notice thereof, to the extent that it is practicable to do so and to the extent that the disclosing party is permitted to provide such prior written notice to Borrower pursuant to the terms of the subpoena or other legal process and (y) any disclosure under this clause (vi) shall be limited to the portion of the Confidential Information as may be required by such Governmental Authority pursuant to such subpoena or other legal process, (vii) as to any such information that is or becomes generally available to the public (other than as a result of prohibited disclosure by Agent or the Lenders or the Lender Group Representatives), (viii) in connection with any assignment, participation or pledge (or any proposed assignment, participation, or pledge) of any Lender’s interest under this Agreement, provided that prior to receipt of Confidential Information any such assignee, participant, or pledgee (or any potential assignee, participant, or pledgee) shall have agreed in writing to receive such Confidential Information either subject to the terms of this Section 17.9 or pursuant to confidentiality requirements substantially similar to those contained in this Section 17.9 (and such Person may disclose such Confidential Information to Persons employed or engaged by them as described in clause (i) above), (ix) in connection with any litigation or other adversary proceeding involving parties hereto which such litigation or adversary proceeding involves claims related to the rights or duties of such parties under this Agreement or the other Loan Documents; provided, that, prior to any disclosure to any Person (other than any Loan Party, Agent, any Lender, any of their respective Affiliates, or their respective counsel) under this clause (ix) with respect to litigation involving any Person (other than Borrower, Agent, any Lender, any of their respective Affiliates, or their respective counsel), the disclosing party agrees to provide Borrower with prior written notice thereof, and (x) in connection with, and to the extent reasonably necessary for, the exercise of any secured creditor remedy under this Agreement or under any other Loan Document.

(b) Anything in this Agreement to the contrary notwithstanding, Agent may disclose information concerning the terms and conditions of this Agreement and the other Loan Documents to loan syndication and pricing reporting services or in its marketing or promotional materials, with such information to consist of deal terms and other information customarily found in such publications or marketing or promotional materials and may otherwise use the name, logos, and other insignia of

Borrower or the other Loan Parties and the Commitments provided hereunder in any “tombstone” or other advertisements, on its website or in other marketing materials of the Agent, provided that (i) Borrower will be provided a prior opportunity to review the foregoing, and (ii) in no event without the prior written consent of Borrower shall (1) the Loan Documents be actually provided to any Person pursuant to this Section 17.9(b), or (2) any mention of the Qualifying Initial Public Offering be made pursuant to this Section 17.9(b).

(c) The Loan Parties hereby acknowledge that Agent or its Affiliates may make available to the Lenders materials or information provided by or on behalf of Borrower hereunder (collectively, “Borrower Materials”) by posting the Borrower Materials on IntraLinks, SyndTrak or another similar electronic system (the “Platform”) and certain of the Lenders may be “public-side” Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Loan Parties or their securities) (each, a “Public Lender”). The Loan Parties shall be deemed to have authorized Agent and its Affiliates and the Lenders to treat Borrower Materials marked “PUBLIC—DOES NOT CONTAIN MNPI” by Borrower or otherwise at any time filed with the SEC as not containing any material non-public information with respect to the Loan Parties or their securities for purposes of United States federal and state securities laws. All Borrower Materials marked “PUBLIC—DOES NOT CONTAIN MNPI” by Borrower are permitted to be made available through a portion of the Platform designated as “Public Investor” (or another similar term). Agent and its Affiliates and the Lenders shall be entitled to treat any Borrower Materials that are not marked “PUBLIC” by Borrower or that are not at any time filed with the SEC as being suitable only for posting on a portion of the Platform not marked as “Public Investor” (or such other similar term).

17.10 **Survival.** All representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that Agent, Issuing Bank, or any Lender may have had notice or knowledge of any Default or Event of Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of, or any accrued interest on, any Loan or any fee or any other amount payable under this Agreement is outstanding or unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or been terminated.

17.11 **Patriot Act.** Each Lender that is subject to the requirements of the Patriot Act hereby notifies Borrower that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow such Lender to identify Borrower in accordance with the Patriot Act. In addition, if Agent is required by law or regulation or internal policies to do so, it shall have the right to periodically conduct (a) Patriot Act searches, OFAC/PEP searches, and customary individual background checks for the Loan Parties and (b) OFAC/PEP searches and customary individual background checks for the Loan Parties’ senior management and key principals, and Borrower agrees to cooperate in respect of the conduct of such searches and further agrees that the reasonable costs and charges for such searches shall constitute Lender Group Expenses hereunder and be for the account of Borrower.

17.12 **Integration.** This Agreement, together with the other Loan Documents, reflects the entire understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by any other agreement, oral or written, before the date hereof. The foregoing to the contrary notwithstanding, all Bank Product Agreements, if any, are independent agreements governed by the written provisions of such Bank Product Agreements, which will remain in full force and effect, unaffected by any repayment, prepayments, acceleration, reduction, increase, or change in the terms of any credit extended hereunder, except as otherwise expressly provided in such Bank Product Agreement.

[SIGNATURE PAGES FOLLOW.]

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

BORROWER:

APPFOLIO, INC.,
a Delaware corporation

By: /s/ Brian Donahoo
Name: Brian Donahoo
Title: President and Chief Executive Officer

Credit Agreement

**WELLS FARGO BANK,
NATIONAL ASSOCIATION,**
a national banking association,
as Agent and as a Lender

By: /s/ Stephen Caril

Name: Stephen Caril

Title: Authorized Signatory

Credit Agreement

EXHIBIT A-1

FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT

This **ASSIGNMENT AND ACCEPTANCE AGREEMENT** ("Assignment Agreement") is entered into as of _____ between _____ ("Assignor") and _____ ("Assignee"). Reference is made to the Agreement described in Annex I hereto (the "Credit Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Credit Agreement.

1. In accordance with the terms and conditions of Section 13 of the Credit Agreement, the Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, that interest in and to the Assignor's rights and obligations under the Loan Documents as of the date hereof with respect to the Obligations owing to the Assignor, and Assignor's portion of the Commitments, all to the extent specified on Annex I.

2. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim and (ii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment Agreement and to consummate the transactions contemplated hereby; (b) makes no representation or warranty and assumes no responsibility with respect to (i) any statements, representations or warranties made in or in connection with the Loan Documents, or (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any other instrument or document furnished pursuant thereto; (c) makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower or any Guarantor or the performance or observance by Borrower or any Guarantor of any of their respective obligations under the Loan Documents or any other instrument or document furnished pursuant thereto, and (d) represents and warrants that the amount set forth as the Purchase Price on Annex I represents the amount owed by Borrower to Assignor with respect to Assignor's share of the Term Loan and the Revolving Loans assigned hereunder, as reflected on Assignor's books and records.

3. The Assignee (a) confirms that it has received copies of the Credit Agreement and the other Loan Documents, together with copies of the financial statements referred to therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment Agreement; (b) agrees that it will, independently and without reliance upon Agent, Assignor, or any other Lender, based upon such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under the Loan Documents; (c) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (d) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender, and (e) represents and warrants that it is not a direct competitor of Borrower or its Subsidiaries.

4. Following the execution of this Assignment Agreement by the Assignor and Assignee, the Assignor will deliver this Assignment Agreement to the Agent for recording by the Agent. The effective date of this Assignment (the "Settlement Date") shall be the latest to occur of (a) the date of the execution and delivery hereof by the Assignor and the Assignee, (b) the receipt by Agent for its sole and separate account a processing fee in the amount of \$3,500 (if required by the Credit Agreement), (c) the receipt of any required consent of the Agent or Borrower, and (d) the date specified in Annex I.

5. As of the Settlement Date (a) the Assignee shall be a party to the Credit Agreement and, to the extent of the interest assigned pursuant to this Assignment Agreement, have the rights and obligations of a Lender thereunder and under the other Loan Documents, and (b) the Assignor shall, to the extent of the interest assigned pursuant to this Assignment Agreement, relinquish its rights and be released from its obligations under the Credit Agreement and the other Loan Documents, provided, however, that nothing contained herein shall release any assigning Lender from obligations that survive the termination of this Agreement, including such assigning Lender's obligations under Article 15 and Section 17.9(a) of the Credit Agreement.

6. Upon the Settlement Date, Assignee shall pay to Assignor the Purchase Price (as set forth in Annex I). From and after the Settlement Date, Agent shall make all payments that are due and payable to the holder of the interest assigned hereunder (including payments of principal, interest, fees and other amounts) to Assignor for amounts which have accrued up to but excluding the Settlement Date and to Assignee for amounts which have accrued from and after the Settlement Date. On the Settlement Date, Assignor shall pay to Assignee an amount equal to the portion of any interest, fee, or any other charge that was paid to Assignor prior to the Settlement Date on account of the interest assigned hereunder and that are due and payable to Assignee with respect thereto, to the extent that such interest, fee or other charge relates to the period of time from and after the Settlement Date.

7. This Assignment Agreement may be executed in counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. This Assignment Agreement may be executed and delivered by telecopier or other facsimile transmission all with the same force and effect as if the same were a fully executed and delivered original manual counterpart.

8. THIS ASSIGNMENT AGREEMENT SHALL BE SUBJECT TO THE PROVISIONS REGARDING CHOICE OF LAW AND VENUE, JURY TRIAL WAIVER, AND JUDICIAL REFERENCE SET FORTH IN SECTION 12 OF THE CREDIT AGREEMENT, AND SUCH PROVISIONS ARE INCORPORATED HEREIN BY THIS REFERENCE, *MUTATIS MUTANDIS*.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment Agreement and Annex I hereto to be executed by their respective officers, as of the first date written above.

[NAME OF ASSIGNOR]

as Assignor

By _____
Name:
Title:

[NAME OF ASSIGNEE]

as Assignee

By _____
Name:
Title:

ACCEPTED THIS ____ DAY OF _____

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as Agent

By _____
Name:
Title:

[APPFOLIO, INC.], a Delaware corporation association, as Borrower

By _____
Name:
Title:]¹

¹ To the extent required under Section 13 of the Credit Agreement]

ANNEX I

1. Borrower: AppFolio, Inc.

2. Name and Date of Credit Agreement:

Credit Agreement dated as of March 16, 2015 (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement") by and among Borrower, the lenders party thereto as "Lenders", and Wells Fargo Bank, National Association, a national banking association ("Wells Fargo"), as administrative agent for each member of the Lender Group and the Bank Product Providers.

3. Date of Assignment Agreement: _____

4. Amounts:

a. Assigned Amount of Revolver Commitment \$ _____

b. Assigned Amount of Revolving Loans \$ _____

b. Assigned Amount of Term Loan \$ _____

5. Settlement Date: _____

6. Purchase Price \$ _____

7. Notice and Payment Instructions, etc.

Assignee: Assignor:

EXHIBIT C-1

FORM OF COMPLIANCE CERTIFICATE

[on Borrower's letterhead]

To: Wells Fargo Bank, National Association
2450 Colorado Avenue, Suite 3000 West
Santa Monica, California 90404
Attn: Account Manager—AppFolio, Inc.

Re: Compliance Certificate dated _____, 20__

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of March 16, 2015 (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement") by and among AppFolio, Inc., as borrower ("Borrower"), the lenders party thereto as "Lenders" (each of such Lenders, together with its successors and permitted assigns, is referred to hereinafter as a "Lender"), and Wells Fargo Bank, National Association, a national banking association ("Wells Fargo"), as administrative agent for each member of the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, the "Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

Pursuant to Section 5.1 of the Credit Agreement, the undersigned officer of Borrower hereby certifies as of the date hereof that:

1. The financial information of Borrower and its Subsidiaries furnished in Schedule 1 attached hereto, has been prepared in accordance with GAAP (except, in the case of unaudited financial statements, for year-end audit adjustments and the lack of footnotes), and fairly presents in all material respects the financial condition of Borrower and its Subsidiaries as of the date set forth therein.
2. Such officer has reviewed the terms of the Credit Agreement and has made, or caused to be made under his/her supervision, a review in reasonable detail of the transactions and financial condition of Borrower and its Subsidiaries during the accounting period covered by the financial statements delivered pursuant to Section 5.1 of the Credit Agreement.
3. Such review has not disclosed the existence on and as of the date hereof, and the undersigned does not have knowledge of the existence as of the date hereof, of any event or condition that constitutes a Default or Event of Default, except for such conditions or events listed on Schedule 2 attached hereto, in each case specifying the nature and period of existence thereof and what action Borrower and/or its Subsidiaries have taken, are taking, or propose to take with respect thereto.

4. Except as set forth on Schedule 3 attached hereto, the representations and warranties of Borrower and its Subsidiaries set forth in the Credit Agreement and the other Loan Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date hereof (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date.

5. As of the date hereof, Borrower and its Subsidiaries are in compliance with the applicable covenants contained in Section 7 of the Credit Agreement as demonstrated on Schedule 4 hereof.

6. Attached hereto as Schedule 5 is the Borrower's calculation of EBITDA and Senior Leverage Ratio for the applicable period shown on such schedule.

IN WITNESS WHEREOF, this Compliance Certificate is executed by the undersigned this _____ day of _____, _____.

APPFOLIO, INC.,
a Delaware corporation, as Borrower

By: _____
Name: _____
Title: _____

SCHEDULE 1

Financial Information

SCHEDULE 2

Default or Event of Default

SCHEDULE 3

Representations and Warranties

SCHEDULE 4

Financial Covenants

1. **Minimum EBITDA**¹.

On or prior to the Financial Covenant Replacement Date, Borrower's EBITDA, measured on a quarter-end basis, as of the last day of the [fiscal quarter period][two-fiscal quarter period][three-fiscal quarter period][four-fiscal quarter period] ending _____, 20____, is \$_____, which amount [is/is not] greater than or equal to the amount set forth in Section 7(a) of the Credit Agreement for the corresponding period.

2. **Minimum Liquidity**.

On or prior to the Financial Covenant Replacement Date, Borrower's Liquidity, at all times was \$_____, which amount [is/is not] greater than or equal to the amount set forth in Section 7(b) of the Credit Agreement.

3. **Fixed Charge Coverage Ratio**.²

After the Financial Covenant Replacement Date, Borrower's Fixed Charge Coverage Ratio, measured on a quarter-end basis, as of the last day of the four fiscal quarter period ending _____, 20____, is ____:1.0, which [is/is not] greater than or equal to the ratio set forth in Section 7(c) of the Credit Agreement for the corresponding period.

4. **Senior Leverage Ratio**.³

After the Financial Covenant Replacement Date, Borrower's Senior Leverage Ratio, measured on a quarter-end basis, as of the last day of the four-fiscal quarter period ending _____, 20____, is ____:1.0, which [is/is not] less than or equal to the ratio set forth in Section 7(d) of the Credit Agreement for the corresponding date.

¹ To be completed, if applicable, in connection with quarterly and annual financial statements only.

² To be completed, if applicable, in connection with quarterly and annual financial statements only.

³ To be completed, if applicable, in connection with quarterly and annual financial statements only.

SCHEDULE 5

1. Calculation of EBITDA

2. Calculation of Senior Leverage Ratio⁴

⁴ To be calculated quarterly (other than quarters for which EBITDA is negative) in order to determine Applicable Margin.

CREDIT AMOUNT CERTIFICATE

Wells Fargo Bank, National Association
2450 Colorado Avenue, Suite 3000 West
Santa Monica, California 90404
Attn: Business Finance Division Manager

The undersigned, **APPFOLIO, INC.**, a Delaware corporation ("Borrower"), pursuant to Schedule 5.1 of that certain Credit Agreement dated as of March 16, 2015 (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement"), entered into among Borrower, the lenders party thereto as "Lenders" (such Lenders, together with their respective successors and assigns in such capacity, each, individually, a "Lender" and, collectively, the "Lenders"), and Wells Fargo Bank, National Association, a national banking association ("Wells Fargo"), as administrative agent for each member of the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, "Agent"), hereby certifies to Agent that the following items, calculated in accordance with the terms and definitions set forth in the Credit Agreement for such items are true and correct, and that Borrower is in compliance with and, after giving effect to any currently requested Borrowings, will be in compliance with the terms, conditions, and provisions of the Credit Agreement.

Capitalized terms used in this Credit Amount Certificate and not otherwise defined herein have the meanings set forth in the Credit Agreement.

[Remainder of page intentionally left blank.]

Effective Date of Calculation: _____

- 1. Credit Amount for the month of _____ (the month for which financial statements have most recently been delivered pursuant to Section 5.1).
 - a. TTM Recurring Revenue for the period ending _____ (the month for which financial statements have been most recently delivered pursuant to Section 5.1) \$ _____
 - b. 0.50 times the amount in item 1.a \$ _____
 - c. Item 1.b minus aggregate amount of reserves established by Agent under Section 2.1(c) \$ _____

- 2. Credit Amount Excess Calculation
 - a. Credit Amount (item 1.c.) \$ _____
 - b. Letter of Credit Usage \$ _____
 - c. Term Loan amount outstanding \$ _____
 - d. Swing Loan amounts outstanding \$ _____
 - (i) Sum of items 2.b., 2.c. and 2.d. \$ _____
 - e. Amount by which the sum of items 2.b., 2.c. and 2.d. exceeds item 2.a. (if none, no prepayment; if positive, prepayment in accordance with Section 2.4(e)) \$ _____

Borrower hereby certifies and represents and warrants to the Lender Group that all of the foregoing is true and correct as of the effective date of the calculation set forth above and that such calculations have been made in accordance with the requirements of the Credit Agreement.

APPFOLIO, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

EXHIBIT I-1

FORM OF IP REPORTING CERTIFICATE¹

The undersigned Responsible Officers of the Loan Parties hereby certify as of the date hereof on behalf of such Loan Parties in their capacity as officers of such Loan Parties and not in their individual capacities that the information in this IP Reporting Certificate is true, correct, and complete.

Set forth below is a description of all new Patents, Trademarks or Copyrights that are registered or the subject of pending applications for registrations with the United States Patent and Trademark Office or the United States Copyright Office, as the case may be, and of all Intellectual Property Licenses that are material to the conduct of such Grantor's business, in each case, which were acquired, registered, or for which applications for registration were filed by any Grantor during the prior quarter.

< List here, or attach separate schedule if needed >

¹ All initially capitalized terms used herein without definition shall have the meanings ascribed thereto in that certain Credit Agreement dated as of March 16, 2015 (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement") by and among AppFolio, Inc., as borrower ("Borrower"), the lenders party thereto as "Lenders", and Wells Fargo Bank, National Association, a national banking association ("Wells Fargo"), as administrative agent for each member of the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, the "Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

Set forth below is a description of each statement of use or amendment to allege use filed during the prior quarter with respect to intent-to-use trademark applications.

< List here, or attach separate schedule if needed >

IN WITNESS WHEREOF, this IP Reporting Certificate is executed by each of the undersigned Responsible Officers, in his/her capacity as an officer of a Loan Party and not in an individual capacity, on behalf of the applicable Loan Party, this _____ day of _____, 20____.

APPFOLIO, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

MYCASE, INC.,
a California corporation

By: _____
Name: _____
Title: _____

EXHIBIT L-1

FORM OF LIBOR NOTICE

Wells Fargo Bank, N.A., as Agent
under the below referenced Credit Agreement
2450 Colorado Avenue
Suite 3000 West
Santa Monica, California 90404

Ladies and Gentlemen:

Reference hereby is made to that certain Credit Agreement dated as of March 16, 2015 (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement") by and among AppFolio, Inc., as borrower ("Borrower"), the lenders party thereto as "Lenders", and Wells Fargo Bank, National Association, a national banking association ("Wells Fargo"), as administrative agent for each member of the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, the "Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

This LIBOR Notice represents Borrower's request to elect the LIBOR Option with respect to Revolving Loans or the Term Loan in the amount of \$ _____ (the "LIBOR Rate Advance"), and is a written confirmation of the telephonic notice of such election given to Agent].

The LIBOR Rate Advance will have an Interest Period of [1, 2, or 3] month(s) commencing on _____.

This LIBOR Notice further confirms Borrower's acceptance, for purposes of determining the rate of interest based on the LIBOR Rate under the Credit Agreement, of the LIBOR Rate as determined pursuant to the Credit Agreement.

Borrower represents and warrants that (i) as of the date hereof, the representations and warranties of Borrower or its Subsidiaries contained in this Agreement and in the other Loan Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date hereof, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date)), (ii) each of the covenants and agreements contained in any Loan Document have been performed (to the extent required to be performed on or before the date hereof or each such effective date), and (iii) no Default or Event of Default has occurred and is continuing on the date hereof, nor will any thereof occur after giving effect to the request above.

[Signature page follows]

Dated:

APPFOLIO, INC.,
a Delaware corporation, as Borrower

By _____
Name: _____
Title: _____

Acknowledged by:

WELLS FARGO BANK, NATIONAL ASSOCIATION, a
national banking association, as Agent

By: _____
Name: _____
Title: _____

EXHIBIT P-1

PERFECTION CERTIFICATE

_____, 2015

Reference is hereby made to (a) that certain Credit Agreement dated as of even date herewith (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement") by and among [_____, as parent ("Parent"),]¹ APPFOLIO, INC., a Delaware corporation, as borrower ("Borrower"), the lenders party thereto as "Lenders" (each of such Lenders, together with its successors and permitted assigns, is referred to hereinafter as a "Lender"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association ("Wells Fargo"), in its capacity as administrative agent for each member of the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, "Agent"), and (b) that certain Guaranty and Security Agreement dated as of even date herewith (as amended, restated, supplemented, or otherwise modified from time to time, the "Guaranty and Security Agreement") by and among [Parent,]² Borrower, the Subsidiaries of Borrower parties thereto as "Grantors", and Agent.

All initially capitalized terms used herein without definition shall have the meanings ascribed thereto in the Credit Agreement. Any terms (whether capitalized or lower case) used in this Perfection Certificate that are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein or in the Credit Agreement; provided that to the extent that the Code is used to define any term used herein and if such term is defined differently in different Articles of the Code, the definition of such term contained in Article 9 of the Code shall govern. As used herein, the term "Loan Parties" shall mean the "Loan Parties" as that term is defined in the Credit Agreement and "Code" shall mean the "Code" as that term is defined in the Guaranty and Security Agreement.

The undersigned, the _____ of _____³, hereby certifies (in my capacity as _____ and not in my individual capacity) to Agent and each of the other members of the Lender Group and the Bank Product Providers as follows as of the first date referenced above:

1. Names.

(a) The exact legal name of each Loan Party, as such name appears in its certified certificate of incorporation, articles of incorporation, certificate of formation, or any other organizational document, is set forth in **Schedule 1(a)**. Each Loan Party is (i) the type of entity disclosed next to its name in **Schedule 1(a)** and (ii) a registered organization except to the extent disclosed in **Schedule 1(a)**. Also set forth in **Schedule 1(a)** is the organizational identification number, if any, of each Loan Party that is a registered organization, the Federal Taxpayer Identification Number of each Loan Party and the jurisdiction of formation of each Loan Party. Each Loan Party has qualified to do business in the states listed on **Schedule 1(a)**.

¹Intended to be Borrower's holding company, if any.

² Intended to be Borrower's holding company, if any.

³Insert appropriate officer(s), as applicable.

(b) Set forth in **Schedule 1(b)** hereto is a list of any other legal names each Loan Party has had in the past five years, together with the date of the relevant name change.

(c) Set forth in **Schedule 1(c)** is a list of all other names used by each Loan Party in connection with any business or organization to which such Loan Party became the successor by merger, consolidation, acquisition, change in form, nature or jurisdiction of organization or otherwise or on any filings with the Internal Revenue Service, in each case, at any time in the past five years. Except as set forth in **Schedule 1(c)**, no Loan Party has changed its jurisdiction of organization at any time during the past four months.

2. **Chief Executive Offices.** The chief executive office of each Loan Party is located at the address set forth in **Schedule 2** hereto.

3. **Real Property.**

(a) Attached hereto as **Schedule 3(a)** is a list of all (i) Real Property (as defined in the Guaranty and Security Agreement) of each Loan Party, (ii) filing offices for any mortgages encumbering the Real Property owned by a Loan Party, if any, or to encumber, the Real Property owned by a Loan Party, as of the Closing Date, (iii) common names, addresses and uses of each parcel of Real Property (stating improvements located thereon) and (iv) other information relating thereto required by such Schedule. Except as described on **Schedule 3(a)** attached hereto: (A) no Loan Party has entered into any leases, subleases, tenancies, franchise agreements, licenses or other occupancy arrangements as owner, lessor, sublessor, licensor, franchisor or grantor with respect to any of the real property described on **Schedule 3(a)** and (B) no Loan Party has any leases which require the consent of the landlord, tenant or other party thereto to the transactions contemplated by the Loan Documents.

(b) **Schedule 3(b)** sets forth all third parties ("Bailees") with possession of any Collateral (including inventory and equipment) of the Loan Parties, including the name and address of such Bailee, a description of the inventory and equipment in such Bailee's possession and the location of such inventory and equipment (if none please so state).

4. **Extraordinary Transactions.** Except for those purchases, mergers, acquisitions, consolidations, and other transactions described on **Schedule 4** attached hereto, all of the Collateral has been originated by each Loan Party in the ordinary course of business or consists of goods which have been acquired by such Loan Party in the ordinary course of business from a person in the business of selling goods of that kind.

5. **File Search Reports.** Attached hereto as **Schedule 5** is a true and accurate summary of certified file search reports from (a) the Uniform Commercial Code filing offices (i) in each jurisdiction of formation identified in Section 1(a) and in each location identified Section 2 with respect to each legal name set forth in Section 1 and (ii) in each jurisdiction described in **Schedule 1(c)** or **Schedule 3** relating to any of the transactions described in **Schedule 1(c)** or **Schedule 4** with respect to each legal name of the person or entity from which each Loan Party purchased or otherwise acquired any assets and (b) each filing office in each real estate recording office identified on **Schedule 3(a)** for any Real Property Collateral.⁴ A true copy of each financing statement, including judgment and tax liens, bankruptcy and pending lawsuits or other filing identified in such file search reports has been delivered to Agent.

⁴ Please note that the list of real estate locations that need to be searched shall be determined after **Schedule 3(a)**, is provided.

6. UCC Filings. The financing statements (duly authorized by each Loan Party constituting the debtor therein), including the indications of the collateral, attached as **Schedule 6** relating to the Guaranty and Security Agreement or the Real Property, are in the appropriate forms for filing in the filing offices in the jurisdictions identified in **Schedule 7** hereof.

7. Schedule of Filings. Attached hereto as **Schedule 7** is a schedule of (i) the appropriate filing offices for the financing statements attached hereto as **Schedule 6** and (ii) the appropriate filing offices for the filings described in **Schedule 11(c)**.

8. Termination Statements. Attached hereto as **Schedule 8** are the duly authorized termination statements, if any, in the appropriate form for filing in each applicable jurisdiction identified in **Schedule 8** hereto with respect to each Lien described therein.

9. Stock Ownership and Other Equity Interests. Attached hereto as **Schedule 9(a)** is a true and correct list of each of all of the authorized, and the issued and outstanding, Equity Interests of each Loan Party and its Subsidiaries and the record and beneficial owners of such Equity Interests. Also set forth on **Schedule 9(a)** is each equity investment of each Loan Party that represents 50% or less of the equity of the entity in which such investment was made. Attached hereto as **Schedule 9(b)** is a true and correct organizational chart of [Parent]⁵ Borrower and its Subsidiaries.

10. Instruments and Chattel Paper. Attached hereto as **Schedule 10** is a true and correct list of all promissory notes, instruments (other than checks to be deposited in the ordinary course of business), tangible chattel paper, electronic chattel paper and other evidence of Indebtedness held by each Loan Party as of December 31, 2014 having an aggregate value or face amount in excess of \$25,000, including all intercompany notes between or among any two or more Loan Parties or any of their Subsidiaries.

11. Intellectual Property.

(a) **Schedule 11(a)** provides a complete and correct list of all registered Copyrights (as defined in the Guaranty and Security Agreement) owned by any Loan Party and all applications for registration of Copyrights owned by any Loan Party. **Schedule 11(a)** provides a complete and correct list of all registered Patents (as defined in the Guaranty and Security Agreement) owned by any Loan Party and all applications for Patents owned by any Loan Party. **Schedule 11(a)** provides a complete and correct list of all registered Trademarks (as defined in the Guaranty and Security Agreement) owned by any Loan Party and all applications for registration of Trademarks owned by any Loan Party.

(b) **Schedule 11(b)** provides a complete and correct list of all Intellectual Property Licenses (as defined in the Guaranty and Security Agreement) entered into by any Loan Party pursuant to which (i) any Loan Party has provided any license or other rights in Intellectual Property (as defined in the Guaranty and Security Agreement) owned or controlled by such Loan Party to any other Person (other

⁵ Intended to be Borrower's holding company, if any.

than non-exclusive software licenses granted, or subscriptions sold, in the ordinary course of business) or (ii) any Person has granted to any Loan Party any license or other rights in Intellectual Property owned or controlled by such Person that is material to the business of such Loan Party, including any Intellectual Property that is incorporated in any Inventory, software, or other product marketed, sold, licensed, or distributed by such Loan Party;

(c) Attached hereto as **Schedule 11(c)** in proper form for filing with the United States Patent and Trademark Office and United States Copyright Office (as applicable) are the filings necessary to preserve, protect and perfect the security interests in the United States Trademarks, United States Patents, United States Copyrights set forth on **Schedule 11(a)**, including duly signed copies of each of the Patent Security Agreement, Trademark Security Agreement and the Copyright Security Agreement, as applicable.

12. **Commercial Tort Claims.** Attached hereto as **Schedule 12** is a true and correct list of all commercial tort claims that exceed \$25,000 held by each Loan Party, including a brief description thereof.

13. **Deposit Accounts and Securities Accounts.** Attached hereto as **Schedule 13** is a true and complete list of all Deposit Accounts and Securities Accounts (each as defined in the Guaranty and Security Agreement) maintained by each Loan Party, including the name of each institution where each such account is held, the name of each such account and the name of each entity that holds each account.

14. **Letter-of-Credit Rights.** Attached hereto as **Schedule 14** is a true and correct list of all letters of credit issued in favor of any Loan Party, as beneficiary thereunder, having an aggregate value or face amount in excess of \$25,000.

15. **Other Assets:** A Loan Party owns the following kinds of assets:

- | | |
|--|----------------|
| Aircraft: | Yes ___ No ___ |
| Vessels, boats or ships: | Yes ___ No ___ |
| Railroad rolling stock: | Yes ___ No ___ |
| Motor Vehicles or similar titled collateral. | Yes ___ No ___ |

If the answer is yes to any of these other types of assets, please describe on **Schedule 15**.

[The Remainder of this Page has been intentionally left blank]

IN WITNESS WHEREOF, we have hereunto signed this Perfection Certificate as of the date first written above.

APPFOLIO, INC.

By: _____
Name: Brian Donahoo
Title: President and Chief Executive Officer

MYCASE, INC.

By: _____
Name: Brian Donahoo
Title: President, Chief Executive Officer and Treasurer

Perfection Certificate

Schedule 1(a)

Legal Names, Etc.

Legal Name	Type of Entity	Registered Organization (Yes/No)	Organizational Number⁶	Federal Taxpayer Identification Number	Jurisdiction of Formation

⁶ If none, so state.

Schedule 1(b)

Prior Names

Loan Party/Subsidiary	Prior Name	Date of Change

Schedule 1(b)

Schedule 1(c)

Changes in Corporate Identity; Other Names

Loan Party/Subsidiary	Name of Entity	Action	Date of Action	State of Formation	List of All Other Names Used on Any Filings with the Internal Revenue Service During Past Five Years

[Add Information required by Section 1 to the extent required by Section 1(c) of the Perfection Certificate]

Schedule 1(c)

Schedule 2

Chief Executive Offices

Loan Party/Subsidiary	Address	County	State

Schedule 2

Schedule 3(a)

Real Property

<u>Entity of Record</u>	<u>Common Name and Address</u>	<u>Owned, Leased or Other Interest</u>	<u>Landlord / Owner if Leased or Other Interest</u>	<u>Description of Lease or Other Documents Evidencing Interest</u>	<u>Purpose/ Use</u>	<u>Improvements Located on Owned Real Property</u>	<u>Legal Description</u>	<u>Encumbered or to be Encumbered by Mortgage</u>	<u>Filing Office for Mortgage</u>	<u>Option to Purchase/Right of First Refusal</u>
[]	[]	[]	[]	[]	[]	[]	[SEE EXHIBIT A-[] ATTACHED HERETO]	[YES/NO]	[]	[YES/NO]

Schedule 3(a)

Schedule 3(a)

Real Property (cont.)

Required Consents; Loan Party Held Landlord/ Grantor Interests

I. Landlord's / Tenant's Consent Required

1. [LIST EACH LEASE OR OTHER INSTRUMENT WHERE LANDLORD'S / TENANT'S CONSENT IS REQUIRED].

II. Leases, Subleases, Tenancies, Franchise Agreements, Licenses or Other Occupancy Agreements Pursuant to which any Loan Party holds Landlord's / Grantor's Interest

1. [LIST EACH LEASE OR OTHER INSTRUMENT WHERE ANY LOAN PARTY HOLDS LANDLORD'S / GRANTOR'S INTEREST]

Schedule 3(a)

Schedule 3(b)

Bailees

Schedule 3(b)

Schedule 4

Transactions Other Than in the Ordinary Course of Business

<u>Loan Party/Subsidiary</u>	<u>Description of Transaction Including Parties There to</u>	<u>Date of Transaction</u>

Schedule 4

Schedule 5

Certified File Search Reports

<u>Loan Party/Subsidiary</u>	<u>Search Report dated</u>	<u>Prepared by</u>	<u>Jurisdiction</u>

See attached.

Schedule 5

Schedule 6

Copy of Financing Statements To Be Filed

See attached.

Schedule 6

Schedule 7

Filings/Filing Offices

Type of Filing⁷	Entity	Applicable Collateral Document [Mortgage, Security Agreement or Other]	Jurisdictions

⁷ UCC-1 financing statement, fixture filing, mortgage, intellectual property filing or other necessary filing.

Schedule 8

Attached hereto is a true copy of each termination statement filing duly acknowledged or otherwise identified by the filing officer.

Termination Statement Filings

Debtor	Jurisdiction	Secured Party	Type of Collateral	UCC-1 File Date	UCC-1 File Number

Schedule 8

Schedule 9(a)

(a) Equity Interests of Loan Parties and Subsidiaries

Current Legal Entities Owned	Record Owner	Certificate No.	No. Shares/Interest	Percent Pledged

(b) Other Equity Interests

Schedule 9(a)

Schedule 9(b)

Organizational Chart

Schedule 9(b)

Schedule 10

Instruments and Chattel Paper

1. Promissory Notes:

Noteholder	Obligor	Principal Amount	Date of Issuance	Interest Rate	Maturity Date

2. Chattel Paper:

Schedule 10

Schedule 11(a)

Copyrights, Patents and Trademarks

UNITED STATES COPYRIGHTS

Registrations:

OWNER	TITLE	REGISTRATION NUMBER
-------	-------	---------------------

Applications:

OWNER	APPLICATION NUMBER
-------	--------------------

OTHER COPYRIGHTS

Registrations:

OWNER	COUNTRY/STATE	TITLE	REGISTRATION NUMBER
-------	---------------	-------	---------------------

Applications:

OWNER	COUNTRY/STATE	APPLICATION NUMBER
-------	---------------	--------------------

Schedule 11(a)

Copyrights, Patents and Trademarks (cont.)

UNITED STATES PATENTS:

Registrations:

<u>OWNER</u>	<u>REGISTRATION NUMBER</u>	<u>DESCRIPTION</u>
--------------	--------------------------------	--------------------

Applications:

<u>OWNER</u>	<u>APPLICATION NUMBER</u>	<u>DESCRIPTION</u>
--------------	-------------------------------	--------------------

OTHER PATENTS:

Registrations:

<u>OWNER</u>	<u>REGISTRATION NUMBER</u>	<u>COUNTRY/STATE</u>	<u>DESCRIPTION</u>
--------------	--------------------------------	----------------------	--------------------

Applications:

<u>OWNER</u>	<u>APPLICATION NUMBER</u>	<u>COUNTRY/STATE</u>	<u>DESCRIPTION</u>
--------------	-------------------------------	----------------------	--------------------

Schedule 11(a)

Copyrights, Patents and Trademarks (cont.)

UNITED STATES TRADEMARKS:

Registrations:

<u>OWNER</u>	<u>REGISTRATION NUMBER</u>	<u>TRADEMARK</u>
--------------	--------------------------------	------------------

Applications:

<u>OWNER</u>	<u>APPLICATION NUMBER</u>	<u>TRADEMARK</u>
--------------	-------------------------------	------------------

OTHER TRADEMARKS:

Registrations:

<u>OWNER</u>	<u>REGISTRATION NUMBER</u>	<u>COUNTRY/STATE</u>	<u>TRADEMARK</u>
--------------	--------------------------------	----------------------	------------------

Applications:

<u>OWNER</u>	<u>APPLICATION NUMBER</u>	<u>COUNTRY/STATE</u>	<u>TRADEMARK</u>
--------------	-------------------------------	----------------------	------------------

Schedule 11(b)

Intellectual Property Licenses

<u>LICENSEE</u>	<u>LICENSOR</u>	<u>COUNTRY/STATE</u>	<u>REGISTRATION/ APPLICATION NUMBER, IF ANY</u>	<u>DESCRIPTION</u>
-----------------	-----------------	----------------------	---	--------------------

Schedule 11(b)

Schedule 11(c)

Intellectual Property Filings

Schedule 11(c)

Schedule 12

Commercial Tort Claims

Schedule 12

Schedule 13

Deposit Accounts and Securities Accounts

OWNER	TYPE OF ACCOUNT	BANK OR INTERMEDIARY	ACCOUNT NUMBERS
-------	-----------------	-------------------------	--------------------

Schedule 13

Schedule 14

Letter of Credit Rights

Schedule 14

Schedule 15

Other Assets

Schedule 15

FORM OF SUPPLEMENT TO PERFECTION CERTIFICATE

Supplement (this “Supplement”), dated as of _____, 20____, to the Perfection Certificate, dated as of _____, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Perfection Certificate”) by each of the parties listed on the signature pages thereto and those additional entities that thereafter become Loan Parties (collectively, jointly and severally, “Grantors” and each individually “Grantor”).

Reference is hereby made to (a) that certain Credit Agreement dated as of _____, 2015 (as amended, restated, supplemented, or otherwise modified from time to time, the “Credit Agreement”) by and among [_____, as parent (“Parent”),] AppFolio, Inc., as borrower (“Borrower”), the lenders party thereto as “Lenders” (each of such Lenders, together with its successors and permitted assigns, is referred to hereinafter as a “Lender”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association (“Wells Fargo”), in its capacity as administrative agent for each member of the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, “Agent”), and (b) that certain Guaranty and Security Agreement dated as of _____, 2015 (as amended, restated, supplemented, or otherwise modified from time to time, the “Guaranty and Security Agreement”) by and among [Parent,] Borrower, the Subsidiaries of Borrower parties thereto as “Grantors”, and Agent.

All initially capitalized terms used herein without definition shall have the meanings ascribed thereto in the Credit Agreement. Any terms (whether capitalized or lower case) used in this Perfection Certificate that are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein or in the Credit Agreement; provided that to the extent that the Code is used to define any term used herein and if such term is defined differently in different Articles of the Code, the definition of such term contained in Article 9 of the Code shall govern. As used herein, the term “Code” shall mean the “Code” as that term is defined in the Guaranty and Security Agreement.

WHEREAS, pursuant to Section 5.2 of the Credit Agreement, the Loan Parties must execute and deliver a Perfection Certificate and the execution and delivery of the Perfection Certificate may be accomplished by the execution of this Supplement in favor of Agent, for the benefit of each member of the Lender Group and the Bank Product Providers;

In accordance with Section 5.2 of the Credit Agreement, the undersigned, the _____ of _____⁸, hereby certify (in my capacity as _____ and not in my individual capacity) to Agent and each of the other members of the Lender Group and the Bank Product Providers as follows as of _____, 2015: Schedule 1(a), “Legal Names, Etc.”, Schedule 1(b), “Prior Names”, Schedule 1(c), “Changes in Corporate Identity; Other Names”, Schedule 2, “Chief Executive Offices”, Schedule 3(a), “Real Property”, Schedule 3(b), “Bailees”, Schedule 4, “Transactions Other Than in the Ordinary Course of Business”, Schedule 9(a), “Equity Interests”, Schedule 9(b), “Organizational Chart” Schedule 10, “Instruments and Chattel Paper”, Schedule 11(a), “Copyrights, Patents and Trademarks”, Schedule 11(b), “Intellectual Property Licenses”, Schedule 12, “Commercial Tort Claims”, Schedule 13, “Deposit Accounts and Securities Accounts”, Schedule 14, “Letter-of-Credit Rights”, and Schedule 15, “Other Assets” attached hereto supplement Schedule 1(a), Schedule 1(b), Schedule 1(c), Schedule 2, Schedule 3, Schedule 4, Schedule 9(a), Schedule 9(b), Schedule 10, Schedule 11(a), Schedule 11(b), Schedule 12, Schedule 13, Schedule 14, and Schedule 15 respectively, to the Perfection Certificate and shall be deemed a part thereof for all purposes of the Perfection Certificate.

⁸ Insert appropriate officer(s), as applicable.

The undersigned officers of each of the Loan Parties hereby certify as of the date hereof on behalf of the Loan Parties in their capacity as officers of the Loan Parties and not in their individual capacities that no additional filings or actions are required to create, preserve or perfect the security interests in the Collateral granted, assigned or pledged to Agent pursuant to the Loan Documents.

Except as expressly supplemented hereby, the Perfection Certificate shall remain in full force and effect.

IN WITNESS WHEREOF, we have hereunto signed this Supplement to Perfection Certificate as of this ____ day of _____, 2015.

[PARENT]

By: _____
Name:
Title:

APPFOLIO, INC.

By: _____
Name:
Title:

[Each of the Guarantors]

By: _____
Name:
Title:

Schedule 1(a)

Legal Names, Etc.

Legal Name	Type of Entity	Registered Organization (Yes/No)	Organizational Number⁹	Federal Taxpayer Identification Number	Jurisdiction of Formation

⁹ If none, so state.

Schedule 1(b)

Prior Names

Loan Party/Subsidiary	Prior Name	Date of Change

Schedule 1(b)

Schedule 1(c)

Changes in Corporate Identity; Other Names

Loan Party/Subsidiary	Name of Entity	Action	Date of Action	State of Formation	List of All Other Names Used on Any Filings with the Internal Revenue Service During Past Five Years

[Add Information required by Section 1 to the extent required by Section 1(c) of the Perfection Certificate]

Schedule 1(c)

Schedule 2

Chief Executive Offices

Loan Party/Subsidiary	Address	County	State

Schedule 2

Schedule 3(a)

Real Property

<u>Entity of Record</u>	<u>Common Name and Address</u>	<u>Owned, Leased or Other Interest</u>	<u>Landlord / Owner if Leased or Other Interest</u>	<u>Description of Lease or Other Documents Evidencing Interest</u>	<u>Purpose/ Use</u>	<u>Improvements Located on Owned Real Property</u>	<u>Legal Description</u>	<u>Encumbered or to be Encumbered by Mortgage</u>	<u>Filing Office for Mortgage</u>	<u>Option to Purchase/Right of First Refusal</u>
[]	[]	[]	[]	[]	[]	[]	[SEE EXHIBIT A-[] ATTACHED HERETO]	[YES/NO]	[]	[YES/NO]

Schedule 3(a)

Schedule 3(a)

Real Property (cont.)

Required Consents; Loan Party Held Landlord/ Grantor Interests

I. Landlord's / Tenant's Consent Required

1. [LIST EACH LEASE OR OTHER INSTRUMENT WHERE LANDLORD'S / TENANT'S CONSENT IS REQUIRED].

II. Leases, Subleases, Tenancies, Franchise Agreements, Licenses or Other Occupancy Agreements Pursuant to which any Loan Party holds Landlord's / Grantor's Interest

1. [LIST EACH LEASE OR OTHER INSTRUMENT WHERE ANY LOAN PARTY HOLDS LANDLORD'S / GRANTOR'S INTEREST

Schedule 3(a)

Schedule 3(a)

Real Property (cont.)

Required Consents; Loan Party Held Landlord/ Grantor Interests

I. Landlord's / Tenant's Consent Required

1. [LIST EACH LEASE OR OTHER INSTRUMENT WHERE LANDLORD'S / TENANT'S CONSENT IS REQUIRED].

II. Leases, Subleases, Tenancies, Franchise Agreements, Licenses or Other Occupancy Agreements Pursuant to which any Loan Party holds Landlord's / Grantor's Interest

1. [LIST EACH LEASE OR OTHER INSTRUMENT WHERE ANY LOAN PARTY HOLDS LANDLORD'S / GRANTOR'S INTEREST]

Schedule 3(a)

Schedule 3(b)

Bailees

Schedule 3(b)

Schedule 4

Transactions Other Than in the Ordinary Course of Business

<u>Loan Party/Subsidiary</u>	<u>Description of Transaction Including Parties There to</u>	<u>Date of Transaction</u>

Schedule 4

Schedule 9(a)

(a) Equity Interests of Loan Parties and Subsidiaries

Current Legal Entities Owned	Record Owner	Certificate No.	No. Shares/Interest	Percent Pledged

(b) Other Equity Interests

Schedule 9(a)

Schedule 9(b)

Organizational Chart

Schedule 9(b)

Schedule 10

Instruments and Chattel Paper

1. Promissory Notes:

Entity	Principal Amount	Date of Issuance	Interest Rate	Maturity Date

2. Chattel Paper:

Schedule 10

Schedule 11(a)

Copyrights, Patents and Trademarks

UNITED STATES COPYRIGHTS

Registrations:

OWNER	TITLE	REGISTRATION NUMBER
-------	-------	---------------------

Applications:

OWNER	APPLICATION NUMBER
-------	--------------------

OTHER COPYRIGHTS

Registrations:

OWNER	COUNTRY/STATE	TITLE	REGISTRATION NUMBER
-------	---------------	-------	---------------------

Applications:

OWNER	COUNTRY/STATE	APPLICATION NUMBER
-------	---------------	--------------------

Schedule 11(a)

Schedule 11(a)

Copyrights, Patents and Trademarks (cont.)

UNITED STATES PATENTS:

Registrations:

<u>OWNER</u>	<u>REGISTRATION NUMBER</u>	<u>DESCRIPTION</u>
--------------	--------------------------------	--------------------

Applications:

<u>OWNER</u>	<u>APPLICATION NUMBER</u>	<u>DESCRIPTION</u>
--------------	-------------------------------	--------------------

OTHER PATENTS:

Registrations:

<u>OWNER</u>	<u>REGISTRATION NUMBER</u>	<u>COUNTRY/STATE</u>	<u>DESCRIPTION</u>
--------------	--------------------------------	----------------------	--------------------

Applications:

<u>OWNER</u>	<u>APPLICATION NUMBER</u>	<u>COUNTRY/STATE</u>	<u>DESCRIPTION</u>
--------------	-------------------------------	----------------------	--------------------

Schedule 11(a)

Copyrights, Patents and Trademarks (cont.)

UNITED STATES TRADEMARKS:

Registrations:

<u>OWNER</u>	<u>REGISTRATION NUMBER</u>	<u>TRADEMARK</u>
--------------	--------------------------------	------------------

Applications:

<u>OWNER</u>	<u>APPLICATION NUMBER</u>	<u>TRADEMARK</u>
--------------	-------------------------------	------------------

OTHER TRADEMARKS:

Registrations:

<u>OWNER</u>	<u>REGISTRATION NUMBER</u>	<u>COUNTRY/STATE</u>	<u>TRADEMARK</u>
--------------	--------------------------------	----------------------	------------------

Applications:

<u>OWNER</u>	<u>APPLICATION NUMBER</u>	<u>COUNTRY/STATE</u>	<u>TRADEMARK</u>
--------------	-------------------------------	----------------------	------------------

Schedule 11(b)

Intellectual Property Licenses

<u>LICENSEE</u>	<u>LICENSOR</u>	<u>COUNTRY/STATE</u>	<u>REGISTRATION/ APPLICATION NUMBER, IF ANY</u>	<u>DESCRIPTION</u>
-----------------	-----------------	----------------------	---	--------------------

Schedule 12

Commercial Tort Claims

Schedule 11(b)

Schedule 13

Deposit Accounts and Securities Accounts

OWNER	TYPE OF ACCOUNT	BANK OR INTERMEDIARY	ACCOUNT NUMBERS
-------	-----------------	-------------------------	--------------------

Schedule 13

Schedule 14

Letter of Credit Rights

Schedule 14

Schedule 15

Other Assets

Schedule 15

SCHEDULE 1.1

As used in the Agreement, the following terms shall have the following definitions:

“Accounting Changes” means changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or successor thereto or any agency with similar functions).

“Acquired Indebtedness” means Indebtedness of a Person whose assets or Equity Interests are acquired by Borrower or any of its Subsidiaries in a Permitted Acquisition; provided, that such Indebtedness (a) is either purchase money Indebtedness or a Capital Lease with respect to Equipment or mortgage financing with respect to Real Property, (b) was in existence prior to the date of such Permitted Acquisition, and (c) was not incurred in connection with, or in contemplation of, such Permitted Acquisition.

“Acquisition” means (a) the purchase or other acquisition by a Person or its Subsidiaries of all or substantially all of the assets of (or any division or business line of) any other Person, or (b) the purchase or other acquisition (whether by means of a merger, consolidation, or otherwise) by a Person or its Subsidiaries of all or substantially all of the Equity Interests of any other Person.

“Additional Documents” has the meaning specified therefor in Section 5.12 of the Agreement.

“Additional Equity Interest Basket” means, as of any date of determination, the difference of (a) the aggregate Net Cash Proceeds from the issuance and sale of Qualified Equity Interests of, or Subordinated Debt of, Borrower, or contributions to Borrower, in each case for the period from the Closing Date until such date, minus (b) any amounts set forth in clause (a) actually utilized or committed to be utilized on or prior to such date for Permitted Acquisitions, for Permitted Investments pursuant to clause (t) of the definition of “Permitted Investments” or for Restricted Payments permitted to be made under Sections 6.7(d) or (f).

“Additional Portion of the Term Loan” and “Additional Portion of the Term Loans” have the respective meanings specified therefor in Section 2.14 of the Agreement.

“Administrative Questionnaire” has the meaning specified therefor in Section 13.1(a) of the Agreement.

“Affected Lender” has the meaning specified therefor in Section 2.13(b) of the Agreement.

“Affiliate” means, as applied to any Person, any other Person who controls, is controlled by, or is under common control with, such Person. For purposes of this definition, “control” means the possession, directly or indirectly through one or more intermediaries, of the power to direct the management and policies of a Person, whether through the ownership of Equity Interests, by contract, or otherwise; provided, that, for purposes of Section 6.10 of the Agreement: (a) any Person which owns directly or indirectly 10% or more of the Equity Interests having ordinary voting power for the election of directors or other members of the governing body of a Person or 10% or more of the partnership or other ownership interests of a Person (other than as a limited partner of such Person) shall be deemed an Affiliate of such Person, (b) each director (or comparable manager) of a Person shall be deemed to be an Affiliate of such Person, and (c) each partnership in which a Person is a general partner shall be deemed an Affiliate of such Person.

Schedule 1.1

“Agent” has the meaning specified therefor in the preamble to the Agreement.

“Agent-Related Persons” means Agent, together with its Affiliates, officers, directors, employees, attorneys, and agents.

“Agent’s Account” means the Deposit Account of Agent identified on Schedule A-1 to the Agreement (or such other Deposit Account of Agent that has been designated as such, in writing, by Agent to Borrower and the Lenders).

“Agent’s Liens” means the Liens granted by Borrower or its Subsidiaries to Agent under the Loan Documents and securing the Obligations.

“Agreement” means the Credit Agreement to which this Schedule 1.1 is attached.

“Applicable Margin” means, as of any date of determination and with respect to Base Rate Loans or LIBOR Rate Loans, as applicable, the applicable margin set forth in the following table that corresponds to the most recent Senior Leverage Ratio calculation delivered to Agent pursuant to Section 5.1 of the Agreement (the “Senior Leverage Ratio Calculation”); provided, that for the period from the Closing Date through the date Agent receives the Senior Leverage Ratio Calculation in respect of the testing period ending June 30, 2015, and for any other period when EBITDA is negative pursuant to the most recent calculation of EBITDA delivered to Agent pursuant to Section 5.1 of the Agreement, Applicable Margin shall be set at the margin in the row styled “Level III”; provided further, that any time an Event of Default has occurred and is continuing, if elected by Agent or the Required Lenders during such time, the Applicable Margin shall be set at the margin in the row styled “Level III”:

<u>Level</u>	<u>Senior Leverage Ratio Calculation</u>	<u>Applicable Margin Relative to Base Rate Loans (the “Base Rate Margin”)</u>	<u>Applicable Margin Relative to LIBOR Rate Loans (the “LIBOR Rate Margin”)</u>
I	If the Senior Leverage Ratio is less than 2.5:1.0	3.0 percentage points	4.0 percentage points
II	If the Senior Leverage Ratio is greater than or equal to 2.5:1.0 and less than 3.5:1.0	4.0 percentage points	5.0 percentage points
III	If the Senior Leverage Ratio is greater than or equal to 3.5:1.0	5.0 percentage points	6.0 percentage points

Except as set forth in the foregoing proviso, the Applicable Margin shall be based upon the most recent Senior Leverage Ratio Calculation, which will be calculated as of the end of each fiscal quarter. Except as set forth in the foregoing proviso, the Applicable Margin shall be re-determined quarterly on the first day of the month following the date of delivery to Agent of the certified calculation of the Senior

Leverage Ratio pursuant to Section 5.1 of the Agreement; provided, that if Borrower fails to provide such certification when such certification is due, the Applicable Margin shall be set at the margin in the row styled "Level III" as of the first day of the month following the date on which the certification was required to be delivered until the date on which such certification is delivered (on which date (but not retroactively), without constituting a waiver of any Default or Event of Default occasioned by the failure to timely deliver such certification, the Applicable Margin shall be set at the margin based upon the calculations disclosed by such certification. In the event that the information regarding the Senior Leverage Ratio contained in any certificate delivered pursuant to Section 5.1 of the Agreement is shown to be inaccurate, and such inaccuracy, if corrected, would have led to the application of a higher Applicable Margin for any period (an "Applicable Period") than the Applicable Margin actually applied for such Applicable Period, then (i) Borrower shall immediately deliver to Agent a correct certificate for such Applicable Period, (ii) the Applicable Margin shall be determined as if the correct Applicable Margin (as set forth in the table above) were applicable for such Applicable Period, and (iii) Borrower shall immediately deliver to Agent full payment in respect of the accrued additional interest as a result of such increased Applicable Margin for such Applicable Period, which payment shall be promptly applied by Agent to the affected Obligations.

"Application Event" means the occurrence of (a) a failure by Borrower to repay all of the Obligations in full on the Maturity Date, or (b) an Event of Default and the election by Agent or the Required Lenders to require that payments and proceeds of Collateral be applied pursuant to Section 2.4(b)(iii) of the Agreement.

"Assignee" has the meaning specified therefor in Section 13.1(a) of the Agreement.

"Assignment and Acceptance" means an Assignment and Acceptance Agreement substantially in the form of Exhibit A-1 to the Agreement.

"Authorized Person" means any one of the individuals identified on Schedule A-2 to the Agreement, as such schedule is updated from time to time by written notice from Borrower to Agent.

"Availability" means, as of any date of determination, the amount that Borrower is entitled to borrow as Revolving Loans under Section 2.1 of the Agreement (after giving effect to the then outstanding Revolver Usage).

"Available Increase Amount" means, as of any date of determination, an amount equal to the result of (a) \$15,000,000 minus (b) the aggregate principal amount of Increases to the Revolver Commitments or Term Loan Amount previously made pursuant to Section 2.14 of the Agreement.

"Bank Product" means any one or more of the following financial products or accommodations extended to Borrower or its Subsidiaries by a Bank Product Provider: (a) credit cards (including commercial cards (including so-called "purchase cards", "procurement cards" or "p-cards")), (b) credit card processing services, (c) debit cards, (d) stored value cards, (e) Cash Management Services, or (f) transactions under Hedge Agreements.

"Bank Product Agreements" means those agreements entered into from time to time by Borrower or its Subsidiaries with a Bank Product Provider in connection with the obtaining of any of the Bank Products.

"Bank Product Collateralization" means providing cash collateral (pursuant to documentation reasonably satisfactory to Agent) to be held by Agent for the benefit of the Bank Product Providers (other than the Hedge Providers) in an amount reasonably determined by Agent as sufficient to satisfy the reasonably estimated credit exposure with respect to the then existing Bank Product Obligations (other than Hedge Obligations).

“Bank Product Obligations” means (a) all obligations, liabilities, reimbursement obligations, fees, or expenses owing by Borrower or its Subsidiaries to any Bank Product Provider pursuant to or evidenced by a Bank Product Agreement and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, (b) all Hedge Obligations, and (c) all amounts that Agent or any Lender is obligated to pay to a Bank Product Provider as a result of Agent or such Lender purchasing participations from, or executing guarantees or indemnities or reimbursement obligations to, a Bank Product Provider with respect to the Bank Products provided by such Bank Product Provider to Borrower or its Subsidiaries.

“Bank Product Provider” means Wells Fargo or any of its Affiliates, including each of the foregoing in its capacity, if applicable, as a Hedge Provider.

“Bank Product Reserves” means, as of any date of determination, those reserves that Agent, in the exercise of its Permitted Discretion, deems necessary or appropriate to establish (based upon the Bank Product Providers’ reasonable determination of the liabilities and obligations of Borrower and its Subsidiaries in respect of Bank Product Obligations) in respect of Bank Products then provided or outstanding.

“Bankruptcy Code” means title 11 of the United States Code, as in effect from time to time.

“Base Rate” means the greatest of (a) the Federal Funds Rate plus ½ of 1%, (b) the LIBOR Rate (which rate shall be calculated based upon an Interest Period of 1 month and shall be determined on a daily basis), plus 1 percentage point, and (c) the rate of interest announced, from time to time, within Wells Fargo at its principal office in San Francisco as its “prime rate”, with the understanding that the “prime rate” is one of Wells Fargo’s base rates (not necessarily the lowest of such rates) and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto and is evidenced by the recording thereof after its announcement in such internal publications as Wells Fargo may designate.

“Base Rate Loan” means each portion of the Revolving Loans or the Term Loan that bears interest at a rate determined by reference to the Base Rate.

“Base Rate Margin” has the meaning set forth in the definition of Applicable Margin.

“Benefit Plan” means a “defined benefit plan” (as defined in Section 3(35) of ERISA) for which Borrower or any of its Subsidiaries or ERISA Affiliates has been an “employer” (as defined in Section 3(5) of ERISA) within the past six years.

“Board of Directors” means, as to any Person, the board of directors (or comparable managers) of such Person, or any committee thereof duly authorized to act on behalf of the board of directors (or comparable managers).

“Board of Governors” means the Board of Governors of the Federal Reserve System of the United States (or any successor).

“Borrower” has the meaning specified therefor in the preamble to the Agreement.

“Borrower Materials” has the meaning specified therefor in Section 17.9(c) of the Agreement.

Schedule 1.1

“Borrowing” means a borrowing consisting of Revolving Loans made on the same day by the Lenders (or Agent on behalf thereof), or by Swing Lender in the case of a Swing Loan, or by Agent in the case of a Protective Advance.

“Business Day” means any day that is not a Saturday, Sunday, or other day on which banks are authorized or required to close in the state of California, except that, if a determination of a Business Day shall relate to a LIBOR Rate Loan, the term “Business Day” also shall exclude any day on which banks are closed for dealings in Dollar deposits in the London interbank market.

“Capital Expenditures” means, with respect to any Person for any period, the amount of all expenditures by such Person and its Subsidiaries during such period that are capital expenditures as determined in accordance with GAAP, whether such expenditures are paid in cash or financed, but excluding, without duplication (a) expenditures made during such period in connection with the replacement, substitution, or restoration of assets or properties pursuant to Section 2.4(e)(ii) of the Agreement, (b) with respect to the purchase price of assets that are purchased substantially contemporaneously with the trade-in of existing assets during such period, the amount that the gross amount of such purchase price is reduced by the credit granted by the seller of such assets for the assets being traded in at such time, (c) expenditures made during such period to consummate one or more Permitted Acquisitions, (d) capitalized software development costs to the extent such costs are deducted from net earnings under the definition of EBITDA for such period, and (e) expenditures during such period that, pursuant to a written agreement, are reimbursed by a third Person (excluding Borrower or any of its Affiliates).

“Capitalized Lease Obligation” means that portion of the obligations under a Capital Lease that is required to be capitalized in accordance with GAAP.

“Capital Lease” means a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

“Cash Equivalents” means (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within 1 year from the date of acquisition thereof, (b) marketable direct obligations issued or fully guaranteed by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within 1 year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Standard & Poor’s Rating Group (“S&P”) or Moody’s Investors Service, Inc. (“Moody’s”), (c) commercial paper maturing no more than 270 days from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody’s, (d) certificates of deposit, time deposits, overnight bank deposits or bankers’ acceptances maturing within 1 year from the date of acquisition thereof issued by any bank organized under the laws of the United States or any state thereof or the District of Columbia or any United States branch of a foreign bank having at the date of acquisition thereof combined capital and surplus of not less than \$1,000,000,000, (e) Deposit Accounts maintained with (i) any bank that satisfies the criteria described in clause (d) above, or (ii) any other bank organized under the laws of the United States or any state thereof so long as the full amount maintained with any such other bank is insured by the Federal Deposit Insurance Corporation, (f) repurchase obligations of any commercial bank satisfying the requirements of clause (d) of this definition or recognized securities dealer having combined capital and surplus of not less than \$1,000,000,000, having a term of not more than seven days, with respect to securities satisfying the criteria in clauses (a) or (d) above, (g) debt securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any commercial bank satisfying the criteria described in clause (d) above, (h) with respect to Terra Mar, any Investments permitted by the relevant Hawaii insurance

regulatory authorities, (i) Investments in money market funds substantially all of whose assets are invested in the types of assets described in clauses (a) through (h) above and (j) any investments made pursuant to Borrower's investment policy provided to the Agent prior to the Closing Date, as the same may be amended from time to time with any material amendments being subject to the written consent of Agent.

"Cash Management Services" means any cash management or related services including treasury, depository, return items, overdraft, controlled disbursement, merchant store value cards, e-payables services, electronic funds transfer, interstate depository network, automatic clearing house transfer (including the Automated Clearing House processing of electronic funds transfers through the direct Federal Reserve Fedline system) and other customary cash management arrangements.

"CFC" means a controlled foreign corporation (as that term is defined in the IRC).

"Change in Law" means the occurrence after the date of the Agreement of: (a) the adoption or effectiveness of any law, rule, regulation, judicial ruling, judgment or treaty, (b) any change in any law, rule, regulation, judicial ruling, judgment or treaty or in the administration, interpretation, implementation or application by any Governmental Authority of any law, rule, regulation, guideline or treaty, or (c) the making or issuance by any Governmental Authority of any request, rule, guideline or directive, whether or not having the force of law; provided that notwithstanding anything in the Agreement to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives concerning capital adequacy promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities shall, in each case, be deemed to be a "Change in Law," regardless of the date enacted, adopted or issued.

"Change of Control" means that:

(a) Prior to a Qualifying Initial Public Offering, Permitted Holders fail to own and control, directly or indirectly, 51%, or more, of the Equity Interests of Borrower entitled (without regard to the occurrence of any contingency) to vote for the election of members of the Board of Directors of Borrower,

(b) any Person or two or more Persons acting in concert (other than Permitted Holders), shall have acquired beneficial ownership, directly or indirectly, of Equity Interests of Borrower (or other securities convertible into such Equity Interests) representing 35% or more of the combined voting power of all Equity Interests of Borrower entitled (without regard to the occurrence of any contingency) to vote for the election of members of the Board of Directors of Borrower,

(c) on or after a Qualifying Initial Public Offering, any Person or two or more Persons acting in concert (other than Permitted Holders), shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation thereof, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of Borrower,

(d) Prior to a Qualifying Initial Public Offering, a majority of the members of the Board of Directors of Borrower do not constitute Continuing Directors,

(e) Borrower fails to own and control, directly or indirectly, 100% of the Equity Interests of each other Loan Party.

Schedule 1.1

“Closing Date” means the date of the making of the initial Term Loan (or other extension of credit) under the Agreement.

“Code” means the California Uniform Commercial Code, as in effect from time to time.

“Collateral” means all assets and interests in assets and proceeds thereof now owned or hereafter acquired by Borrower or its Subsidiaries in or upon which a Lien is granted by such Person in favor of Agent or the Lenders under any of the Loan Documents. For the avoidance of doubt, Collateral shall not include any Excluded Assets (as defined in the Guaranty and Security Agreement).

“Commitment” means, with respect to each Lender, its Revolver Commitment or its Term Loan Commitment, as the context requires, and, with respect to all Lenders, their Revolver Commitments or their Term Loan Commitments, as the context requires, in each case as such Dollar amounts are set forth beside such Lender’s name under the applicable heading on Schedule C-1 to the Agreement, in the Assignment and Acceptance pursuant to which such Lender became a Lender under the Agreement, or in the applicable Increase Joinder, as such amounts may be reduced or increased from time to time pursuant to assignments made in accordance with the provisions of Section 13.1 of the Agreement.

“Competitor” means any Person which is a direct competitor of Borrower or its Subsidiaries if, at the time of a proposed assignment, Agent and the assigning Lender have actual knowledge that such Person is a direct competitor of Borrower or its Subsidiaries; provided, that in connection with any assignment or participation, the Assignee or Participant with respect to such proposed assignment or participation that is an investment bank, a commercial bank, a finance company, a fund, or other Person which merely has an economic interest in any such direct competitor, and is not itself such a direct competitor of Borrower or its Subsidiaries, shall not be deemed to be a direct competitor for the purposes of this definition.

“Compliance Certificate” means a certificate substantially in the form of Exhibit C-1 to the Agreement delivered by the chief financial officer of Borrower to Agent.

“Confidential Information” has the meaning specified therefor in Section 17.9(a) of the Agreement.

“Continuing Director” means (a) any member of the Board of Directors who was a director (or comparable manager) of Borrower on the Closing Date, and (b) any individual who becomes a member of the Board of Directors after the Closing Date if such individual was approved, appointed or nominated for election to the Board of Directors by either the Permitted Holders or a majority of the Continuing Directors, but excluding any such individual originally proposed for election in opposition to the Board of Directors in office at the Closing Date in an actual or threatened election contest relating to the election of the directors (or comparable managers) of Borrower and whose initial assumption of office resulted from such contest or the settlement thereof.

“Control Agreement” means a control agreement, in form and substance reasonably satisfactory to Agent, executed and delivered by Borrower or one of its Subsidiaries, Agent, and the applicable securities intermediary (with respect to a Securities Account) or bank (with respect to a Deposit Account).

“Copyright Security Agreement” has the meaning specified therefor in the Guaranty and Security Agreement.

“Credit Amount” means the result of (a) 0.50 times (b) TTM Recurring Revenues calculated as of the last month for which financial statements have most recently been delivered pursuant to Section 5.1 of the Agreement minus the aggregate amount of reserves, if any, established by Agent under Section 2.1(c) of the Agreement.

“Credit Amount Certificate” means a certificate in the form of Exhibit C-2 to the Agreement.

“Curative Equity” means the net amount of common equity contributions (or preferred equity contributions the terms of which are either (a) substantially similar to the preferred equity in existence as of the Closing Date or (b) reasonably acceptable to Agent) made to Borrower in immediately available funds and which is designated “Curative Equity” by Borrower under Section 9.3 of the Agreement at the time it is contributed. For the avoidance of doubt, the forgiveness of antecedent debt (whether Indebtedness, trade payables, or otherwise) shall not constitute Curative Equity.

“Current Assets” means, as at any date of determination, the total assets of Borrower and its Subsidiaries (other than cash and Cash Equivalents) which may properly be classified as current assets on a consolidated balance sheet of Borrower and its Subsidiaries in accordance with GAAP.

“Current Liabilities” means, as at any date of determination, the total liabilities of Borrower and its Subsidiaries which may properly be classified as current liabilities (other than the current portion of the Term Loan, the Swing Loans and the Revolving Loans) on a consolidated balance sheet of Borrower and its Subsidiaries in accordance with GAAP.

“Deemed Liquidation Event” has the meaning given to that term under the Amended and Restated Certificate of Incorporation of Borrower.

“Default” means an event, condition, or default that, with the giving of notice, the passage of time, or both, would be an Event of Default.

“Defaulting Lender” means any Lender that (a) has failed to fund any amounts required to be funded by it under the Agreement on the date that it is required to do so under the Agreement (including the failure to make available to Agent amounts required pursuant to a Settlement or to make a required payment in connection with a Letter of Credit Disbursement), (b) notified the Borrower, Agent, or any Lender in writing that it does not intend to comply with all or any portion of its funding obligations under the Agreement, (c) has made a public statement to the effect that it does not intend to comply with its funding obligations under the Agreement or under other agreements generally (as reasonably determined by Agent) under which it has committed to extend credit, (d) failed, within 1 Business Day after written request by Agent or by Borrower (with a copy to Agent), to confirm that it will comply with the terms of the Agreement relating to its obligations to fund any amounts required to be funded by it under the Agreement, (e) otherwise failed to pay over to Agent or any other Lender any other amount required to be paid by it under the Agreement on the date that it is required to do so under the Agreement, or (f) (i) becomes or is insolvent or has a company that has become or is insolvent or (ii) becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, or custodian or appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment.

“Defaulting Lender Rate” means (a) for the first 3 days from and after the date the relevant payment is due, the Base Rate, and (b) thereafter, the interest rate then applicable to Revolving Loans that are Base Rate Loans (inclusive of the Base Rate Margin applicable thereto).

Schedule 1.1

“Deposit Account” means any deposit account (as that term is defined in the Code).

“Designated Account” means the Deposit Account of Borrower identified on Schedule D-1 to the Agreement (or such other Deposit Account of Borrower located at Designated Account Bank that has been designated as such, in writing, by Borrower to Agent).

“Designated Account Bank” has the meaning specified therefor in Schedule D-1 to the Agreement (or such other bank that is located within the United States that has been designated as such, in writing, by Borrower to Agent).

“Disqualified Equity Interests” means any Equity Interest that, by its terms (or by the terms of any security or other Equity Interests into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable (other than solely for Qualified Equity Interests), pursuant to a sinking fund obligation or otherwise (except as a result of a change of control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of control or asset sale event shall be subject to the prior repayment in full of the Loans and all other Obligations that are accrued and payable and the termination of the Commitments), (b) is redeemable at the option of the holder thereof (other than solely for Qualified Equity Interests), in whole or in part, (c) provides for the scheduled payments of dividends in cash, or (d) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests that would constitute Disqualified Equity Interests, in each case, prior to the date that is 180 days after the Maturity Date.

“Dollars” or “\$” means United States dollars.

“Drawing Document” means any Letter of Credit or other document presented for purposes of drawing under any Letter of Credit.

“Earn-Outs” means unsecured liabilities of a Loan Party arising under an agreement to make any deferred payment as a part of the Purchase Price for a Permitted Acquisition, including performance bonuses or consulting payments in any related services, employment or similar agreement, in an amount that is subject to or contingent upon the revenues, income, cash flow or profits (or the like) of the target of such Permitted Acquisition.

“EBITDA” means, with respect to any fiscal period:

(a) Borrower’s consolidated net earnings (or loss),

minus

(b) without duplication, the sum of the following amounts of Borrower for such period to the extent included in determining consolidated net earnings (or loss) for such period:

(i) any extraordinary, unusual, or non-recurring gains,

(ii) interest income,

(iii) any software development costs to the extent capitalized during such period,

(iv) exchange, translation or performance gains relating to any hedging transactions or foreign currency fluctuations,

and

Schedule 1.1

- (v) income arising by reason of the application of FAS 141R,

plus

(c) without duplication, the sum of the following amounts of Borrower for such period to the extent included in determining consolidated net earnings (or loss) for such period:

- (i) any extraordinary, unusual, or non-recurring non-cash losses, and those extraordinary, unusual, or non-recurring cash losses approved by Agent in its discretion,
- (ii) Interest Expense,
- (iii) tax expense based on income, profits or capital, including federal, foreign, state, franchise and similar taxes (and for the avoidance of doubt, specifically excluding any sales taxes or any other taxes held in trust for a Governmental Authority),
- (iv) depreciation and amortization for such period,
- (v) with respect to any Permitted Acquisition after the Closing Date, or any attempted Acquisition that, if it had been consummated, would have reasonably been expected to have been a Permitted Acquisition (an "Attempted Permitted Acquisition"), costs, fees, charges, or expenses consisting of out-of-pocket expenses owed by Borrower or any of its Subsidiaries to any Person for services performed by such Person in connection with such Permitted Acquisition incurred within 180 days of the consummation of such Permitted Acquisition, (i) up to an aggregate amount (for all such items in this clause (v)) for any Permitted Acquisition not to exceed the greater of (1) \$500,000 and (2) 5.0% of the Purchase Price of such Permitted Acquisition or (y) for any Attempted Permitted Acquisition not to exceed \$500,000, and (ii) in any amount to the extent such costs, fees, charges, or expenses in this clause (v) are paid with proceeds of new equity investments in exchange for Qualified Equity Interests of Borrower contemporaneously made by Permitted Holders,
- (vi) with respect to any Permitted Acquisitions after the Closing Date: (1) purchase accounting adjustments, including, without limitation, a dollar for dollar adjustment for that portion of revenue that would have been recorded in the relevant period had the balance of deferred revenue (unearned income) recorded on the closing balance sheet and before application of purchase accounting not been adjusted downward to fair value to be recorded on the opening balance sheet in accordance with GAAP purchase accounting rules; and (2) non-cash adjustments in accordance with GAAP purchase accounting rules under FASB Statement No. 141 and EITF Issue No. 01-3, in the event that such an adjustment is required by Borrower's independent auditors, in each case, as determined in accordance with GAAP,
- (vii) fees, costs, charges and expenses, in respect of Earn-Outs incurred in connection with any Permitted Acquisition to the extent permitted to be incurred under the Agreement that are required by the application of FAS 141R to be and are expensed by Borrower and its Subsidiaries,
- (viii) non-cash compensation expense (including deferred non-cash compensation expense), or other non-cash expenses or charges, arising from the sale or issuance of Equity Interests, the granting of stock options, and the granting of stock appreciation rights and similar arrangements (including any repricing, amendment, modification, substitution, or change of any such Equity Interests, stock option, stock appreciation rights, or similar arrangements) minus the amount of any such expenses or charges when paid in cash to the extent not deducted in the computation of net earnings (or loss),

Schedule 1.1

- (ix) all one-time non-cash restructuring charges,
- (x) one-time restructuring charges and integration costs, severance payments, contract termination costs, fees in connection with enhanced accounting functions, retention bonuses and any other costs incurred in connection with the foregoing or with Permitted Acquisitions in an amount not to exceed \$2,500,000 during any 12 month period ending on the date of measurement,
- (xi) non-cash exchange, translation, or performance losses relating to any hedging transactions or foreign currency fluctuations,
- (xii) non-cash losses on sales of fixed assets or write-downs of fixed or intangible assets,
- (xiii) fees and expenses incurred in connection with Permitted Investments (other than Permitted Acquisitions), Permitted Indebtedness and Permitted Dispositions, in each case whether or not consummated, not to exceed \$500,000 in the aggregate for any 12 month period ending on the date of measurement,
- (xiv) fees, expenses, and other transaction costs incurred in connection with this Agreement and the other Loan Documents, provided that transaction costs will be limited to those paid within 90 days of the Closing Date,
- (xv) fees, expenses, and other transaction costs incurred in connection with the Qualifying Initial Public Offering or other permitted issuance or sale of Equity Interests hereunder, including any conversion of preferred equity into common equity, in each case whether or not consummated, not to exceed \$5,000,000, and
- (xvi) directors' fees and expenses paid to outside directors of the Loan Parties to the extent such fees and expenses to not exceed \$250,000 for such period,

in each case, determined on a consolidated basis in accordance with GAAP.

For the purposes of calculating EBITDA for any period of 4 consecutive fiscal quarters (each, a "Reference Period"), (a) if at any time during such Reference Period (and after the Closing Date), Borrower or any of its Subsidiaries shall have made a Permitted Acquisition, EBITDA for such Reference Period shall be calculated after giving *pro forma* effect thereto (including *pro forma* adjustments arising out of events which are directly attributable to such Permitted Acquisition, are factually supportable, and are expected to have a continuing impact, in each case to be mutually and reasonably agreed upon by Borrower and Agent) or in such other manner acceptable to Agent as if any such Permitted Acquisition or adjustment occurred on the first day of such Reference Period.

"Environmental Action" means any written complaint, summons, citation, notice, directive, order, claim, litigation, investigation, judicial or administrative proceeding, judgment, letter, or other written communication from any Governmental Authority, or any third party involving violations of Environmental Laws or releases of Hazardous Materials (a) from any assets, properties, or businesses of any Borrower, any Subsidiary of a Borrower, or any of their predecessors in interest, (b) from adjoining properties or businesses, or (c) from or onto any facilities which received Hazardous Materials generated by any Borrower, any Subsidiary of a Borrower, or any of their predecessors in interest.

Schedule 1.1

“Environmental Law” means any applicable federal, state, provincial, foreign or local statute, law, rule, regulation, ordinance, code, binding and enforceable guideline, binding and enforceable written policy, or rule of common law now or hereafter in effect and in each case as amended, or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, in each case, to the extent binding on Borrower or its Subsidiaries, relating to the environment, the effect of the environment on employee health, or Hazardous Materials, in each case as amended from time to time.

“Environmental Liabilities” means all liabilities, monetary obligations, losses, damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts, or consultants, and costs of investigation and feasibility studies), fines, penalties, sanctions, and interest incurred as a result of any claim or demand, or Remedial Action required, by any Governmental Authority or any third party, and which relate to any Environmental Action.

“Environmental Lien” means any Lien in favor of any Governmental Authority for Environmental Liabilities.

“Equipment” means equipment (as that term is defined in the Code).

“Equity Interest” means, with respect to a Person, all of the shares, options, warrants, interests, participations, or other equivalents (regardless of how designated) of or in such Person, whether voting or nonvoting, including capital stock (or other ownership or profit interests or units), preferred stock, or any other “equity security” (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the SEC under the Exchange Act).

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto.

“ERISA Affiliate” means (a) any Person subject to ERISA whose employees are treated as employed by the same employer as the employees of Borrower or its Subsidiaries under IRC Section 414(b), (b) any trade or business subject to ERISA whose employees are treated as employed by the same employer as the employees of Borrower or its Subsidiaries under IRC Section 414(c), (c) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any organization subject to ERISA that is a member of an affiliated service group of which Borrower or any of its Subsidiaries is a member under IRC Section 414(m), or (d) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any Person subject to ERISA that is a party to an arrangement with Borrower or any of its Subsidiaries and whose employees are aggregated with the employees of Borrower or its Subsidiaries under IRC Section 414(o).

“Event of Default” has the meaning specified therefor in Section 8 of the Agreement.

“Examination” has the meaning specified therefor in Section 2.10(c) of the Agreement.

“Excess” has the meaning specified therefor in Section 2.14 of the Agreement.

“Excess Cash Flow” means, with respect to any fiscal period and with respect to Borrower determined on a consolidated basis in accordance with GAAP the result of:

(a) TTM EBITDA,

plus

(b) the sum of

(i) foreign, United States, state, or local tax refunds received in cash during such period,

(ii) interest income received in cash during such period, and

(iii) the amount of any decrease in Net Working Capital for such period,

minus

(c) the sum of

(i) the cash portion of Interest Expense and loan servicing fees paid during such fiscal period,

(ii) the cash portion of taxes (on account of income, profits, or capital) paid during such period,

(iii) all scheduled and voluntary principal payments permitted under the Agreement during such period (including without limitation payments in respect of Capital Leases),

(iv) the cash portion of Capital Expenditures (net of any proceeds of related financings with respect to such expenditures) made during such period,

(v) cash payments made in respect of Permitted Acquisitions (in each case, to the extent such payments are not made with the proceeds of Indebtedness (other than Revolving Loans),

(vi) the amount of cash items included in the calculation of EBITDA pursuant to clause (c)(vii) of the definition of EBITDA for such period (to the extent that the applicable payments are not made with the proceeds of Indebtedness (other than proceeds of Revolving Loans)),

(vii) the distributed earnings of Borrower or its Subsidiaries to the extent that the declaration or payment of dividends or similar distributions by Borrower or such Subsidiary is permitted under the Agreement,

(viii) the amount of any increase in Net Working Capital for such period,

(ix) any non-cash purchase accounting adjustments with respect to a Permitted Acquisition added to Borrower’s net income (or loss) pursuant to clause (c)(vi)(2) of the definition of EBITDA,

(x) any items added back to EBITDA pursuant to clauses (c)(xiv), (xv), and (xvi) of the definition of EBITDA, and

(xi) any retention bonuses added back to EBITDA pursuant to clause (c)(x) of the definition of EBITDA.

Schedule 1.1

“Exchange Act” means the Securities Exchange Act of 1934, as in effect from time to time.

“Excluded Subsidiary” means any Subsidiary of Borrower that is (1) a CFC, (2) a domestic Subsidiary of a foreign Subsidiary of Borrower that is treated as a CFC, or (3) any domestic Subsidiary of Borrower if substantially all of its assets (directly or indirectly) consist of the Equity Interests of one or more foreign Subsidiaries of Borrower that are treated as a CFC.

“Excluded Taxes” means (i) any tax imposed on the net income or net profits of any Lender or any Participant (including any branch profits taxes) or income or gain with respect to the sale, assignment, grant of participation in, or other transfer of all or a part of the Obligations, in each case imposed by the jurisdiction (or by any political subdivision or taxing authority thereof) in which such Lender or such Participant is or was organized or the jurisdiction (or by any political subdivision or taxing authority thereof) in which such Lender’s or such Participant’s principal office is or was located in each case as a result of a present or former connection between such Lender or such Participant and the jurisdiction or taxing authority imposing the tax (other than any such connection arising solely from such Lender or such Participant having executed, delivered or performed its obligations or received payment under, or enforced its rights or remedies under the Agreement or any other Loan Document); (ii) taxes resulting from a Lender’s or a Participant’s failure to comply with the requirements of Section 16.2 of the Agreement, (iii) any United States federal withholding taxes that would be imposed on amounts payable to a Foreign Lender based upon the applicable withholding rate in effect at the time such Foreign Lender becomes a party to the Agreement (or designates a new lending office), except that Taxes shall include (A) any amount that such Foreign Lender (or its assignor, if any) was previously entitled to receive pursuant to Section 16.1 of the Agreement, if any, with respect to such withholding tax at the time such Foreign Lender becomes a party to the Agreement (or designates a new lending office), and (B) additional United States federal withholding taxes that may be imposed after the time such Foreign Lender becomes a party to the Agreement (or designates a new lending office), as a result of a change in law, rule, regulation, order or other decision with respect to any of the foregoing by any Governmental Authority, and (iv) any United States federal withholding taxes imposed under FATCA.

“Extraordinary Receipts” means (a) so long as no Event of Default has occurred and is continuing, proceeds of judgments, proceeds of settlements, or other consideration of any kind received in connection with any cause of action or claim, and (b) if an Event of Default has occurred and is continuing, any payments received by Borrower or any of its Subsidiaries not in the ordinary course of business (and not consisting of proceeds described in Section 2.4(e)(ii) of the Agreement) consisting of (i) proceeds of judgments, proceeds of settlements, or other consideration of any kind received in connection with any cause of action or claim, (ii) indemnity payments (other than to the extent such indemnity payments are immediately payable to a Person that is not an Affiliate of Borrower or any of its Subsidiaries, and (iii) any purchase price adjustment received in connection with any purchase agreement.

“FATCA” means Sections 1471 through 1474 of the IRC, as of the date of the Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

“Fee Letter” means that certain fee letter, dated as of even date with the Agreement, between Borrower and Agent, in form and substance reasonably satisfactory to Agent.

“Federal Funds Rate” means, for any period, a fluctuating interest rate *per annum* equal to, for each day during such period, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Agent from three Federal funds brokers of recognized standing selected by it.

Schedule 1.1

“Financial Covenant Replacement Date” means the later of: (i) April 1, 2016 and (ii) the first day of the month following the date on which the Borrower and its Subsidiaries have achieved TTM EBITDA of at least \$3,000,000 as of the last day of the immediately preceding month.

“Fixed Charge Coverage Ratio” means, with respect to any fiscal period and with respect to Borrower determined on a consolidated basis in accordance with GAAP, the ratio of (a) EBITDA for such period minus unfinanced Capital Expenditures made (to the extent not already incurred in a prior period) or incurred during such period, to (b) Fixed Charges for such period.

“Fixed Charges” means, with respect to any fiscal period and with respect to Borrower determined on a consolidated basis in accordance with GAAP, the sum, without duplication, of (a) Interest Expense accrued (net of interest income, and other than interest paid-in-kind, amortization of financing fees, and other non-cash Interest Expense) during such period, (b) principal payments in respect of Indebtedness that are required to be paid during such period, and (c) all federal, state, and local income taxes accrued during such period.

“Foreign Lender” means any Lender or Participant that is not a United States person within the meaning of IRC section 7701(a)(30).

“Funding Date” means the date on which a Borrowing occurs.

“Funding Losses” has the meaning specified therefor in Section 2.12(b)(ii) of the Agreement.

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States, consistently applied.

“Governing Documents” means, with respect to any Person, the certificate or articles of incorporation, by-laws, or other organizational documents of such Person.

“Governmental Authority” means the government of any nation or any political subdivision thereof, whether at the national, state, territorial, provincial, municipal or any other level, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of, or pertaining to, government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantor” means (a) each Subsidiary of Borrower on the Closing Date, other than Terra Mar, and (b) each other Person that becomes a guarantor after the Closing Date pursuant to Section 5.11 of the Agreement.

“Guaranty and Security Agreement” means a guaranty and security agreement, dated as of even date with the Agreement, in form and substance reasonably satisfactory to Agent, executed and delivered by Borrower and each of the Guarantors to Agent.

“Hazardous Materials” means (a) substances that are defined or listed in, or otherwise classified pursuant to, any applicable laws or regulations as “hazardous substances,” “hazardous materials,” “hazardous wastes,” “toxic substances,” or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity,

reproductive toxicity, or “EP toxicity”, (b) oil, petroleum, or petroleum derived substances, natural gas, natural gas liquids, synthetic gas, drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas, or geothermal resources, (c) any flammable substances or explosives or any radioactive materials, and (d) asbestos in any form or electrical equipment that contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of 50 parts per million.

“Hedge Agreement” means a “swap agreement” as that term is defined in Section 101(53B)(A) of the Bankruptcy Code.

“Hedge Obligations” means any and all obligations or liabilities, whether absolute or contingent, due or to become due, now existing or hereafter arising, of Borrower or its Subsidiaries arising under, owing pursuant to, or existing in respect of Hedge Agreements entered into with one or more of the Hedge Providers.

“Hedge Provider” means Wells Fargo or any of its Affiliates.

“Increase” has the meaning specified therefor in Section 2.14.

“Increase Date” has the meaning specified therefor in Section 2.14.

“Increase Joinder” has the meaning specified therefor in Section 2.14.

“Indebtedness” as to any Person means (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations in respect of letters of credit, bankers acceptances, or other financial products, (c) all obligations of such Person as a lessee under Capital Leases, (d) all obligations or liabilities of others secured by a Lien on any asset of such Person, irrespective of whether such obligation or liability is assumed, (e) all obligations of such Person to pay the deferred purchase price of assets (other than trade payables incurred in the ordinary course of business and repayable in accordance with customary trade practices and, for the avoidance of doubt, other than royalty payments payable in the ordinary course of business in respect of non-exclusive licenses), (f) all monetary obligations of such Person owing under Hedge Agreements (which amount shall be calculated based on the amount that would be payable by such Person if the Hedge Agreement were terminated on the date of determination), (g) any Disqualified Equity Interests of such Person, and (h) any obligation of such Person guaranteeing or intended to guarantee (whether directly or indirectly guaranteed, endorsed, co-made, discounted, or sold with recourse) any obligation of any other Person that constitutes Indebtedness under any of clauses (a) through (g) above. For purposes of this definition, (i) the amount of any Indebtedness represented by a guaranty or other similar instrument shall be the lesser of the principal amount of the obligations guaranteed and still outstanding and the maximum amount for which the guaranteeing Person may be liable pursuant to the terms of the instrument embodying such Indebtedness, and (ii) the amount of any Indebtedness which is limited or is non-recourse to a Person or for which recourse is limited to an identified asset shall be valued at the lesser of (A) if applicable, the limited amount of such obligations, and (B) if applicable, the fair market value of such assets securing such obligation.

“Indemnified Liabilities” has the meaning specified therefor in Section 10.3 of the Agreement.

“Indemnified Person” has the meaning specified therefor in Section 10.3 of the Agreement.

“Indemnified Taxes” means any Taxes other than Excluded Taxes, that are imposed on or with respect to any payment made by or on account of any of the Obligations.

“Insolvency Proceeding” means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other state or federal bankruptcy or insolvency law, assignments for the benefit of creditors, formal or informal moratoria, compositions, extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

“Intercompany Subordination Agreement” means an intercompany subordination agreement, dated as of even date with the Agreement, executed and delivered by Borrower, each of its Subsidiaries, and Agent, the form and substance of which is reasonably satisfactory to Agent.

“Interest Expense” means, for any period, the aggregate of the interest expense of Borrower for such period, determined on a consolidated basis in accordance with GAAP.

“Interest Period” means, with respect to each LIBOR Rate Loan, a period commencing on the date of the making of such LIBOR Rate Loan (or the continuation of a LIBOR Rate Loan or the conversion of a Base Rate Loan to a LIBOR Rate Loan) and ending 1, 2, or 3 months thereafter; provided, that (a) interest shall accrue at the applicable rate based upon the LIBOR Rate from and including the first day of each Interest Period to, but excluding, the day on which any Interest Period expires, (b) any Interest Period that would end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day, (c) with respect to an Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period), the Interest Period shall end on the last Business Day of the calendar month that is 1, 2, or 3 months after the date on which the Interest Period began, as applicable, and (d) Borrower may not elect an Interest Period which will end after the Maturity Date.

“Investment” means, with respect to any Person, any investment by such Person in any other Person (including Affiliates) in the form of loans, guarantees, advances, capital contributions (excluding (a) commission, travel, and similar advances to officers and employees of such Person made in the ordinary course of business, and (b) *bona fide* accounts receivable arising in the ordinary course of business), or acquisitions of Indebtedness, Equity Interests, or all or substantially all of the assets of such other Person (or of any division or business line of such other Person), and any other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. The amount of any Investment shall be the original cost of such Investment plus the cost of all additions thereto, without any adjustment for increases or decreases in value, or write-ups, write-downs, or write-offs with respect to such Investment.

“IPO Covenant Period” means, any quarter ending after a Qualifying Initial Public Offering and during which Liquidity has been at least \$16,000,000 at all times following such Qualifying Initial Public Offering.

“IRC” means the Internal Revenue Code of 1986, as in effect from time to time.

“ISP” means, with respect to any Letter of Credit, the International Standby Practices 1998 (International Chamber of Commerce Publication No. 590) and any subsequent revision thereof adopted by the International Chamber of Commerce on the date such Letter of Credit is issued.

“Issuer Document” means, with respect to any Letter of Credit, a letter of credit application, a letter of credit agreement, or any other document, agreement or instrument entered into (or to be entered into) by Borrower in favor of Issuing Bank and relating to such Letter of Credit.

Schedule 1.1

“Issuing Bank” means Wells Fargo or any other Lender that, at the request of Borrower and with the consent of Agent, agrees, in such Lender’s sole discretion, to become an Issuing Bank for the purpose of issuing Letters of Credit pursuant to Section 2.11 of the Agreement, and Issuing Bank shall be a Lender.

“Joint Book Runners” has the meaning set forth in the preamble to the Agreement.

“Joint Lead Arrangers” has the meaning set forth in the preamble to the Agreement.

“Lender” has the meaning set forth in the preamble to the Agreement, shall include Issuing Bank and the Swing Lender, and shall also include any other Person made a party to the Agreement pursuant to the provisions of Section 13.1 of the Agreement and “Lenders” means each of the Lenders or any one or more of them.

“Lender Group” means each of the Lenders (including Issuing Bank and the Swing Lender) and Agent, or any one or more of them.

“Lender Group Expenses” means all (a) costs or expenses (including taxes and insurance premiums) required to be paid by Borrower or its Subsidiaries under any of the Loan Documents that are paid, advanced, or incurred by the Lender Group, (b) documented out-of-pocket fees or charges paid or incurred by Agent in connection with the Lender Group’s transactions with Borrower or its Subsidiaries under any of the Loan Documents, including, photocopying, notarization, couriers and messengers, telecommunication, public record searches, filing fees, recording fees, publication, real estate surveys, real estate title policies and endorsements, and environmental audits, (c) Agent’s customary fees and charges imposed or incurred in connection with any background checks or OFAC/PEP searches related to Borrower or its Subsidiaries, (d) Agent’s customary fees and charges (as adjusted from time to time) with respect to the disbursement of funds (or the receipt of funds) to or for the account of Borrower (whether by wire transfer or otherwise), together with any out-of-pocket costs and expenses incurred in connection therewith, (e) customary charges imposed or incurred by Agent resulting from the dishonor of checks payable by or to any Loan Party, (f) reasonable documented out-of-pocket costs and expenses paid or incurred by the Lender Group to correct any default or enforce any provision of the Loan Documents, or during the continuance of an Event of Default, in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, preparing for sale, or advertising to sell the Collateral, or any portion thereof, irrespective of whether a sale is consummated, (g) financial examination, appraisal, and valuation fees and expenses of Agent related to any financial examinations, appraisals, or valuation to the extent of the fees and charges (and up to the amount of any limitation) provided in Section 2.10 of the Agreement, (h) Agent’s reasonable costs and expenses (including reasonable documented attorneys fees and expenses) relative to third party claims or any other lawsuit or adverse proceeding paid or incurred, whether in enforcing or defending the Loan Documents or otherwise in connection with the transactions contemplated by the Loan Documents, Agent’s Liens in and to the Collateral, or the Lender Group’s relationship with Borrower or any of its Subsidiaries, (i) Agent’s reasonable documented costs and expenses (including reasonable documented attorneys fees and due diligence expenses) incurred in advising, structuring, drafting, reviewing, administering (including travel, meals, and lodging), syndicating (including reasonable costs and expenses relative to the rating of the Term Loan, CUSIP, DXSyndicate™, SyndTrak or other communication costs incurred in connection with a syndication of the loan facilities), or amending, waiving, or modifying the Loan Documents, and (j) Agent’s and each Lender’s reasonable documented costs and expenses (including reasonable documented attorneys, accountants, consultants, and other advisors fees and expenses) incurred in terminating, enforcing (including attorneys, accountants, consultants, and other advisors fees and expenses incurred in connection with a “workout,” a “restructuring,” or an Insolvency Proceeding concerning Borrower or any of its Subsidiaries or in exercising rights or remedies under the Loan Documents), or defending the Loan Documents, irrespective of whether a lawsuit or other adverse proceeding is brought, or in taking any enforcement action or any Remedial Action with respect to the Collateral.

“Lender Group Representatives” has the meaning specified therefor in Section 17.9 of the Agreement.

“Lender-Related Person” means, with respect to any Lender, such Lender, together with such Lender’s Affiliates, officers, directors, employees, attorneys, and agents.

“Letter of Credit” means a letter of credit (as that term is defined in the Code) issued by Issuing Bank.

“Letter of Credit Collateralization” means either (a) providing cash collateral (pursuant to documentation reasonably satisfactory to Agent, including provisions that specify that the Letter of Credit Fees and all commissions, fees, charges and expenses provided for in Section 2.11(k) of the Agreement (including any fronting fees) will continue to accrue while the Letters of Credit are outstanding) to be held by Agent for the benefit of the Revolving Lenders in an amount equal to 105% of the then existing Letter of Credit Usage, (b) delivering to Agent documentation executed by all beneficiaries under the Letters of Credit, in form and substance reasonably satisfactory to Agent and Issuing Bank, terminating all of such beneficiaries’ rights under the Letters of Credit, or (c) providing Agent with a standby letter of credit, in form and substance reasonably satisfactory to Agent, from a commercial bank acceptable to Agent (in its sole discretion) in an amount equal to 105% of the then existing Letter of Credit Usage (it being understood that the Letter of Credit Fee and all fronting fees set forth in the Agreement will continue to accrue while the Letters of Credit are outstanding and that any such fees that accrue must be an amount that can be drawn under any such standby letter of credit).

“Letter of Credit Disbursement” means a payment made by Issuing Bank pursuant to a Letter of Credit.

“Letter of Credit Exposure” means, as of any date of determination with respect to any Lender, such Lender’s Pro Rata Share of the Letter of Credit Usage on such date.

“Letter of Credit Fee” has the meaning specified therefor in Section 2.6(b) of the Agreement.

“Letter of Credit Indemnified Costs” has the meaning specified therefor in Section 2.11(f) of the Agreement.

“Letter of Credit Related Person” has the meaning specified therefor in Section 2.11(f) of the Agreement.

“Letter of Credit Usage” means, as of any date of determination, the aggregate undrawn amount of all outstanding Letters of Credit.

“LIBOR Deadline” has the meaning specified therefor in Section 2.12(b)(i) of the Agreement.

“LIBOR Notice” means a written notice in the form of Exhibit L-1 to the Agreement.

“LIBOR Option” has the meaning specified therefor in Section 2.12(a) of the Agreement.

“LIBOR Rate” means the rate *per annum* as reported on Reuters Screen LIBOR01 page (or any successor page) 2 Business Days prior to the commencement of the requested Interest Period, for a term,

and in an amount, comparable to the Interest Period and the amount of the LIBOR Rate Loan requested (whether as an initial LIBOR Rate Loan or as a continuation of a LIBOR Rate Loan or as a conversion of a Base Rate Loan to a LIBOR Rate Loan) by Borrower in accordance with the Agreement (and, if any such rate is below zero, the LIBOR Rate shall be deemed to be zero), which determination shall be made by Agent and shall be conclusive in the absence of manifest error.

“LIBOR Rate Loan” means each portion of a Revolving Loan or the Term Loan that bears interest at a rate determined by reference to the LIBOR Rate.

“LIBOR Rate Margin” has the meaning set forth in the definition of Applicable Margin.

“Lien” means any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, easement, lien (statutory or other), security interest, or other security arrangement and any other preference, priority, or preferential arrangement of any kind or nature whatsoever, including any conditional sale contract or other title retention agreement, the interest of a lessor under a Capital Lease and any synthetic or other financing lease having substantially the same economic effect as any of the foregoing.

“Liquidity” means, as of any date of determination, the sum of Availability and Qualified Cash.

“Loan” means any Revolving Loan, Swing Loan, Protective Advance, or Term Loan made (or to be made) hereunder.

“Loan Account” has the meaning specified therefor in Section 2.9 of the Agreement.

“Loan Documents” means the Agreement, the Control Agreements, the Copyright Security Agreement, any Credit Amount Certificate, the Fee Letter, the Guaranty and Security Agreement, the Intercompany Subordination Agreement, any Issuer Documents, the Letters of Credit, the Mortgages, the Patent Security Agreement, the Trademark Security Agreement, any note or notes executed by Borrower in connection with the Agreement and payable to any member of the Lender Group, and any other instrument or agreement entered into, now or in the future, by Borrower or any of its Subsidiaries and any member of the Lender Group in connection with the Agreement.

“Loan Party” means Borrower or any Guarantor.

“Margin Stock” as defined in Regulation U of the Board of Governors as in effect from time to time.

“Material Adverse Effect” means (a) a material adverse effect in the business, operations, results of operations, assets, liabilities or financial condition of Borrower and its Subsidiaries, taken as a whole, (b) a material impairment of Borrower’s and its Subsidiaries ability to perform their obligations under the Loan Documents to which they are parties or of the Lender Group’s ability to enforce the Obligations or realize upon the Collateral (other than as a result of as a result of an action taken or not taken that is solely in the control of Agent), or (c) a material impairment of the enforceability or priority of Agent’s Liens with respect to all or a material portion of the Collateral as a result of an action or the failure to act by Borrower or its Subsidiaries.

“Maturity Date” means March 16, 2020.

“Maximum Revolver Amount” means \$2,500,000.

“Moody’s” has the meaning specified therefor in the definition of Cash Equivalents.

“Mortgages” means, individually and collectively, one or more mortgages, deeds of trust, or deeds to secure debt, executed and delivered by Borrower or its Subsidiaries in favor of Agent, in form and substance reasonably satisfactory to Agent, that encumber the Real Property Collateral.

“MyCase” means MyCase, Inc., a California Corporation.

“MyCase Earn-Out” means the unsecured liabilities of Borrower to (i) Alex Bard, (ii) George Chammas, (iii) Alex Dikowski, (iv) Christopher Schulte and (v) Matthew Spiegel, to make a deferred payment, in the amount of approximately \$2,400,000, as a part of the purchase price for Borrower’s acquisition of MyCase, which is due and payable on or about May 20, 2015.

“Net Cash Proceeds” means:

(a) with respect to any sale or disposition by Borrower or any of its Subsidiaries of assets, the amount of cash proceeds received (directly or indirectly) from time to time (whether as initial consideration or through the payment of deferred consideration) by or on behalf of Borrower or its Subsidiaries, in connection therewith after deducting therefrom only (i) the amount of any Indebtedness secured by any Permitted Lien on any asset (other than (A) Indebtedness owing to Agent or any Lender under the Agreement or the other Loan Documents and (B) Indebtedness assumed by the purchaser of such asset) which is required to be, and is, repaid in connection with such sale or disposition, (ii) reasonable fees, commissions, and expenses related thereto and required to be paid by Borrower or such Subsidiary in connection with such sale or disposition, (iii) taxes paid or payable to any taxing authorities by Borrower or such Subsidiary in connection with such sale or disposition, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid or payable to a Person that is not an Affiliate of Borrower or any of its Subsidiaries, and are properly attributable to such transaction; and (iv) all amounts that are set aside as a reserve (A) for adjustments in respect of the purchase price of such assets, (B) for any liabilities associated with such sale or casualty, to the extent such reserve is required by GAAP, and (C) for the payment of unassumed liabilities relating to the assets sold or otherwise disposed of at the time of, or within 30 days after, the date of such sale or other disposition, to the extent that in each case the funds described above in this clause (iv) are (x) deposited into escrow with a third party escrow agent or set aside in a separate Deposit Account that is subject to a Control Agreement in favor of Agent and (y) paid to Agent as a prepayment of the applicable Obligations in accordance with Section 2.4(e) of the Agreement at such time when such amounts are no longer required to be set aside as such a reserve; and

(b) with respect to the issuance or incurrence of any Indebtedness by Borrower or any of its Subsidiaries, or the issuance by Borrower or any of its Subsidiaries of any Equity Interests, the aggregate amount of cash received (directly or indirectly) from time to time (whether as initial consideration or through the payment or disposition of deferred consideration) by or on behalf of Borrower or such Subsidiary in connection with such issuance or incurrence, after deducting therefrom only (i) reasonable fees, commissions, and expenses related thereto and required to be paid by Borrower or such Subsidiary in connection with such issuance or incurrence, (ii) taxes paid or payable to any taxing authorities by Borrower or such Subsidiary in connection with such issuance or incurrence, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid or payable to a Person that is not an Affiliate of Borrower or any of its Subsidiaries, and are properly attributable to such transaction.

“Net Working Capital” means, as of any date of determination, Current Assets as of such date minus Current Liabilities as of such date.

“Non-Consenting Lender” has the meaning specified therefor in Section 14.2(a) of the Agreement.

“Non-Defaulting Lender” means each Lender other than a Defaulting Lender.

“Obligations” means (a) all loans (including the Term Loan and the Revolving Loans (inclusive of Protective Advances and Swing Loans)), debts, principal, interest (including any interest that accrues after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), reimbursement or indemnification obligations with respect to Letters of Credit (irrespective of whether contingent), premiums, liabilities (including all amounts charged to the Loan Account pursuant to the Agreement), obligations (including indemnification obligations), fees (including the fees provided for in the Fee Letter), Lender Group Expenses (including any fees or expenses that accrue after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), guaranties, and all covenants and duties of any other kind and description owing by any Loan Party arising out of, under, pursuant to, in connection with, or evidenced by the Agreement or any of the other Loan Documents and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including all interest not paid when due and all other expenses or other amounts that Borrower is required to pay or reimburse by the Loan Documents or by law or otherwise in connection with the Loan Documents, and (b) all Bank Product Obligations. Without limiting the generality of the foregoing, the Obligations of Borrower under the Loan Documents include the obligation to pay (i) the principal of the Revolving Loans and the Term Loan, (ii) interest accrued on the Revolving Loans and the Term Loan, (iii) the amount necessary to reimburse Issuing Bank for amounts paid or payable pursuant to Letters of Credit, (iv) Letter of Credit commissions, fees (including fronting fees) and charges, (v) Lender Group Expenses, (vi) fees payable under the Agreement or any of the other Loan Documents, and (vii) indemnities and other amounts payable by any Loan Party under any Loan Document. Any reference in the Agreement or in the Loan Documents to the Obligations shall include all or any portion thereof and any extensions, modifications, renewals, or alterations thereof, both prior and subsequent to any Insolvency Proceeding.

“OFAC” means The Office of Foreign Assets Control of the U.S. Department of the Treasury.

“Originating Lender” has the meaning specified therefor in Section 13.1(e) of the Agreement.

“Participant” has the meaning specified therefor in Section 13.1(e) of the Agreement.

“Participant Register” has the meaning set forth in Section 13.1(i) of the Agreement.

“Patent Security Agreement” has the meaning specified therefor in the Guaranty and Security Agreement.

“Patriot Act” has the meaning specified therefor in Section 4.13 of the Agreement.

“Payments Collection Amounts” means (i) any amounts collected on behalf of, and owed to, customers of Borrower or its Subsidiaries in connection with on line application services, rent collection services, or any other similar services, or (ii) any other amounts commingled with the amounts described in clause (i).

“Perfection Certificate” means a certificate in the form of Exhibit P-1 to the Agreement.

“Permitted Acquisition” means any Acquisition so long as:

- (a) no Default or Event of Default shall have occurred and be continuing or would result from the consummation of the proposed Acquisition and the proposed Acquisition is consensual,
- (b) no Indebtedness will be incurred, assumed, or would exist with respect to Borrower or its Subsidiaries as a result of such Acquisition, other than Permitted Indebtedness, and no Liens will be incurred, assumed, or would exist with respect to the assets of Borrower or its Subsidiaries as a result of such Acquisition other than Permitted Liens,
- (c) except for the RentLinx Acquisition and any Acquisition with a Purchase Price less than \$5,000,000, Borrower has provided Agent with written confirmation, supported by reasonably detailed calculations, that on a *pro forma* basis (including *pro forma* adjustments arising out of events which are directly attributable to such proposed Acquisition, are factually supportable, and are expected to have a continuing impact, in each case, determined as if the combination had been accomplished at the beginning of the relevant period; such eliminations and inclusions to be mutually and reasonably agreed upon by Borrower and Agent) created by adding the historical combined financial statements of Borrower (including the combined financial statements of any other Person or assets that were the subject of a prior Permitted Acquisition during the relevant period) to the historical consolidated financial statements of the Person to be acquired (or the historical financial statements related to the assets to be acquired) pursuant to the proposed Acquisition, Borrower and its Subsidiaries, on a consolidated basis, would have been in compliance with the financial covenants in Section 7 of the Agreement for the fiscal quarter ended immediately prior to the execution of the relevant acquisition agreement,
- (d) except for the RentLinx Acquisition and any Acquisition with a Purchase Price less than \$5,000,000, Borrower has provided Agent with its due diligence package relative to the proposed Acquisition, including forecasted balance sheets, profit and loss statements, and cash flow statements of the Person or assets to be acquired, all prepared on a basis consistent with such Person’s (or assets’) historical financial statements, together with appropriate supporting details and a statement of underlying assumptions for the 1 year period following the date of the proposed Acquisition, on a quarter by quarter basis), in form and substance (including as to scope and underlying assumptions) reasonably satisfactory to Agent,
- (e) Borrower shall have Liquidity in an amount equal to or greater than \$4,000,000 immediately after giving effect to the consummation of the proposed Acquisition,
- (f) the assets being acquired or the Person whose Equity Interests are being acquired did not have trailing 12 consecutive month negative EBITDA as of the end of the 12 consecutive month period most recently concluded for which financial statements are available prior to the date of the proposed Acquisition, and such available financial statements are current as reasonably determined by Agent,
- (g) Borrower has provided Agent with written notice of the proposed Acquisition at least 10 Business Days prior to the anticipated closing date of the proposed Acquisition and, not later than 5 Business Days prior to the anticipated closing date of the proposed Acquisition, copies of the acquisition agreement and other material documents relative to the proposed Acquisition,
- (h) except for the RentLinx Acquisition, the assets being acquired (other than a *de minimis* amount of assets in relation to Borrower’s and its Subsidiaries’ total assets), or the Person whose Equity Interests are being acquired, are useful in or engaged in, as applicable, the business of Borrower and its Subsidiaries or a business reasonably related thereto,

Schedule 1.1

(i) the assets being acquired (other than a *de minimis* amount of assets in relation to the assets being acquired) are located within the United States or the Person whose Equity Interests are being acquired is organized in a jurisdiction located within the United States,

(j) the subject assets or Equity Interests, as applicable, are being acquired directly by a Borrower or one of its Subsidiaries that is a Loan Party, and, in connection therewith, Borrower or the applicable Loan Party shall have complied with Section 5.11 or 5.12 of the Agreement (provided that, other than (x) the filing of financing statements under the Code, (y) the filing of intellectual property security agreements for intellectual property that is registered in the United States, and (z) the delivery of material, domestic stock certificates, in each case which shall be completed on the closing date of such Acquisition, Borrower shall have a commercially reasonable period following the consummation of such Acquisition to comply with the provisions of Section 5.12 with respect to causing Agent's Lien to be perfected in the assets or Person (and such Person's assets) being acquired) and, in the case of an acquisition of Equity Interests, Borrower or the applicable Loan Party shall have demonstrated to Agent that the new Loan Parties have received consideration sufficient to make the joinder documents binding and enforceable against such new Loan Parties, and

(k) without including the RentLinx Acquisition, the purchase consideration payable in respect of all Permitted Acquisitions (including the proposed Acquisition and including deferred payment obligations) shall not exceed \$20,000,000 in the aggregate; provided, that the purchase consideration payable in respect of any single Acquisition or series of related Acquisitions shall not exceed \$10,000,000 in the aggregate (provided, further that the portion of any such purchase consideration consisting of (i) amounts available from the Additional Equity Interest Basket (so long as after giving effect to such Acquisition Borrower will have Liquidity of at least \$16,000,000), or (ii) Qualified Equity Interests of Borrower, shall not be included in the determination of the purchase consideration of such Acquisition).

"Permitted Discretion" means a determination made in the exercise of reasonable (from the perspective of a secured commercial lender) business judgment.

"Permitted Dispositions" means:

(a) sales, abandonment, or other dispositions of property that is worn, damaged, or obsolete or no longer used or useful in the ordinary course of business and leases or subleases of Real Property not used or useful in the conduct of the business of Borrower and its Subsidiaries,

(b) (i) sales of inventory, subscriptions and services to buyers, subscribers and licensees and (ii) in the case of Terra Mar, sales of insurance-related products to buyers and licensees and to parties involved in reinsurance arrangements, in each case in the ordinary course of business,

(c) the use or transfer of money or Cash Equivalents in a manner that is not prohibited by the terms of the Agreement or the other Loan Documents,

(d) the licensing, on a non-exclusive basis, of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of business,

(e) the granting of Permitted Liens,

(f) the sale or discount, in each case without recourse, of accounts receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof,

(g) any involuntary loss, damage or destruction of property,

Schedule 1.1

(h) any involuntary condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, or confiscation or requisition of use of property,

(i) the leasing or subleasing of assets of Borrower or its Subsidiaries in the ordinary course of business,

(j) the sale or issuance of Equity Interests (other than Disqualified Equity Interests) of Borrower, including without limitation in connection with the conversion of preferred equity of Borrower to one or more classes of common equity of Borrower in connection with a Qualifying Initial Public Offering,

(k) (i) the lapse, abandonment, failure to renew or other disposition of registered patents, trademarks, copyrights and other intellectual property of Borrower and its Subsidiaries so long as: (A) with respect to copyrights, such copyrights are not material revenue generating copyrights, and (B) such lapse is not materially adverse to the interests of the Lender Group,

(l) the making of Restricted Payments that are expressly permitted to be made pursuant to the Agreement,

(m) the making of Permitted Investments,

(n) transfers of assets (i) from Borrower or any of its Subsidiaries to a Loan Party, and (ii) from any Subsidiary of Borrower that is not a Loan Party to any other Subsidiary of Borrower,

(o) dispositions of assets acquired by Borrower and its Subsidiaries pursuant to a Permitted Acquisition consummated within 12 months of the date of the proposed disposition so long as (i) the consideration received for the assets to be so disposed is at least equal to the fair market value of such assets, (ii) the assets to be so disposed are not necessary or economically desirable in connection with the business of Borrower and its Subsidiaries, and (iii) the assets to be so disposed are readily identifiable as assets acquired pursuant to the subject Permitted Acquisition,

(p) the unwinding of any Hedge Agreement,

(q) the cancellation or termination of any insurance policies or reinsurance arrangements by Terra Mar in its reasonable business judgment, and

(r) sales or dispositions of assets (other than Equity Interests of Subsidiaries of Borrower) not otherwise permitted in clauses (a) through (q) above so long as made at fair market value and the aggregate fair market value of all assets disposed of in any fiscal year (including the proposed disposition) would not exceed \$250,000.

“Permitted Holder” means Investment Group of Santa Barbara, BV Ventures, Klaus Schausser, John Walker, or Brian Donahoo and any of their related funds, trusts and Affiliates.

“Permitted Indebtedness” means:

(a) Indebtedness evidenced by the Agreement or the other Loan Documents,

(b) Indebtedness set forth on Schedule 4.14 to the Agreement and any Refinancing Indebtedness in respect of such Indebtedness,

Schedule 1.1

(c) Permitted Purchase Money Indebtedness and any Refinancing Indebtedness in respect of such Indebtedness,

(d) endorsement of instruments or other payment items for deposit,

(e) Indebtedness consisting of (i) unsecured guarantees incurred in the ordinary course of business with respect to surety and appeal bonds, performance bonds, bid bonds, appeal bonds, completion guarantee and similar obligations; (ii) unsecured guarantees arising with respect to customary indemnification obligations to purchasers in connection with Permitted Dispositions; and (iii) unsecured guarantees with respect to Indebtedness of Borrower or one of its Subsidiaries, to the extent that the Person that is obligated under such guaranty could have incurred such underlying Indebtedness,

(f) the MyCase Earn-Out (but only until July 31, 2015),

(g) Acquired Indebtedness in an amount not to exceed \$1,500,000 outstanding at any one time,

(h) Indebtedness incurred in the ordinary course of business under performance, surety, statutory, or appeal bonds,

(i) Indebtedness owed to any Person providing property, casualty, liability, or other insurance to Borrower or any of its Subsidiaries, to finance the payment of insurance premiums to such Persons,

(j) the incurrence by Borrower or its Subsidiaries of Indebtedness under Hedge Agreements that are incurred for the *bona fide* purpose of hedging the interest rate, commodity, or foreign currency risks associated with Borrower's and its Subsidiaries' operations and not for speculative purposes,

(k) Indebtedness incurred in the ordinary course of business in respect of credit cards, credit card processing services, debit cards, stored value cards, commercial cards (including so-called "purchase cards", "procurement cards" or "p-cards"), or Cash Management Services,

(l) unsecured Indebtedness of Borrower owing to former employees, officers, or directors (or any spouses, ex-spouses, or estates of any of the foregoing) incurred in connection with the repurchase by Borrower of the Equity Interests of Borrower that has been issued to such Persons, so long as (i) no Default or Event of Default has occurred and is continuing or would result from the incurrence of such Indebtedness, and (ii) the aggregate amount of all such Indebtedness outstanding at any one time does not exceed \$500,000,

(m) unsecured Indebtedness owing to sellers of assets or Equity Interests to a Loan Party that is incurred by the applicable Loan Party in connection with the consummation of one or more Permitted Acquisitions so long as (i) the aggregate principal amount for all such unsecured Indebtedness does not exceed \$1,000,000 at any one time outstanding, (ii) is subordinated to the Obligations on terms and conditions reasonably acceptable to Agent, and (iii) is otherwise on terms and conditions (including all economic terms and the absence of financial and negative covenants) reasonably acceptable to Agent,

(n) contingent liabilities in respect of any indemnification obligation, adjustment of purchase price, non-compete, or similar obligation of Borrower or the applicable Loan Party incurred in connection with the consummation of one or more Permitted Acquisitions,

(o) Indebtedness composing Permitted Investments,

Schedule 1.1

(p) unsecured Indebtedness incurred in respect of netting services, overdraft protection, and other like services, in each case, incurred in the ordinary course of business,

(q) unsecured Indebtedness of Borrower or its Subsidiaries in respect of Earn-Outs owing to sellers of assets or Equity Interests to Borrower or its Subsidiaries that is incurred in connection with the consummation of one or more Permitted Acquisitions so long as such unsecured Indebtedness is on terms and conditions reasonably acceptable to Agent,

(r) Indebtedness in an aggregate outstanding principal amount not to exceed \$250,000 at any time outstanding for all Subsidiaries of Borrower that are Excluded Subsidiaries; provided, that such Indebtedness is not directly or indirectly recourse to any of the Loan Parties or of their respective assets,

(s) accrual of interest, accretion or amortization of original issue discount, or the payment of interest in kind, in each case, on Indebtedness that otherwise constitutes Permitted Indebtedness,

(t) Indebtedness owed to any Person providing worker's compensation, health, disability or other employee benefits or property, casualty or liability insurance incurred in connection with such Person providing such benefits or insurance pursuant to customary reimbursement or indemnification obligations of such Person,

(u) Subordinated Indebtedness, the aggregate outstanding principal amount of which does not exceed \$5,000,000, and

(u) any other unsecured Indebtedness incurred by Borrower or any of its Subsidiaries in an aggregate principal outstanding amount not to exceed \$250,000 at any one time.

"Permitted Intercompany Advances" means loans or equity contributions made by (a) a Loan Party to another Loan Party, (b) a Subsidiary of Borrower that is not a Loan Party to another Subsidiary of Borrower that is not a Loan Party, (c) a Subsidiary of Borrower that is not a Loan Party to a Loan Party, so long as the parties thereto are party to the Intercompany Subordination Agreement, and (d) a Loan Party to a Subsidiary of Borrower that is not a Loan Party so long as (i) the aggregate amount of all such loans (by type, not by the borrower) or equity contributions does not exceed \$250,000 in any one year, (ii) (other than in the case of loans or contributions to Terra Mar) at the time of the making of such loan or contribution, no Event of Default has occurred and is continuing or would result therefrom, and (iii) (other than in the case of loans or contributions to Terra Mar) Borrower has Liquidity of \$4,000,000 or greater immediately after giving effect to each such loan or contribution.

"Permitted Investments" means:

(a) Investments in cash and Cash Equivalents,

(b) Investments in negotiable instruments deposited or to be deposited for collection in the ordinary course of business,

(c) advances made in connection with purchases of goods or services in the ordinary course of business, including, without limitation, accounts receivable, trade debt and deposits made in furtherance of the foregoing,

(d) Investments received in settlement of amounts due to any Loan Party or any of its Subsidiaries effected in the ordinary course of business or owing to any Loan Party or any of its Subsidiaries as a result of Insolvency Proceedings involving an account debtor or upon the foreclosure or enforcement of any Lien in favor of a Loan Party or its Subsidiaries,

Schedule 1.1

- (e) Investments owned by any Loan Party or any of its Subsidiaries on the Closing Date and set forth on Schedule P-1 to the Agreement,
- (f) guarantees permitted under the definition of Permitted Indebtedness,
- (g) Permitted Intercompany Advances,
- (h) Equity Interests or other securities acquired in connection with the satisfaction or enforcement of Indebtedness or claims due or owing to a Loan Party or its Subsidiaries (in bankruptcy of customers or suppliers or otherwise outside the ordinary course of business) or as security for any such Indebtedness or claims,
- (i) deposits, prepayments and other credits to suppliers and deposits in connection with lease obligations, taxes, insurance and similar items, in each case made in the ordinary course of business to secure contractual obligations Borrower or its Subsidiaries,
- (j) (i) non-cash loans and advances to employees, officers, and directors of Borrower or any of its Subsidiaries for the purpose of purchasing Equity Interests in Borrower so long as the proceeds of such loans are used in their entirety to purchase such Equity Interests in Borrower, and (ii) loans and advances to employees and officers of Borrower or any of its Subsidiaries in the ordinary course of business for any other business purpose and in an aggregate amount not to exceed \$250,000 at any one time in respect of this clause (j)(ii),
- (k) Permitted Acquisitions,
- (l) Investments in the form of capital contributions and the acquisition of Equity Interests made by any Loan Party in any other Loan Party (other than capital contributions to or the acquisition of Equity Interests of Borrower unless permitted under Section 6.7),
- (m) Investments resulting from entering into (i) Bank Product Agreements, or (ii) agreements relative to Indebtedness that is permitted under clause (j) of the definition of Permitted Indebtedness,
- (n) equity Investments by any Loan Party in any Subsidiary of such Loan Party which is required by law to maintain a minimum net capital requirement or as may be otherwise required by applicable law,
- (o) Investments held by a Person acquired in a Permitted Acquisition to the extent that such Investments were not made in contemplation of or in connection with such Permitted Acquisition and were in existence on the date of such Permitted Acquisition,
- (p) Investments in the form of non-cash consideration received in connection with Permitted Dispositions,
- (q) earnest money deposits made in connection with any letter of intent or purchase agreement permitted under this Agreement,
- (r) so long as no Event of Default has occurred and is continuing or would result therefrom, any other Investments in an aggregate amount not to exceed \$500,000 during the term of the Agreement, and
- (t) other Investments (other than Acquisitions) in an aggregate amount not to exceed the amount available under the Additional Equity Interest Basket so long as (i) no Default or Event of Default has occurred and is continuing or would result from the consummation of such Investment and (ii) after giving effect to such Investment Borrower will have Liquidity of at least \$16,000,000.

“Permitted Liens” means

(a) Liens granted to, or for the benefit of, Agent to secure the Obligations,

(b) Liens for unpaid taxes, assessments, or other governmental charges or levies that either (i) are not yet delinquent, or (ii) unless such Liens secure amounts less than \$10,000 in the aggregate, do not have priority over Agent’s Liens and (iii) the underlying taxes, assessments, or charges or levies are the subject of Permitted Protests,

(c) judgment Liens arising solely as a result of the existence of judgments, orders, or awards that do not constitute an Event of Default under Section 8.3 of the Agreement,

(d) Liens set forth on Schedule P-2 to the Agreement; provided, that to qualify as a Permitted Lien, any such Lien described on Schedule P-2 to the Agreement shall only secure the Indebtedness that it secures on the Closing Date and any Refinancing Indebtedness in respect thereof,

(e) the interests of lessors, licensors, and sublessors under leases, licenses or subleases in the ordinary course of business,

(f) purchase money Liens or the interests of lessors under Capital Leases to the extent that such Liens or interests secure Permitted Purchase Money Indebtedness and so long as (i) such Lien attaches only to the asset purchased or acquired and the proceeds thereof, and (ii) such Lien only secures the Indebtedness that was incurred to acquire the asset purchased or acquired or any Refinancing Indebtedness in respect thereof,

(g) Liens arising by operation of law in favor of warehousemen, landlords, carriers, mechanics, materialmen, laborers, or suppliers, incurred in the ordinary course of business and not in connection with the borrowing of money, and which Liens either (i) are for sums not yet delinquent, or (ii) are the subject of Permitted Protests,

(h) Liens on amounts deposited to secure Borrower’s and its Subsidiaries’ obligations in connection with worker’s compensation or other unemployment insurance,

(i) Liens on amounts deposited to secure Borrower’s and its Subsidiaries’ obligations in connection with the making or entering into of bids, tenders, or leases in the ordinary course of business and not in connection with the borrowing of money,

(j) Liens on amounts deposited to secure Borrower’s and its Subsidiaries’ reimbursement obligations with respect to surety or appeal bonds obtained in the ordinary course of business,

(k) with respect to any Real Property, easements, rights of way, minor defects or irregularities in title, inchoate Liens for non-delinquent real property taxes and assessments, zoning restrictions and other similar encumbrances or land use restrictions that do not materially interfere with or impair the use or operation thereof,

Schedule 1.1

(l) non-exclusive licenses of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of business,

(m) Liens that are replacements of Permitted Liens to the extent that the original Indebtedness is the subject of permitted Refinancing Indebtedness and so long as the replacement Liens only encumber those assets that secured the original Indebtedness,

(n) rights of setoff or bankers' liens upon deposits of funds in favor of banks or other depository institutions, solely to the extent incurred in connection with the maintenance of such Deposit Accounts in the ordinary course of business,

(o) Liens granted in the ordinary course of business on the unearned portion of insurance premiums securing the financing of insurance premiums to the extent the financing is permitted under the definition of Permitted Indebtedness,

(p) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods,

(q) Liens solely on any cash earnest money deposits made by Borrower or any of its Subsidiaries in connection with any letter of intent or purchase agreement with respect to a Permitted Acquisition,

(r) Liens assumed by Borrower or its Subsidiaries in connection with a Permitted Acquisition that secure Acquired Indebtedness, and

(s) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other forms of governmental insurance or benefits,

(t) Liens of sellers of goods arising under Article II of the Code or similar provisions of applicable law in the ordinary course of business, covering only the goods sold or securing only the unpaid purchase price of such goods and related expenses,

(u) precautionary Code filings made by a lessor pursuant to an operating lease entered into in the ordinary course of business,

(v) holdbacks and Liens on amounts deposited to secure obligations for chargebacks in respect of credit card and other payment processing services in the ordinary course of business,

(x) Liens over Terra Mar's deposits, loan loss reserves and premium amounts pursuant to the terms of Terra Mar's reinsurance arrangements in effect from time to time and pursuant to regulatory requirements of relevant Governmental Authorities related to Terra Mar's operations, and

(y) other Liens which do not secure Indebtedness for borrowed money or letters of credit and as to which the aggregate amount of the obligations secured thereby does not exceed \$250,000.

"Permitted Protest" means the right of Borrower or any of its Subsidiaries to protest any Lien (other than any Lien that secures the Obligations), taxes (other than payroll taxes or taxes that are the subject of a United States federal tax lien), or rental payment, provided that (a) a reserve with respect to such obligation is established on Borrower's or its Subsidiaries' books and records in such amount as is required under GAAP, (b) any such protest is instituted promptly and prosecuted diligently by Borrower or its Subsidiary, as applicable, in good faith, and (c) Agent is satisfied that, while any such protest is pending, there will be no impairment of the enforceability, validity, or priority of any of Agent's Liens.

“Permitted Purchase Money Indebtedness” means, as of any date of determination, Indebtedness (other than the Obligations, but including Capitalized Lease Obligations), incurred after the Closing Date and at the time of, or within 60 days after, the acquisition of any fixed assets for the purpose of financing all or any part of the acquisition cost thereof, in an aggregate principal amount outstanding at any one time not in excess of \$2,500,000.

“Person” means natural persons, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, trusts, land trusts, business trusts, or other organizations, irrespective of whether they are legal entities, and governments and agencies and political subdivisions thereof.

“Platform” has the meaning specified therefor in Section 17.9(c) of the Agreement.

“Post-Increase Revolver Lenders” has the meaning specified therefor in Section 2.14 of the Agreement.

“Pre-Increase Revolver Lenders” has the meaning specified therefor in Section 2.14 of the Agreement.

“Projections” means Borrower’s forecasted (a) balance sheets, (b) profit and loss statements, and (c) cash flow statements, all prepared on a basis consistent with Borrower’s historical financial statements, together with appropriate supporting details and a statement of underlying assumptions.

“Pro Rata Share” means, as of any date of determination:

(a) with respect to a Lender’s obligation to make all or a portion of the Revolving Loans, with respect to such Lender’s right to receive payments of interest, fees, and principal with respect to the Revolving Loans, and with respect to all other computations and other matters related to the Revolver Commitments or the Revolving Loans, the percentage obtained by dividing (i) the Revolving Loan Exposure of such Lender by (ii) the aggregate Revolving Loan Exposure of all Lenders,

(b) with respect to a Lender’s obligation to participate in the Letters of Credit, with respect to such Lender’s obligation to reimburse Issuing Bank, and with respect to such Lender’s right to receive payments of Letter of Credit Fees, and with respect to all other computations and other matters related to the Letters of Credit, the percentage obtained by dividing (i) the Revolving Loan Exposure of such Lender by (ii) the aggregate Revolving Loan Exposure of all Lenders; provided, that if all of the Revolving Loans have been repaid in full and all Revolver Commitments have been terminated, but Letters of Credit remain outstanding, Pro Rata Share under this clause shall be determined as if the Revolver Commitments had not been terminated and based upon the Revolver Commitments as they existed immediately prior to their termination,

(c) with respect to a Lender’s obligation to make all or a portion of the Term Loan, with respect to such Lender’s right to receive payments of interest, fees, and principal with respect to the Term Loan, and with respect to all other computations and other matters related to the Term Loan Commitments or the Term Loan, the percentage obtained by dividing (i) the Term Loan Exposure of such Lender by (ii) the aggregate Term Loan Exposure of all Lenders, and

(d) with respect to all other matters and for all other matters as to a particular Lender (including the indemnification obligations arising under Section 15.7 of the Agreement), the percentage obtained by dividing (i) the sum of the Term Loan Exposure of such Lender plus the Revolving Loan Exposure of such Lender by (ii) the sum of the aggregate Term Loan Exposure of all Lenders plus the aggregate

Revolving Loan Exposure of all Lenders, in any such case as the applicable percentage may be adjusted by assignments permitted pursuant to Section 13.1; provided, that if all of the Loans have been repaid in full, all Letters of Credit have been made the subject of Letter of Credit Collateralization, and all Commitments have been terminated, Pro Rata Share under this clause shall be determined as if the Revolving Loan Exposures and Term Loan Exposures had not been repaid, collateralized, or terminated and shall be based upon the Revolving Loan Exposures and Term Loan Exposures as they existed immediately prior to their repayment, collateralization, or termination.

“Protective Advances” has the meaning specified therefor in Section 2.3(d)(i) of the Agreement.

“Public Lender” has the meaning specified therefor in Section 17.9(c) of the Agreement.

“Purchase Price” means, with respect to any Acquisition, an amount equal to the aggregate consideration, whether cash, property or securities (including the fair market value of any Equity Interests of Borrower issued in connection with such Acquisition and including the amount of Earn-Outs required to be reflected on the consolidated balance sheet of the Borrower as a liability), paid or delivered by Borrower or one of its Subsidiaries in connection with such Acquisition (whether paid at the closing thereof or payable thereafter and whether fixed or contingent), but excluding therefrom (a) any cash of the seller and its Affiliates used to fund any portion of such consideration and (b) any cash or Cash Equivalents acquired in connection with such Acquisition.

“Qualified Cash” means, as of any date of determination, the amount of unrestricted cash and Cash Equivalents of Loan Parties that is in Deposit Accounts or in Securities Accounts, or any combination thereof, and which such Deposit Account or Securities Account is the subject of a Control Agreement and is maintained by a branch office of the bank or securities intermediary located within the United States. Qualified Cash will not include any Payments Collection Amounts.

“Qualified Equity Interest” means and refers to any Equity Interests issued by Borrower (and not by one or more of its Subsidiaries) that is not a Disqualified Equity Interest.

“Qualifying Initial Public Offering” means an underwritten initial public offering by Borrower of its Equity Interests in an underwritten primary public offering (other than a public offering pursuant to a registration statement on Form S-8) pursuant to an effective registration statement filed with the Securities and Exchange Commission in accordance with the Securities Act, as amended (whether alone or in connection with a secondary public offering), resulting in Net Cash Proceeds of at least \$40,000,000.

“Real Property” means any estates or interests in real property now owned or hereafter acquired by Borrower or its Subsidiaries and the improvements thereto.

“Real Property Collateral” means any Real Property hereafter acquired by Borrower or its Subsidiaries with a fair market value in excess of \$1,000,000.

“Record” means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

“Recurring Revenues” means, with respect to any period, all hosted, and subscription revenues attributable to Borrower’s property management software (including Value+) and earned by Borrower during such period, calculated on a basis consistent with the financial statements delivered to Agent prior to the Closing Date.

“Reference Period” has the meaning set forth in the definition of EBITDA.

“Refinancing Indebtedness” means refinancings, renewals, or extensions of Indebtedness so long as:

(a) such refinancings, renewals, or extensions do not result in an increase in the principal amount of the Indebtedness so refinanced, renewed, or extended, other than by the amount of accrued interest thereon, premiums paid thereon and the fees and expenses incurred in connection therewith and by the amount of unfunded commitments with respect thereto,

(b) such refinancings, renewals, or extensions do not result in a shortening of the average weighted maturity (measured as of the refinancing, renewal, or extension) of the Indebtedness so refinanced, renewed, or extended, nor are they on terms or conditions that, taken as a whole, are or could reasonably be expected to be materially adverse to the interests of the Lenders,

(c) if the Indebtedness that is refinanced, renewed, or extended was subordinated in right of payment to the Obligations, then the terms and conditions of the refinancing, renewal, or extension must include subordination terms and conditions that are at least as favorable to the Lender Group as those that were applicable to the refinanced, renewed, or extended Indebtedness, and

(d) the Indebtedness that is refinanced, renewed, or extended is not recourse to any Person that is liable on account of the Obligations other than those Persons which were obligated with respect to the Indebtedness that was refinanced, renewed, or extended.

“Register” has the meaning set forth in Section 13.1(h) of the Agreement.

“Registered Loan” has the meaning set forth in Section 13.1(h) of the Agreement.

“Related Fund” means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course and that is administered, advised or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers, advises or manages a Lender.

“Remedial Action” means all actions taken to (a) clean up, remove, remediate, contain, treat, monitor, assess, evaluate, or in any way address Hazardous Materials in the indoor or outdoor environment, (b) prevent or minimize a release or threatened release of Hazardous Materials so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment, (c) restore or reclaim natural resources or the environment, (d) perform any pre-remedial studies, investigations, or post-remedial operation and maintenance activities, or (e) conduct any other actions with respect to Hazardous Materials required by Environmental Laws.

“RentLinx” means RentLinx LLC, a Michigan limited liability company.

“RentLinx Acquisition” means the Acquisition by Borrower or MyCase of RentLinx, which as of the Closing Date is currently expected to occur in the second quarter of fiscal year 2015 and is currently expected to be effectuated through an equity purchase.

“Replacement Lender” has the meaning specified therefor in Section 2.13(b) of the Agreement.

“Report” has the meaning specified therefor in Section 15.16 of the Agreement.

“Required Availability” means that, as of the Closing Date, after giving effect to the borrowing of the Term Loans, the sum of (a) Availability, *plus* (b) Qualified Cash exceeds \$10,000,000 of which at least \$2,500,000 represents Availability in respect of Revolving Loans.

“Required Lenders” means, at any time, Lenders having or holding more than 50% of the sum of (a) the aggregate Revolving Loan Exposure of all Lenders, *plus* (b) the aggregate Term Loan Exposure of all Lenders; provided, that (i) the Revolving Loan Exposure and Term Loan Exposure of any Defaulting Lender shall be disregarded in the determination of the Required Lenders, and (ii) at any time there are 2 or more Lenders, “Required Lenders” must include at least 2 Lenders (who are not Affiliates of one another).

“Restricted Payment” means to (a) declare or pay any dividend or make any other payment or distribution, directly or indirectly, on account of Equity Interests issued by Borrower (including any payment in connection with any merger or consolidation involving Borrower) or to the direct or indirect holders of Equity Interests issued by Borrower in their capacity as such (other than dividends or distributions payable in Qualified Equity Interests issued by Borrower, (b) purchase, redeem, make any sinking fund or similar payment, or otherwise acquire or retire for value (including in connection with any merger or consolidation involving Borrower) any Equity Interests issued by Borrower (other than in exchange for other Qualified Equity Interests), (c) make any cash payment to retire, or to obtain the surrender of, any outstanding warrants, options, or other rights to acquire Equity Interests of Borrower now or hereafter outstanding, or (d) make, or cause or suffer to permit any of Borrower’s Subsidiaries to make, any payment or prepayment of principal of, premium, if any, or interest on, or redemption, purchase, retirement, defeasance (including in-substance or legal defeasance), sinking fund or similar payment with respect to, any Subordinated Indebtedness.

“Revolver Commitment” means, with respect to each Revolving Lender, its Revolver Commitment, and, with respect to all Revolving Lenders, their Revolver Commitments, in each case as such Dollar amounts are set forth beside such Revolving Lender’s name under the applicable heading on Schedule C-1 to the Agreement or in the Assignment and Acceptance pursuant to which such Revolving Lender became a Revolving Lender under the Agreement, as such amounts may be reduced or increased from time to time pursuant to assignments made in accordance with the provisions of Section 13.1 of the Agreement.

“Revolver Usage” means, as of any date of determination, the sum of (a) the amount of outstanding Revolving Loans (inclusive of Swing Loans and Protective Advances), *plus* (b) the amount of the Letter of Credit Usage.

“Revolving Lender” means a Lender that has a Revolving Loan Commitment or that has an outstanding Revolving Loan.

“Revolving Loan Exposure” means, with respect to any Revolving Lender, as of any date of determination (a) prior to the termination of the Revolver Commitments, the amount of such Lender’s Revolver Commitment, and (b) after the termination of the Revolver Commitments, the aggregate outstanding principal amount of the Revolving Loans of such Lender.

“Revolving Loans” has the meaning specified therefor in Section 2.1(a) of the Agreement.

“Sanctioned Entity” means (a) a country or a government of a country, (b) an agency of the government of a country, (c) an organization directly or indirectly controlled by a country or its government, (d) a Person resident in or determined to be resident in a country, in each case, that is subject to a country sanctions program administered and enforced by OFAC.

“Sanctioned Person” means a person named on the list of Specially Designated Nationals maintained by OFAC.

“S&P” has the meaning specified therefor in the definition of Cash Equivalents.

“SEC” means the United States Securities and Exchange Commission and any successor thereto.

“Securities Account” means a securities account (as that term is defined in the Code).

“Securities Act” means the Securities Act of 1933, as amended from time to time, and any successor statute.

“Senior Leverage Ratio” means, as of any date of determination, the ratio of (a) the sum of (i) the outstanding principal balance of the Term Loan plus (ii) the Revolver Usage, in each case, as of such date, to (b) Borrower’s TTM EBITDA as of such date.

“Senior Leverage Ratio Calculation” has the meaning set forth in the definition of Applicable Margin.

“Settlement” has the meaning specified therefor in Section 2.3(e)(i) of the Agreement.

“Settlement Date” has the meaning specified therefor in Section 2.3(e)(i) of the Agreement.

“Solvent” means, with respect to any Person as of any date of determination, that (a) at fair valuations, the sum of such Person’s debts (including contingent liabilities) is less than all of such Person’s assets, (b) such Person is not engaged or about to engage in a business or transaction for which the remaining assets of such Person are unreasonably small in relation to the business or transaction or for which the property remaining with such Person is an unreasonably small capital, and (c) such Person has not incurred and does not intend to incur, or reasonably believe that it will incur, debts beyond its ability to pay such debts as they become due (whether at maturity or otherwise), and (d) such Person is “solvent” or not “insolvent”, as applicable within the meaning given those terms and similar terms under applicable laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability (irrespective of whether such contingent liabilities meet the criteria for accrual under Statement of Financial Accounting Standard No. 5).

“Standard Letter of Credit Practice” means, for Issuing Bank, any domestic or foreign law or letter of credit practices applicable in the city in which Issuing Bank issued the applicable Letter of Credit or, for its branch or correspondent, such laws and practices applicable in the city in which it has advised, confirmed or negotiated such Letter of Credit, as the case may be, in each case, (a) which letter of credit practices are of banks that regularly issue letters of credit in the particular city, and (b) which laws or letter of credit practices are required or permitted under ISP or UCP, as chosen in the applicable Letter of Credit.

“Subordinated Indebtedness” means any unsecured Indebtedness of Borrower or its Subsidiaries incurred from time to time that is subordinated in right of payment to the Obligations and (a) that, if guaranteed, is only guaranteed by the Guarantors, (b) that is not subject to scheduled amortization, redemption, sinking fund or similar payment and does not have a final maturity, in each case, on or before the date that is six months after the Maturity Date, (c) that does not include any financial covenants or any covenant or agreement that is more restrictive or onerous on any Loan Party in any material respect than

any comparable covenant in the Agreement and is otherwise on terms and conditions reasonably acceptable to Agent, (d) shall be limited to cross-payment default and cross-acceleration to designated “senior debt” (including the Obligations), and (e) the terms and conditions of the subordination are reasonably acceptable to Agent.

“Subsidiary” of a Person means a corporation, partnership, limited liability company, or other entity in which that Person directly or indirectly owns or controls the Equity Interests having ordinary voting power to elect a majority of the Board of Directors of such corporation, partnership, limited liability company, or other entity.

“Swing Lender” means Wells Fargo or any other Lender that, at the request of Borrower and with the consent of Agent agrees, in such Lender’s sole discretion, to become the Swing Lender under Section 2.3(b) of the Agreement.

“Swing Loan” has the meaning specified therefor in Section 2.3(b) of the Agreement.

“Swing Loan Exposure” means, as of any date of determination with respect to any Lender, such Lender’s Pro Rata Share of the Swing Loans on such date.

“Taxes” means any taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein, and all interest, penalties or similar liabilities with respect thereto.

“Tax Lender” has the meaning specified therefor in Section 14.2(a) of the Agreement.

“Term Loan” has the meaning specified therefor in Section 2.2 of the Agreement.

“Term Loan Amount” means \$10,000,000.

“Term Loan Commitment” means, with respect to each Lender, its Term Loan Commitment, and, with respect to all Lenders, their Term Loan Commitments, in each case as such Dollar amounts are set forth beside such Lender’s name under the applicable heading on Schedule C-1 to the Agreement or in the Assignment and Acceptance pursuant to which such Lender became a Lender under the Agreement, as such amounts may be reduced or increased from time to time pursuant to assignments made in accordance with the provisions of Section 13.1 of the Agreement.

“Term Loan Exposure” means, with respect to any Term Loan Lender, as of any date of determination (a) prior to the funding of the Term Loan, the amount of such Lender’s Term Loan Commitment, and (b) after the funding of the Term Loan, the outstanding principal amount of the Term Loan held by such Lender.

“Term Loan Lender” means a Lender that has a Term Loan Commitment or that has a portion of the Term Loan.

“Terra Mar” means Terra Mar Insurance Company, Inc., a Hawaii corporation.

“Trademark Security Agreement” has the meaning specified therefor in the Guaranty and Security Agreement.

“TTM EBITDA” means, as of any date of determination, EBITDA of Borrower determined on a consolidated basis in accordance with GAAP, for the 12 month period most recently ended.

“TTM Recurring Revenue” means, as of any date of determination, Recurring Revenues of Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP, for the 12 month period most recently ended.

“UCP” means, with respect to any Letter of Credit, the Uniform Customs and Practice for Documentary Credits 2007 Revision, International Chamber of Commerce Publication No. 600 and any subsequent revision thereof adopted by the International Chamber of Commerce on the date such Letter of Credit is issued.

“United States” means the United States of America.

“Unused Line Fee” has the meaning specified therefor in Section 2.10(b) of the Agreement.

“Voidable Transfer” has the meaning specified therefor in Section 17.8 of the Agreement.

“Wells Fargo” means Wells Fargo Bank, National Association, a national banking association.

Schedule 1.1

Schedule 3.1

The obligation of each Lender to make its initial extension of credit provided for in the Agreement is subject to the fulfillment, to the satisfaction of each Lender (the making of such initial extension of credit by any Lender being conclusively deemed to be its satisfaction or waiver of the following), of each of the following conditions precedent:

- (a) the Closing Date shall occur on or before April 30, 2015;
- (b) Agent shall have received each of the following documents, in form and substance satisfactory to Agent, duly executed and delivered, and each such document shall be in full force and effect:
 - (i) a completed Credit Amount Certificate;
 - (ii) the disbursement instruction letter,
 - (iii) the Fee Letter,
 - (iv) the Guaranty and Security Agreement,
 - (v) the Intercompany Subordination Agreement,
 - (vi) a completed Perfection Certificate for each of the Loan Parties,
 - (vii) the Patent Security Agreement, and
 - (viii) the Trademark Security Agreement;
- (c) Agent shall have received a certificate from the Secretary of each Loan Party (i) attesting to the resolutions or unanimous written consent of such Loan Party's board of directors authorizing its execution, delivery, and performance of the Loan Documents to which it is a party, (ii) authorizing specific officers of such Loan Party to execute the same, and (iii) attesting to the incumbency and signatures of such specific officers of such Loan Party;
- (d) Agent shall have received copies of each Loan Party's Governing Documents, as amended, modified, or supplemented to the Closing Date, which Governing Documents shall be (i) certified by the Secretary of such Loan Party, and (ii) with respect to Governing Documents that are charter documents, certified as of a recent date (not more than 30 days prior to the Closing Date) by the appropriate governmental official;
- (e) Agent shall have received a certificate of status with respect to each Loan Party, dated within 30 days of the Closing Date, such certificate to be issued by the appropriate officer of the jurisdiction of organization of such Loan Party, which certificate shall indicate that such Loan Party is in good standing in such jurisdiction;
- (f) Agent shall have received certificates of status with respect to each Loan Party, each dated within 30 days of the Closing Date, such certificates to be issued by the appropriate officer of the jurisdictions (other than the jurisdiction of organization of such Loan Party) in which its failure to be duly qualified or licensed would constitute a Material Adverse Effect, which certificates shall indicate that such Loan Party is in good standing in such jurisdictions;

- (g) Agent shall have received a certificate of insurance, together with the endorsements thereto, as are required by Section 5.6 of the Agreement, the form and substance of which shall be satisfactory to Agent;
- (h) Agent shall have received an opinion of the Loan Parties' counsel in form and substance satisfactory to Agent;
- (i) Borrower shall have the Required Availability after giving effect to the initial extensions of credit under the Agreement and the payment of all fees and expenses required to be paid by Borrower on the Closing Date under the Agreement or the other Loan Documents;
- (j) a review of Borrower's and its Subsidiaries' material agreements, in each case, the results of which shall be satisfactory to Agent;
- (k) Agent shall have completed (i) Patriot Act searches, OFAC/PEP searches and customary individual background checks for each Loan Party, and (ii) OFAC/PEP searches and customary individual background searches for each Loan Party's senior management and key principals, the results of which shall be satisfactory to Agent;
- (l) Agent shall have received a set of Projections of Borrower for the 3 year period following the Closing Date (on a year by year basis, and for the 2 year period following the Closing Date, on a quarterly basis), in form and substance (including as to scope and underlying assumptions) satisfactory to Agent;
- (m) Borrower shall have paid all Lender Group Expenses incurred in connection with the transactions evidenced by the Agreement and the other Loan Documents;
- (n) Borrower and each of its Subsidiaries shall have received all licenses, approvals or evidence of other actions required by any Governmental Authority in connection with the execution and delivery by Borrower or its Subsidiaries of the Loan Documents or with the consummation of the transactions contemplated thereby; and
- (o) all other documents and legal matters in connection with the transactions contemplated by the Agreement shall have been delivered, executed, or recorded and shall be in form and substance satisfactory to Agent.

SCHEDULE 3.6

(a) Within 30 days following the Closing Date (unless extended by Agent in its sole discretion), Borrower shall provide Agent with duly executed Control Agreements and Controlled Account Agreements, in form and substance reasonably satisfactory to Agent, as are required by Section 7 of the Guaranty and Security Agreement.

(b) Within 90 days following the Closing Date (unless extended by Agent in its sole discretion), Borrower shall use commercially reasonable best efforts to deliver to Agent duly executed collateral access agreements, in form and substance reasonably satisfactory to Agent, with respect to the properties located at: (i) 50 Castilian Drive, Goleta, California, 93117; and (ii) 800 E. Campbell, Suite 224, Richardson, Texas, 75081.

Schedule 3.6

Schedule 5.1

Deliver to Agent (and if so requested by Agent, with copies for each Lender) each of the financial statements, reports, or other items set forth below at the following times in form satisfactory to Agent:

Monthly, as soon as available, but in any event within 30 days after the end of each month (other than the last month of any fiscal quarter or fiscal year)	a) a detailed report regarding Borrower's and its Subsidiaries' cash and Cash Equivalents, including an indication of which accounts constitute Qualified Cash and which accounts contain Payments Collection Amounts (each measured as of the date on which such report is actually delivered), b) an unaudited consolidated balance sheet and income statement covering Borrower's and its Subsidiaries' operations during such period, together with consolidating revenue information for Property Manager and MyCase, c) a Credit Amount Certificate, and d) a Compliance Certificate along with the underlying calculations, including the calculations to arrive at EBITDA.
Quarterly (no later than 45 days following the end of each fiscal quarter)	e) each of the items noted in clauses (a) through (d) above, f) an IP Reporting Certificate, g) a Perfection Certificate or a supplement to the Perfection Certificate, h) a report detailing Recurring Revenue retention statistics for the prior quarter and for the trailing four quarters, in form and methodology consistent with what has been previously provided to Agent, and i) a summary report showing all deferred revenues as set forth in Borrower's and its Subsidiaries' balance sheet for the prior quarter by revenue type (e.g. license, services, subscription, maintenance).
Annually, as soon as available, but in any event within 120 days after the end of each of Borrower's fiscal years commencing with the fiscal year ending December 31, 2015	j) consolidated financial statements of Borrower and its Subsidiaries for each such fiscal year, audited by PricewaterhouseCoopers or other independent certified public accountants reasonably acceptable to Agent and certified, without any qualifications (including any (A) "going concern" or like qualification or exception, (B) qualification or exception as to the scope of such audit, or (C) qualification which relates to the treatment or classification of any item and which, as a condition to the removal of such qualification, would require an adjustment to such item, the effect of which would be to cause any noncompliance with the provisions of <u>Section Z</u> of the Agreement), by such accountants to have been prepared in accordance with GAAP (such audited financial statements to include a balance sheet, income statement, statement of cash flow, and statement of shareholder's equity), k) a Compliance Certificate along with the underlying calculations, including the calculations to arrive at EBITDA, and l) a detailed calculation of Excess Cash Flow.

Annually, as soon as available, but in any event within 30 days after the start of each of Borrower's fiscal years	m) copies of Borrower's Projections, in form and substance (including as to scope and underlying assumptions) satisfactory to Agent, in its Permitted Discretion, for the forthcoming 3 years, year by year, and for the forthcoming fiscal year, fiscal quarter by fiscal quarter, certified by the chief financial officer of Borrower as being such officer's good faith estimate of the financial performance of Borrower during the period covered thereby.
If and when distributed by Borrower	n) any information that is provided by Borrower to its shareholders generally.
Promptly, but in any event within 5 days after Borrower has knowledge of (i) any event or condition that constitutes a Default or an Event of Default and/or (ii) the commencement of service of process with respect thereto	o) notice of such event or condition and a statement of the curative action that Borrower proposes to take with respect thereto, and p) notice of all actions, suits, or proceedings brought by or against Borrower or any of its Subsidiaries before any Governmental Authority which reasonably could be expected to result in a Material Adverse Effect.
Upon the reasonable request of Agent	q) any other information reasonably requested relating to the financial condition of Borrower or its Subsidiaries.

Agent acknowledges and agrees that any information required to be delivered above that is included in materials filed with the SEC (other than information regarding a Default or Event of Default) shall be deemed to have been delivered on the date on which such materials are filed electronically with the SEC's EDGAR system and are publicly available.

List of Subsidiaries of the registrant

Subsidiary
MyCase, Inc.
Terra Mar Insurance Company, Inc.
RentLinx LLC

Jurisdiction
California
Hawaii
Michigan

April 17, 2015

CONFIDENTIAL SUBMISSION
VIA EDGAR

U.S. Securities and Exchange Commission
Division of Corporate Finance
100 F Street, NE
Washington, DC 20549

RE: Confidential Submission of Draft Registration Statement by AppFolio, Inc. Pursuant to Title I, Section 106 under the Jumpstart Our Business Startups Act and Section 24(b)(2) of the Securities Exchange Act of 1934

Ladies and Gentlemen:

On behalf of AppFolio, Inc., a Delaware corporation (the "Company"), we hereby confidentially submit a draft Registration Statement on Form S-1 of the Company (the "Registration Statement") pursuant to Title I, Section 106 under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") and Section 24(b)(2) of the Securities Exchange Act of 1934, as amended, for non-public review by the Staff of the Securities and Exchange Commission prior to the public filing of the Registration Statement. We hereby confirm that the Company is an "emerging growth company" as defined in the JOBS Act.

If you have any questions with respect to this confidential submission, please feel free to contact me via telephone at (949) 725-4115 or via electronic mail at rwilkins@sycr.com.

Sincerely,



Ryan C. Wilkins
for Stradling Yocca Carlson & Rauth, P.C.