
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

OR

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

For the transition period from _____ to _____
Commission File Number: 001-36089

RingCentral, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

94-3322844
(I.R.S. Employer
Identification No.)

1400 Fashion Island Boulevard, Suite 700
San Mateo, California 94404
(Address of principal executive offices)

(650) 472-4100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

As of October 28, 2014, there were 49,769,673 shares of Class A Common Stock issued and outstanding and 18,344,298 shares of Class B Common Stock outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in, but not limited to, the sections titled "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" or similar expressions and the negatives of those terms. Forward-looking statements include, but are not limited to, statements about:

- our future financial performance;
- our anticipated growth and growth strategies and our ability to effectively manage that growth and effect these strategies;
- anticipated trends, developments and challenges in our business and in the markets in which we operate;
- our ability to anticipate and adapt to future changes in our industry;
- our ability to anticipate market needs and develop new and enhanced products and services to meet those needs, and our ability to successfully monetize them;
- maintaining and expanding our customer base;
- maintaining, expanding and responding to changes in our relationships with other companies;
- the impact of competition in our industry and innovation by our competitors;
- our ability to sell our products;
- our ability to expand our business to larger customers and internationally;
- the impact of seasonality on our business;
- the impact of any failure of our solutions or solution innovations;
- our reliance on our third-party service providers;
- the potential effect on our business of litigation to which we may become a party;
- our liquidity and working capital requirements;
- the estimates and estimate methodologies used in preparing our consolidated financial statements; and
- the political environment and stability in the regions in which we or our subcontractors operate.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in the section entitled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this Quarterly Report on Form 10-Q. You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect.

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

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

RINGCENTRAL, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited, in thousands)

	September 30, 2014	December 31, 2013
Assets:		
Current assets:		
Cash and cash equivalents	\$ 120,691	\$ 116,378
Short-term investments	28,662	—
Accounts receivable, net	7,443	3,045
Inventory	2,012	2,111
Prepaid expenses and other current assets	8,369	5,214
Total current assets	167,177	126,748
Property and equipment, net	25,862	16,660
Other assets	2,866	1,777
Total assets	<u>\$ 195,905</u>	<u>\$ 145,185</u>
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable	\$ 5,700	\$ 4,414
Accrued liabilities	31,659	20,559
Current portion of capital lease obligation	615	347
Current portion of long-term debt	18,489	9,871
Deferred revenue	23,415	16,552
Total current liabilities	79,878	51,743
Long-term debt	8,750	24,356
Sales tax liability	3,953	3,988
Capital lease obligation	618	247
Other long-term liabilities	2,771	1,336
Total liabilities	95,970	81,670
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Common stock	7	6
Additional paid-in capital	268,189	193,574
Accumulated other comprehensive loss	(286)	(310)
Accumulated deficit	(167,975)	(129,755)
Total stockholders' equity	99,935	63,515
Total liabilities and stockholders' equity	<u>\$ 195,905</u>	<u>\$ 145,185</u>

See accompanying notes to condensed consolidated financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Services	\$ 51,951	\$ 37,925	\$ 143,668	\$ 104,669
Product	4,993	4,009	14,325	10,494
Total revenues	56,944	41,934	157,993	115,163
Cost of revenues:				
Services	14,799	12,080	43,305	34,178
Product	4,606	3,888	13,546	10,189
Total cost of revenues	19,405	15,968	56,851	44,367
Gross profit	37,539	25,966	101,142	70,796
Operating expenses:				
Research and development	11,931	8,150	32,478	24,260
Sales and marketing	26,697	18,889	76,342	52,355
General and administrative	9,725	7,078	28,184	24,859
Total operating expenses	48,353	34,117	137,004	101,474
Loss from operations	(10,814)	(8,151)	(35,862)	(30,678)
Other income (expense), net:				
Interest expense	(505)	(995)	(1,582)	(2,222)
Other income (expense), net	(648)	348	(592)	102
Other income (expense), net	(1,153)	(647)	(2,174)	(2,120)
Loss before provision (benefit) for income taxes	(11,967)	(8,798)	(38,036)	(32,798)
Provision (benefit) for income taxes	19	54	184	(66)
Net loss	<u>\$ (11,986)</u>	<u>\$ (8,852)</u>	<u>\$ (38,220)</u>	<u>\$ (32,732)</u>
Net loss per common share:				
Basic and diluted	<u>\$ (0.18)</u>	<u>\$ (0.36)</u>	<u>\$ (0.58)</u>	<u>\$ (1.41)</u>
Weighted-average number of shares used in computing net loss per share:				
Basic and diluted	<u>67,800</u>	<u>24,452</u>	<u>66,313</u>	<u>23,290</u>

See accompanying notes to condensed consolidated financial statements

RINGCENTRAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net loss	\$ (11,986)	\$ (8,852)	\$ (38,220)	\$ (32,732)
Other comprehensive loss:				
Foreign currency translation adjustments, net	387	(313)	57	(69)
Unrealized loss on available-for-sale securities	(34)	-	(34)	-
Comprehensive loss	<u>\$ (11,633)</u>	<u>\$ (9,165)</u>	<u>\$ (38,197)</u>	<u>\$ (32,801)</u>

See accompanying notes to condensed consolidated financial statements

RINGCENTRAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net loss	\$ (38,220)	\$ (32,732)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,409	6,606
Share-based compensation	11,306	4,546
Noncash interest expense related to debt	194	412
Loss on disposal of assets	24	—
Deferred income tax	82	(45)
Changes in assets and liabilities:		
Accounts receivable	(4,398)	198
Inventory	100	(1,202)
Prepaid expenses and other current assets	(3,155)	(4,340)
Other assets	(1,109)	(155)
Accounts payable	1,078	1,652
Accrued liabilities	11,318	(366)
Deferred revenue	6,863	4,283
Other liabilities	1,400	553
Net cash used in operating activities	<u>(7,108)</u>	<u>(20,590)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(15,169)	(9,024)
Purchases of available-for-sale securities	(28,696)	—
Restricted investments	—	(130)
Net cash used in investing activities	<u>(43,865)</u>	<u>(9,154)</u>
Cash flows from financing activities:		
Net proceeds from secondary public offering of common stock	57,167	—
Net proceeds from debt agreements	—	22,907
Repayment of debt	(7,182)	(5,928)
Repayment of capital lease obligations	(509)	(312)
Proceeds from issuance of preferred stock warrants	—	1,625
Payment of offering costs	(1,219)	(1,773)
Proceeds from issuance of stock in connection with stock plans	7,010	835
Net cash provided by financing activities	<u>55,267</u>	<u>17,354</u>
Effect of exchange rate changes on cash and cash equivalents	19	(22)
Net increase (decrease) in cash and cash equivalents	4,313	(12,412)
Cash and cash equivalents:		
Beginning of period	116,378	37,864
End of period	<u>\$ 120,691</u>	<u>\$ 25,452</u>
Supplemental disclosure of cash flow data:		
Cash paid for interest	\$ 956	\$ 1,187
Cash paid for income taxes	82	31
Noncash investing and financing activities:		
Change in liability for unvested exercised options	\$ 37	\$ 95
Issuance of common stock in connection with legal settlement	—	257
Accrued liability for deferred offering costs	—	2,135
Conversion of convertible preferred stock into common stock	—	74,020
Reclassification of preferred stock warrants from liability to equity	—	820
Equipment purchased and unpaid at period end	1,095	570
Equipment acquired under capital lease	1,149	—

See accompanying notes to condensed consolidated financial statements

RINGCENTRAL, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1. Description of Business and Summary of Significant Accounting Policies

Description of Business

RingCentral, Inc. (the “Company”) is a provider of software-as-a-service (“SaaS”) solutions for business communications. The Company was incorporated in California in 1999 and was reincorporated in Delaware on September 26, 2013. The Company is headquartered in San Mateo, California.

Public Offerings

On October 2, 2013, the Company completed its initial public offering (the “IPO”) and sold 8,625,000 shares of Class A common stock to the public, including the underwriters’ overallotment option of 1,125,000 shares of Class A common stock and 80,000 shares of Class A common stock sold by selling stockholders, at a price of \$13.00 per share. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-190815) (the “Initial Registration Statement”). The Company received aggregate proceeds of \$103,309,000 from the IPO, net of underwriters’ discounts and commissions, but before deduction of offering expenses of approximately \$3,888,000.

On March 11, 2014, the Company completed a secondary public offering and sold 7,991,551 shares of Class A common stock to the public, including 791,551 of the underwriters’ overallotment option and 5,200,000 shares of Class A common stock sold by selling stockholders, at a price of \$21.50 per share. The offer and sale of all of the shares in the secondary public offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-194132) (the “Secondary Registration Statement”). The Company received aggregate proceeds of \$57,167,000 from the secondary public offering, net of underwriters’ discounts and commissions, but before deduction of offering expenses of approximately \$1,050,000.

Basis of Presentation

The unaudited condensed consolidated financial statements and accompanying notes of the Company reflect all adjustments (all of which are normal and recurring in nature) that, in the opinion of management, are necessary for a fair presentation of the interim periods presented. All intercompany balances and transactions have been eliminated in consolidation. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for any subsequent quarter or for the entire year ending December 31, 2014. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) have been condensed or omitted under the rules and regulations of the Securities and Exchange Commission (the “SEC”).

The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes for the fiscal year ended December 31, 2013 included in the Company’s fiscal 2013 Annual Report on Form 10-K. There have been no changes in the Company’s significant accounting policies from those that were disclosed in the Company’s audited consolidated financial statements for the fiscal year ended December 31, 2013.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant estimates made by management affect revenues, accounts receivable, the allowance for doubtful accounts, inventory and inventory reserves, share-based compensation, deferred revenue, return reserves, provision for income taxes, uncertain tax positions, loss contingencies, sales tax liabilities and accrued liabilities. Management periodically evaluates such estimates and they are adjusted prospectively based upon such periodic evaluation. Actual results could differ from those estimates.

RINGCENTRAL, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new guidance is a result of a joint project with the International Accounting Standards Board (the “IASB”) to clarify and converge the revenue recognition principles under U.S. GAAP and IFRS and to develop guidance that would streamline and enhance revenue recognition requirements. Entities have the option of using either a full retrospective or modified retrospective approach for the adoption of the standard. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company is currently evaluating the impact that the standard will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In June 2014, the FASB issued ASU No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. The new standard requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. The Company believes the adoption of this standard will not have a material impact on its consolidated financial statements because it does not anticipate granting share-based payment awards with performance targets that can be achieved after the requisite service period.

Note 2. Financial Statement Components

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

	September 30, 2014	December 31, 2013
Cash	\$ 20,338	\$ 34,561
Money market funds	100,353	81,817
Total cash and cash equivalents	<u>\$ 120,691</u>	<u>\$ 116,378</u>

Accounts receivable, net consisted of the following (in thousands):

	September 30, 2014	December 31, 2013
Accounts receivable	\$ 6,058	\$ 2,192
Unbilled accounts receivable	1,490	992
Allowance for doubtful accounts	(105)	(139)
Accounts receivable, net	<u>\$ 7,443</u>	<u>\$ 3,045</u>

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

	September 30, 2014	December 31, 2013
Computer hardware and software	\$ 43,271	\$ 30,449
Internal-use software development costs	5,283	4,636
Furniture and fixtures	1,997	1,127
Leasehold improvements	2,866	859
Property and equipment, gross	53,417	37,071
Less: accumulated depreciation	(27,555)	(20,411)
Property and equipment, net	<u>\$ 25,862</u>	<u>\$ 16,660</u>

RINGCENTRAL, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Accrued liabilities consisted of (in thousands):

	September 30, 2014	December 31, 2013
Accrued compensation and benefits	\$ 8,874	\$ 5,660
Accrued sales, use and telecom related taxes	5,963	3,967
Accrued expenses	15,554	10,168
Other	1,268	764
Total accrued liabilities	<u>\$ 31,659</u>	<u>\$ 20,559</u>

Note 3. Fair Value of Financial Instruments

The Company carries certain financial assets consisting of money market funds, certificates of deposit, commercial paper and corporate debt securities at fair value on a recurring basis. Fair value is based on the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1: Observable inputs which include unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that are supported by little or no market activity and that are based on management's assumptions, including fair value measurements determined by using pricing models, discounted cash flow methodologies or similar techniques.

The fair value of assets carried at fair value was determined using the following inputs (in thousands):

	Balance at September 30, 2014		(Level 1)		(Level 2)		(Level 3)
Cash equivalents:							
Money market funds	\$ 100,353	\$	94,057	\$	6,296	\$	—
Short-term investments:							
Corporate debt securities	\$ 26,666	\$	26,666	\$	—	\$	—
Commercial paper	\$ 1,996	\$	—	\$	1,996	\$	—
Other assets:							
Certificates of deposit	\$ 630	\$	—	\$	630	\$	—
	Balance at December 31, 2013		(Level 1)		(Level 2)		(Level 3)
Cash equivalents:							
Money market funds	\$ 81,817	\$	72,717	\$	9,000	\$	—
Other assets:							
Certificates of deposit	\$ 630	\$	—	\$	630	\$	—

During the three months ended September 30, 2014, the Company purchased investments in commercial paper and corporate debt securities with original maturities ranging from 4 to 15 months. Management determines the appropriate categorization of its investments at the time of purchase and reevaluates classification at each reporting date. At September 30, 2014, all investments were designated as available-for-sale and reported at fair value based either upon quoted prices in active markets, quoted prices in less active markets, or quoted market prices for similar investments, with unrealized gains and losses, net of related tax, if any, included in other comprehensive loss. We may sell these securities at any time for use in current operations or for other purposes, such as consideration for acquisitions, even if they have not yet reached maturity. As a result, all of our investments held at September 30, 2014, including securities with maturities beyond twelve months, were classified as current assets in the accompanying condensed consolidated balance sheet.

RINGCENTRAL, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

At September 30, 2014, available-for-sale securities consisted of the following (in thousands):

Available-for-Sale Securities				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate debt securities	\$ 26,700	\$ —	\$ (34)	\$ 26,666
Commercial paper	1,996	—	—	1,996
Total	\$ 28,696	\$ —	\$ (34)	\$ 28,662

The expected maturities of our investments in available-for-sale securities at September 30, 2014 are shown below (in thousands):

Available-for-Sale Securities	Amortized Cost	Estimated Fair Value
Due in less than one year	\$ 26,362	\$ 26,331
Due in one to five years	2,334	2,331
Total	\$ 28,696	\$ 28,662

The Company's other financial instruments, including accounts receivable, accounts payable and other current liabilities, are carried at cost which approximates fair value due to the relatively short maturity of those instruments. Based on borrowing rates available to the Company for loans with similar terms, the stable interest rate environment and considering our credit risks, the carrying value of debt approximates fair value.

Note 4. Debt

As of September 30, 2014, the Company's debt is comprised of borrowings under loan and security agreements, as amended, with Silicon Valley Bank ("SVB") and TriplePoint Capital LLC ("TriplePoint").

SVB Loan Agreement

Under the SVB agreement, the Company has two outstanding growth capital term loans (i.e., "the 2012 term loan" and "the 2013 term loan"), and a revolving line of credit.

The 2012 term loan was borrowed in March 2012 with a principal amount of \$8,000,000, which is being repaid in 36 equal monthly installments of principal and interest. Under the 2012 term loan, interest is paid monthly and accrues at a floating rate based on the Company's option of the (i) prime rate plus a margin of 0.25% or 0.50% or (ii) adjusted LIBOR rate (based on one, two, three or six-month interest periods) plus a margin of 3.25% or 3.50%, in each case such margin being determined based on cash balances maintained with SVB. The Company elected the prime rate option and, based on cash balances maintained with SVB at September 30, 2014, the current interest rate is 3.5%. In addition, a final terminal payment equal to 0.5% of the original loan principal, or \$40,000, is due at maturity. The remaining principal balance and the final terminal payment are classified as current liabilities in the accompanying condensed consolidated balance sheet because the loan matures March 2015. As of September 30, 2014, the outstanding principal balance of the 2012 term loan was \$1,333,000. As of September 30, 2014, the unamortized discount on the 2012 term loan was \$6,000 which is recorded in the current portion of long-term debt line in the accompanying condensed consolidated balance sheet.

The 2013 term loan was borrowed on December 31, 2013 with a principal amount of \$15,000,000, which is being repaid in 48 equal monthly installments of principal and interest. Interest is due monthly and accrues at a floating rate based on the Company's option of an annual rate of either the (i) prime rate plus a margin of 0.75% or 1.00% or (ii) adjusted LIBOR rate (based on one, two, three or six-month interest periods) plus a margin of 3.75% or 4.00%, in each case such margin being determined based on cash balances maintained with SVB. The Company elected the prime rate option and based on cash balances maintained with SVB at September 30, 2014, the current interest rate is 4.0%. As of September 30, 2014, the outstanding principal balance of the 2013 term loan was \$12,500,000.

RINGCENTRAL, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

The revolving line of credit provides for a maximum borrowing of up to \$15,000,000 subject to limits based on the outstanding principal balance of the 2012 term loan and recurring subscription revenue amounts as defined in the agreement. The recurring subscription revenue requirement is not expected to limit the amount of borrowings available under the line of credit. Under the line of credit, interest is paid monthly and accrues at a floating rate based on the Company's option of the (i) prime rate plus a margin of 0.25% or 0.50% or (ii) adjusted LIBOR rate (based on one, two, three or six-month interest periods) plus a margin of 3.25% or 3.50%, in each case such margin being determined based on cash balances maintained with SVB. The Company elected the prime rate option and based on cash balances maintained with SVB at September 30, 2014, the current interest rate is 3.5%. All outstanding principal and unpaid interest must be repaid by August 13, 2015. The outstanding principal balance is classified as a current liability in the accompanying condensed consolidated balance sheet because the loan matures August 2015. As of September 30, 2014, the outstanding principal balance and the available borrowing capacity of the line of credit were \$10,778,000 and \$2,889,000, respectively. As of September 30, 2014, the unamortized discount on the revolving line of credit was \$205,000 which is recorded in the current portion of long-term debt line in the accompanying condensed consolidated balance sheet.

The Company has pledged all of its assets, excluding intellectual property, as collateral to secure its obligations under the SVB agreement. The SVB agreement contains customary negative covenants that limit the Company's ability to, among other things, incur additional indebtedness, grant liens, make investments, repurchase stock, pay dividends, transfer assets and merge or consolidate. The SVB agreement also contains customary affirmative covenants, including requirements to, among other things, (i) maintain minimum cash balances representing the greater of \$10,000,000 or three times the Company's quarterly cash burn rate, as defined in the agreement, and (ii) maintain minimum EBITDA levels, as determined in accordance with the agreement. On June 17, 2014, the Company adjusted certain financial covenant thresholds to expand its ability to invest in certain foreign subsidiaries. The Company was in compliance with all covenants under its credit agreement with SVB as of September 30, 2014.

TriplePoint Loan Agreement

Under the equipment loan and security agreement with TriplePoint, the Company borrowed equipment term loans with aggregate principal of \$9,691,000 in August 2012. The equipment term loans are being repaid in 36 equal monthly installments of principal and interest, which accrues at an annual fixed rate of 5.75%. In addition, a final terminal payment is due at maturity equal to 10% of the original loan principal, or \$970,000. The remaining principal balance and the final terminal payment are classified as current liabilities in the accompanying condensed consolidated balance sheet because the loan matures August 2015. As of September 30, 2014, the outstanding principal balance of the TriplePoint equipment term loan was \$2,848,000. As of September 30, 2014, the unamortized discount on the revolving line of credit was \$9,000 which is recorded in the current portion of long-term debt line in the accompanying condensed consolidated balance sheet.

The TriplePoint equipment loan and security agreement contains customary negative covenants that limit the Company's ability to, among other things, incur additional indebtedness, grant liens, make investments, repurchase stock, pay dividends, transfer assets and merge or consolidate. The TriplePoint equipment loan and security agreement also contain customary affirmative covenants, including requirements to, among other things, deliver audited financial statements. On June 17, 2014, the Company adjusted certain financial covenant thresholds to expand its ability to invest in certain foreign subsidiaries. The Company was in compliance with all covenants under its credit agreements with TriplePoint as of September 30, 2014.

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Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 5. Commitments and Contingencies

Leases

The Company leases facilities for office space under noncancelable operating leases for its U.S. and international locations and has entered into capital lease arrangements to obtain property and equipment for its operations. In addition, the Company leases space from third party datacenter hosting facilities under co-location agreements to support its cloud infrastructure. In March 2014, the Company entered into a new lease for its office in Denver, Colorado for a total lease commitment of \$4,653,000 through 2019 and lease incentives totaling \$1,159,000. In May 2014, the Company entered into a new lease for its office in London, England for a total lease commitment of approximately \$1,941,000 through 2019 with an option to extend through 2024. On September 25 2014, the Company entered into a new lease for its headquarters for a total lease commitment of \$17,497,000 through 2021 and lease incentives totaling \$1,486,000. The Company is currently occupying a small portion of the building and will take possession of the remainder of the building sometime in the first quarter of fiscal 2015. All agreements contain escalating monthly rental payments over the lease term, which will be amortized to rent expense on a straight-line basis over the lease term.

Sales Tax Liability

During 2010 and 2011, the Company increased its sales and marketing activities in the U.S., which may be asserted by a number of states to create an obligation under nexus regulations to collect sales taxes on sales to customers in the state. Prior to 2012, the Company did not collect sales taxes from customers on sales in all states. In the second quarter of 2012, the Company commenced collecting and remitting sales taxes on sales in all states so a loss contingency related to sales taxes exists for sales and marketing activities in 2010, 2011 and the six months ended June 30, 2012. As of September 30, 2014 and December 31, 2013, the Company had a balance for a long-term sales tax liability of \$3,953,000 and \$3,988,000, respectively, based on its best estimate of the probable liability for the loss contingency incurred as of those dates. The Company's estimate of a probable outcome under the loss contingency is based on analysis of its sales and marketing activities, revenues subject to sales tax, and applicable regulations in each state in each period. No significant adjustments to the long-term sales tax liability have been recognized in the accompanying condensed consolidated financial statements for changes to the assumptions underlying the estimate. However, changes in management's assumptions may occur in the future as the Company obtains new information which can result in adjustments to the recorded liability. Increases and decreases to the long-term sales tax liability are recorded as general and administrative expense.

A current sales tax liability for noncontingent amounts expected to be remitted in the next twelve months of \$4,441,000 and \$3,451,000, is included in accrued liabilities as of September 30, 2014 and December 31, 2013, respectively.

Legal Matters

The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company assesses its potential liability by analyzing specific litigation and regulatory matters using reasonably available information. The Company develops its views on estimated losses in consultation with inside and outside counsel, which involves a subjective analysis of potential results and outcomes, assuming various combinations of appropriate litigation and settlement strategies. Legal fees are expensed in the period in which they are incurred. As of September 30, 2014 and December 31, 2013, there were no significant ongoing legal matters and the Company did not have any accrued liabilities recorded for such loss contingencies.

Note 6. Share-Based Compensation

A summary of share-based compensation expense recognized in the Company's consolidated statements of operations follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Cost of services revenues	\$ 330	\$ 129	\$ 974	\$ 297
Research and development	926	367	2,426	884
Sales and marketing	1,396	330	3,661	734
General and administrative	1,546	1,384	4,245	2,631
Total share-based compensation expense	<u>\$ 4,198</u>	<u>\$ 2,210</u>	<u>\$ 11,306</u>	<u>\$ 4,546</u>

RINGCENTRAL, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

A summary of share-based compensation expense by award type follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Options	\$ 2,740	\$ 2,210	\$ 7,812	\$ 4,546
Employee stock purchase plan rights	273	—	1,203	—
Restricted stock units	1,185	—	2,291	—
Total share-based compensation expense	<u>\$ 4,198</u>	<u>\$ 2,210</u>	<u>\$ 11,306</u>	<u>\$ 4,546</u>

As of September 30, 2014 and December 31, 2013, there was approximately \$20,456,000 and \$22,439,000 of unrecognized share-based compensation expense, net of estimated forfeitures, related to nonvested stock option grants, which will be recognized on a straight-line basis over the remaining weighted-average vesting periods of approximately 2.5 years and 3.0 years, respectively.

Equity Incentive Plans

As of September 30, 2014 a total of 7,567,000 shares remained available for grant under the 2013 Plan. A summary of option activity under all of the Company's equity incentive plans at September 30, 2014 and changes during the period then ended is presented in the following table:

	Number of Options Outstanding (in thousands)	Weighted- Average Exercise Price Per Share	Weighted- Average Contractual Term (in Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2013	11,156	\$ 5.87	7.7	\$ 139,484
Granted	935	15.88		
Exercised	(2,437)	1.87		
Canceled/Forfeited	(476)	6.03		
Outstanding at September 30, 2014	<u>9,178</u>	<u>\$ 7.95</u>	<u>7.4</u>	<u>\$ 47,452</u>
Vested and expected to vest as of September 30, 2014	<u>8,765</u>	<u>\$ 7.84</u>	<u>7.4</u>	<u>\$ 46,456</u>
Exercisable as of September 30, 2014	<u>4,730</u>	<u>\$ 5.20</u>	<u>6.8</u>	<u>\$ 36,024</u>

The weighted average grant date fair value of options granted and the total intrinsic value of options exercised were as follows (in thousands, except weighted average grant date fair value):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Weighted average grant date fair value per share	\$ 5.56	\$ 6.75	\$ 6.42	\$ 6.08
Total intrinsic value of options exercised	\$ 3,944	\$ 6,028	\$ 26,429	\$ 9,855

The Company estimated the fair values of each option awarded on the date of grant using the Black-Scholes option pricing model, which requires inputs including the fair value of common stock, expected term, expected volatility, risk-free interest and dividend yield. The weighted-average assumptions used in the option pricing models in the periods presented were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Expected term for employees (in years)	4.6	6.1	4.4	6.1
Expected term for non-employees (in years)	7.0	10.0	7.0	10.0
Risk-free interest rate	1.56%	1.99%	1.38%	1.68%
Expected volatility	47%	54%	48%	54%
Expected dividend rate	0%	0%	0%	0%

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Notes to Condensed Consolidated Financial Statements (Unaudited)

On January 29, 2014, the Compensation Committee of the Board of Directors approved an amendment to the 2013 Plan to decrease the contractual term of all equity awards issued from the 2013 Plan from 10 years to 7 years for all awards granted after January 29, 2014.

Employee Stock Purchase Plan

The ESPP allows eligible employees to purchase shares of the Class A common stock at a discount through payroll deductions of up to the lesser of 15% of their eligible compensation or \$25,000 per calendar year, at not less than 90% of the fair market value, as defined in the ESPP, subject to any plan limitations. A participant may purchase a maximum of 3,000 shares during an offering period. The offering period starts on the first trading day on or after May 11th and November 11th of each year, except that the first offering period commenced on the first trading day following the effective date of the Company's Initial Registration Statement, and the offering period ends six months after the beginning of the offering period, on the last trading day on or after May 10th and November 10th of each year. At the end of the offering period, the purchase price is set at the lower of: (i) 90% of the fair value of the Company's common stock at the beginning of the six month offering period, and (ii) 90% of the fair value of the Company's common stock at the end of the six month offering period. As of September 30, 2014, there was a total of \$122,000 of unrecognized share-based compensation expense, net of estimated forfeitures, related to ESPP, which will be recognized on a straight-line basis over the remaining weighted-average vesting period of approximately 0.1 years. At September 30, 2014, a total of 1,658,000 shares were available for issuance under the ESPP.

Restricted Stock Units

For the three and nine months ended September 30, 2014, we issued 266,000 and 1,192,000 restricted stock units of Class A common stock under the 2013 Plan with a weighted average grant date fair value of \$13.61 and \$16.35 per share. No restricted stock units were issued during the nine months ended September 30, 2013. As of September 30, 2014, there was a total of \$18,030,000 of unrecognized share-based compensation expense, net of estimated forfeitures, related to restricted stock units, which will be recognized on a straight-line basis over the remaining weighted-average vesting period of approximately 3.6 years.

Note 7. Concentrations

Revenue by geographic location is based on the billing address of the customer. More than 90% of the Company's revenue is from the United States during the three and nine months ended September 30, 2014 and 2013. Property and equipment by geographic location is based on the location of the legal entity that owns the asset. At September 30, 2014 and December 31, 2013, more than 87% and 84%, respectively, of the Company's property and equipment was located in the United States, with no single country outside the United States representing more than 10% of property and equipment.

Note 8. Income Taxes

The provision (benefit) for income taxes for the three and nine months ended September 30, 2014 and 2013, was \$19,000, \$54,000, \$184,000, and (\$66,000), respectively. The provision for income taxes during the three and nine months ended September 30, 2014 and the three months ended September 30, 2013 consisted primarily of state minimum taxes, and foreign income taxes. The benefit for income taxes during the nine months ended September 30, 2013 consisted of foreign income taxes, state minimum taxes and recognition of a foreign tax credit.

For the three and nine months ended September 30, 2014 and 2013, the provision for income taxes differed from the U.S federal statutory amount primarily due to state and foreign taxes currently payable, and the Company realized no benefit for current year losses due to maintaining a full valuation allowance against the U.S. and foreign net deferred tax assets.

The realization of tax benefits of deferred tax assets is dependent upon future levels of taxable income, of an appropriate character, in the periods the items are expected to be deductible or taxable. Based on the available objective evidence, the Company does not believe it is more likely than not that the net deferred tax assets will be realizable. Accordingly, the Company has provided a full valuation allowance against all of the domestic and the majority of the foreign net deferred tax assets as of September 30, 2014 and December 31, 2013. The Company intends to maintain the full valuation allowance until sufficient positive evidence exists to support a reversal of, or decrease in, the valuation allowance.

During the three and nine months ended September 30, 2014, there have been no material changes to the total amount of unrecognized tax benefits.

RINGCENTRAL, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 9. Basic and Diluted Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period, less the weighted-average unvested common stock subject to repurchase or forfeiture as they are not deemed to be issued for accounting purposes. Diluted net loss per share is computed by giving effect to all potential shares of common stock, including preferred stock, warrants to purchase common and preferred stock, stock options and restricted stock units, to the extent they are dilutive. Upon the effectiveness of the Initial Registration Statement and the filing of its Certificate of Incorporation in Delaware on September 26, 2013, all outstanding preferred stock and warrants to purchase preferred stock were converted to common stock and warrants to purchase common stock, respectively. For the three and nine months ended September 30, 2014 and 2013, all such common stock equivalents have been excluded from diluted net loss per share as the effect to net loss per share would be anti-dilutive.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Numerator				
Net loss	\$ (11,986)	\$ (8,852)	\$ (38,220)	\$ (32,732)
Denominator				
Weighted-average common shares for basic and diluted net loss per share	67,800	24,452	66,313	23,290
Basic and diluted net loss per share	<u>\$ (0.18)</u>	<u>\$ (0.36)</u>	<u>\$ (0.58)</u>	<u>\$ (1.41)</u>

The following table sets forth the potential shares of common stock that were excluded from diluted weighted-average common shares outstanding (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Shares of common stock issuable upon conversion of warrants	—	502	—	502
Shares of common stock subject to repurchase	18	49	18	49
Shares of common stock issuable under equity incentive awards outstanding	<u>10,284</u>	<u>11,085</u>	<u>10,284</u>	<u>11,085</u>
Potential common shares excluded from diluted net loss per share	<u>10,302</u>	<u>11,636</u>	<u>10,302</u>	<u>11,636</u>

Item 2. 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 in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K filed on February 26, 2014 under the Securities Act of 1934, as amended (the "Securities Act") with the SEC. As discussed in the section titled "Special Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included under Part II, Item 1A below.

Overview

We are a leading provider of software-as-a-service, or SaaS, solutions for business communications. We believe that our innovative, cloud-based approach disrupts the large market for business communications solutions by providing flexible and cost-effective services that support distributed workforces, mobile employees and the proliferation of "bring-your-own" communications devices. We enable convenient and effective communications for our customers, across all their locations, all their employees, all the time, thus enabling a more productive and dynamic workforce. RingCentral Office, our flagship service, is a multi-user, enterprise-grade communications solution that enables our customers and their employees to communicate via different channels and on multiple devices, including smartphones, tablets, PCs and desk phones. We sell RingCentral Office in three editions: Standard, Premium and Enterprise. Our Standard Edition of RingCentral Office includes call management, mobile applications, voice, business SMS, integration with Dropbox, Box, Google Drive and Microsoft Office and Outlook, and conferencing capabilities. Our Premium Edition includes the Standard Edition functionality together with Salesforce CRM integration, automatic call recording and premium support. Our Enterprise Edition was launched in 2013 which includes the Premium Edition functionality together with multipoint HD video and web conferencing and online meetings functionality. During May 2014, these new features (multipoint HD video and web conferencing and online meetings) were added to our Standard and Premium editions. All editions vary in the number of toll-free minutes and number of meeting attendees.

We primarily generate revenues by selling subscriptions for our RingCentral Office, RingCentral Professional, and RingCentral Fax offerings. RingCentral Office is offered at monthly subscription rates, varying with the specific functionalities and services and the number of users. RingCentral Office customers generally pay higher monthly subscription rates than customers of our other service offerings. RingCentral Professional is offered at monthly subscription rates that vary based on the desired number of minutes usage and extensions allotted to the plan. RingCentral Fax is offered at monthly subscription rates that vary based on the desired number of pages and phone numbers allotted to the plan.

Our subscription plans have historically had monthly or annual contractual terms and approximately 90% of our current customers are on monthly contractual terms, although we also have subscription plans with multi-year contractual terms, generally with larger customers. We believe that this flexibility in contract duration is important to meet the different needs of our customers. Generally, our fees for subscription plans have been billed in advance via credit card. However, as the number of RingCentral Office customers with more users grows, we expect to bill more customers through commercial invoices with customary payment terms and, accordingly, our levels of accounts receivable may increase. A significant component of our accounts receivable is derived from resellers. For the three and nine months ended September 30, 2014 and 2013, services revenues accounted for more than 90% of our total revenues. The remainder of our revenues is primarily comprised of product revenues from the sale of pre-configured office phones, which we offer as a convenience to our customers in connection with subscriptions to our services.

Beginning in 2009, in connection with our introduction of RingCentral Office, we established a direct, inside sales force. Since then, we have continued investing in our direct, inside sales force while also developing indirect sales channels to market our brand and our service offerings. Our indirect sales channel consists of a network of over 1,500 sales agents and resellers, including AT&T, which we refer to collectively as resellers. We intend to continue to foster this network and to expand our network with other resellers. In 2014, we entered into agreements with TELUS Communications Company, or TELUS, and British Telecommunications plc, or BT, to expand our indirect sales channel in Canada and the United Kingdom, respectively.

Since its launch, our revenue growth has primarily been driven by our flagship RingCentral Office service offering, which has resulted in an increased number of customers, increased average subscription revenues per customer, and increased retention of our existing customer and user base. We define a “customer” as one individual billing relationship for the subscription to our services, which generally correlates to one company account per customer. We define a user as one person within a customer who has been granted a subscription license to use our services, such that the number of users per customer generally correlates closely to the number of employees within a customer account. As of September 30, 2014, we had over 300,000 customers from industries including advertising, finance, healthcare, legal services, non-profit organizations, real estate, retail and technology, and ranging in size from businesses with fewer than 10 users to more than 1,500 users. In October of 2013, we launched RingCentral Office in the United Kingdom. For the three and nine months ended September 30, 2014 and 2013, 99% of our total revenues were generated in the U.S. and Canada, although we expect the percentage of our total revenues derived outside of the U.S. and Canada to grow as we expand internationally in the United Kingdom and beyond.

The growth of our business and our future success depend on many factors, including our ability to expand our customer base to medium-sized and larger customers, continue to innovate, grow revenues from our existing customer base, expand our distribution channels and scale internationally. For example, as a result of our efforts to expand our customer base to target medium-sized and larger businesses, we expect to incur additional research and development and support and professional services costs and may experience longer sales cycles that may delay revenues associated with these costs. Furthermore, because we have limited experience selling to larger businesses and international customers, our investment in marketing our services to these potential customers may not be successful, which could materially and adversely affect our results of operations and our overall ability to grow our customer base. While these areas represent significant opportunities for us, they also pose risks and challenges that we must successfully address in order to sustain the growth of our business and improve our operating results. In addition, there has been and may be in the future substantial litigation in the areas in which we operate regarding intellectual property rights, including third parties claiming patent infringement, to which we have been subjected in the past and may be subjected in the future. We cannot assure you that we will be successful in defending against any such claims or that we will be able to settle any such claims or that any such settlement would be on terms that are favorable to us.

We have experienced significant growth in recent periods, with total revenues of \$78.9 million, \$114.5 million and \$160.5 million in 2011, 2012 and 2013, respectively, generating year-over-year increases of 45% and 40%, respectively. We have continued to make significant expenditures and investments, including those in research and development, infrastructure and operations and incurred net losses of \$13.9 million, \$35.4 million and \$46.1 million, in 2011, 2012 and 2013, respectively. For the three months ended September 30, 2014 and 2013, our total revenues were \$56.9 million and \$41.9 million, respectively, representing a year-over-year increase of 36%. For the nine months ended September 30, 2014 and 2013, our total revenues were \$158.0 million and \$115.2 million, respectively, representing a year-over-year increase of 37%. For the three months ended September 30, 2014 and 2013, our net losses were \$12.0 million and \$8.9 million, respectively, and for the nine months ended September 30, 2014 and 2013, our net losses were \$38.2 million and \$32.7 million, respectively.

Key Business Metrics

In addition to generally accepted accounting principles, or U.S. GAAP, financial measures such as total revenues, gross margin and cash flows from operations, we regularly review a number of key business metrics to evaluate growth trends, measure our performance, and make strategic decisions. We discuss revenues and gross margin under “Results of Operations” and cash flow from operations under “Liquidity and Capital Resources.” Other key business metrics are discussed below.

Annualized Exit Monthly Recurring Subscriptions

We believe that our Annualized Exit Monthly Recurring Subscriptions is a leading indicator of our anticipated services revenues. We believe that trends in revenue are important to understanding the overall health of our marketplace, and we use these trends in order to formulate financial projections and make strategic business decisions. Our Annualized Exit Monthly Recurring Subscriptions equals our Monthly Recurring Subscriptions multiplied by 12. Our Monthly Recurring Subscriptions equals the monthly value of all customer subscriptions in effect at the end of a given month. For example, our Monthly Recurring Subscriptions at September 30, 2014 were \$18.3 million. As such, our Annualized Exit Monthly Recurring Subscriptions at September 30, 2014 were \$219.8 million.

RingCentral Office Annualized Exit Monthly Recurring Subscriptions

We calculate our RingCentral Office Annualized Exit Monthly Recurring Subscriptions in the same manner as we calculate our Annualized Exit Monthly Recurring Subscriptions, except that only customer subscriptions from RingCentral Office customers are included when determining Monthly Recurring Subscriptions for the purposes of calculating this key business metric. RingCentral Office is our flagship service offering. We believe that trends in revenue with respect to RingCentral Office are also important to understanding the overall health of our marketplace, and we use these trends in order to formulate financial projections and make strategic business decisions. Our RingCentral Office Annualized Exit Monthly Recurring Subscriptions at September 30, 2014 were \$153.7 million.

Net Monthly Subscription Dollar Retention Rate

We believe that our Net Monthly Subscription Dollar Retention Rate provides insight into our ability to retain and grow services revenues, as well as our customers' potential long-term value to us. We believe that our ability to retain our customers and expand their use of our solutions over time is a leading indicator of the stability of our revenue base and we use these trends in order to formulate financial projections and make strategic business decisions. We define our Net Monthly Subscription Dollar Retention Rate as (i) one plus (ii) the quotient of Dollar Net Change divided by Average Dollar Monthly Recurring Subscriptions.

We define Dollar Net Change as the quotient of (i) the difference of our Monthly Recurring Subscriptions at the end of a period minus our Monthly Recurring Subscriptions at the beginning of a period minus our Monthly Recurring Subscriptions at the end of the period from new customers we added during the period, (ii) all divided by the number of months in the period. We define our Average Monthly Recurring Subscriptions as the average of the Monthly Recurring Subscriptions at the beginning and end of the measurement period.

As an illustrative example, if our Monthly Recurring Subscriptions were \$118 at the end of a quarterly period and \$100 at the beginning of period, and \$20 at the end of the period from new customers we added during the period, then the Dollar Net Change would be equal to (\$0.67), or the amount equal to the difference of \$118 minus \$100 minus \$20, all divided by three months. Our Average Monthly Recurring Subscriptions would equal \$109, or the sum of \$100 plus \$118, divided by two. Our Net Monthly Subscription Dollar Retention Rate would then equal 99.4%, or approximately 99%, or one plus the quotient of the Dollar Net Change divided by the Average Monthly Recurring Subscriptions.

Our key business metrics for the five quarterly periods ended September 30, 2014 were as follows (dollars in millions):

	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Net Monthly Subscription Dollar Retention Rate	>99%	>99%	~99%	~99%	~99%
Annualized Exit Monthly Recurring Subscriptions	\$ 219.8	\$ 203.7	\$ 187.7	\$ 173.2	\$ 160.6
RingCentral Office Annualized Exit Monthly Recurring Subscriptions	\$ 153.7	\$ 139.2	\$ 125.8	\$ 112.3	\$ 100.5

Results of Operations

The following tables show our results of operations in dollars and as a percentage of our total revenues. The historical results presented below are not necessarily indicative of the results that may be expected for any future period (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Services	\$ 51,951	\$ 37,925	\$ 143,668	\$ 104,669
Product	4,993	4,009	14,325	10,494
Total revenues	56,944	41,934	157,993	115,163
Cost of revenues:				
Services	14,799	12,080	43,305	34,178
Product	4,606	3,888	13,546	10,189
Total cost of revenues	19,405	15,968	56,851	44,367
Gross profit	37,539	25,966	101,142	70,796
Operating expenses:				
Research and development	11,931	8,150	32,478	24,260
Sales and marketing	26,697	18,889	76,342	52,355
General and administrative	9,725	7,078	28,184	24,859
Total operating expenses	48,353	34,117	137,004	101,474
Loss from operations	(10,814)	(8,151)	(35,862)	(30,678)
Other income (expense), net:				
Interest expense	(505)	(995)	(1,582)	(2,222)
Other income (expense), net	(648)	348	(592)	102
Other income (expense), net	(1,153)	(647)	(2,174)	(2,120)
Loss before provision (benefit) for income taxes	(11,967)	(8,798)	(38,036)	(32,798)
Provision (benefit) for income taxes	19	54	184	(66)
Net loss	<u>\$ (11,986)</u>	<u>\$ (8,852)</u>	<u>\$ (38,220)</u>	<u>\$ (32,732)</u>

Percentage of Total Revenues:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Services	91%	90%	91%	91%
Product	9	10	9	9
Total revenues	100	100	100	100
Cost of revenues:				
Services	26	29	27	30
Product	8	9	9	9
Total cost of revenues	34	38	36	39
Gross margin	66	62	64	61
Operating expenses:				
Research and development	21	19	21	21
Sales and marketing	47	45	48	45
General and administrative	17	17	18	22
Total operating expenses	85	81	87	88
Loss from operations	(19)	(19)	(23)	(27)
Other income (expense), net:				
Interest expense	(1)	(2)	(1)	(2)
Other income (expense), net	(1)	—	—	—
Other income (expense), net	(2)	(2)	(1)	(2)
Loss before provision (benefit) for income taxes	(21)	(21)	(24)	(29)
Provision (benefit) for income taxes	—	—	—	—
Net loss	(21)%	(21)%	(24)%	(29)%

Comparison of the Three and Nine Months Ended September 30, 2014 and 2013 (dollars in thousands):

Revenues

(in thousands, except percentages)	Three Months Ended September 30,		\$ Change	% Change	Nine Months Ended September 30,		\$ Change	% Change
	2014	2013			2014	2013		
Revenues:								
Services	\$ 51,951	\$ 37,925	\$ 14,026	37%	\$ 143,668	\$ 104,669	\$ 38,999	37%
Product	4,993	4,009	984	25%	14,325	10,494	3,831	37%
Total revenues	<u>\$ 56,944</u>	<u>\$ 41,934</u>	<u>\$ 15,010</u>	<u>36%</u>	<u>\$ 157,993</u>	<u>\$ 115,163</u>	<u>\$ 42,830</u>	<u>37%</u>
Percentage of revenues:								
Services	91%	90%			91%	91%		
Product	9	10			9	9		
Total	100%	100%			100%	100%		

Services revenues increased for the three and nine months ended September 30, 2014 primarily due to the acquisition of new customers and an increase in the number of users within our existing customer base. In addition, our services revenues mix contained a higher proportion of RingCentral Office customers for the three and nine months ended September 30, 2014 compared to the three and nine months ended September 30, 2013, which carry a higher monthly subscription rate versus our other service offerings. While the acquisition of new customers and the increase in the number of users within our existing customer base were the primary reasons for the increase, the short-term trends for user and customer acquisition have varied from period to period as some customers made a small initial user subscription followed by a larger additional user subscription, while other customers made a large initial user subscription followed by a smaller additional user subscription. In addition, the period of time between a customer's initial subscription and the purchase of additional subscriptions varied significantly, ranging from one month to a few years. The overall growth in our customer base was primarily driven by increased brand awareness of our services, driven by increases in our sales and marketing expenditures of 41% and 46% for the three and nine months ended September 30, 2014 compared to the similar respective periods of the prior year, which include advertising and sales personnel expenditures that we believe helped to facilitate increased customer acceptance of our services.

Product revenues increased for the three and nine months ended September 30, 2014 compared to the similar respective periods of the prior year primarily due to increased phone sales driven by the growth of new customers of RingCentral Office, to whom we sell more phones compared to customers that purchase our other service offerings.

Cost of Revenues and Gross Margin

	Three Months Ended September 30,				Nine Months Ended September 30,			
(in thousands, except percentages)	2014	2013	\$ Change	% Change	2014	2013	\$ Change	% Change
Cost of revenues:								
Services	\$ 14,799	\$ 12,080	\$ 2,719	23%	\$ 43,305	\$ 34,178	\$ 9,127	27%
Product	4,606	3,888	718	18%	13,546	10,189	3,357	33%
Total cost of revenues	<u>\$ 19,405</u>	<u>\$ 15,968</u>	<u>\$ 3,437</u>	<u>22%</u>	<u>\$ 56,851</u>	<u>\$ 44,367</u>	<u>\$ 12,484</u>	<u>28%</u>
Gross margin:								
Gross margin %	66%	62%			64%	61%		

Cost of services revenues increased for the three and nine months ended September 30, 2014 compared to the similar respective periods of the prior year primarily due to increases in personnel costs for employees and contractors of \$1.4 million and \$3.4 million, including increased share-based compensation expenses of \$0.2 million and \$0.7 million, respectively; and increases of \$0.6 million and \$3.6 million in third-party telecommunications service provider fees, and increases of \$0.3 million and \$0.4 million in depreciation expense, respectively. Average ending headcount for the three months ended September 30, 2014 was flat period over period and increased 6% for the nine months ended September 30, 2014. The higher personnel costs for the three and nine months ended September 30, 2014 compared to the similar respective periods of the prior year were primarily due to a higher percentage mix of full-time employees versus contractors. The higher third-party telecommunications service provider fees are a function of higher call traffic generated by our growing customer base. The increases in headcount and other expense categories described herein were driven primarily by investments in our infrastructure and capacity to improve the availability of our service offerings, while also supporting the growth in new customers and increased usage of our services by our customer base.

Cost of product revenues increased for the three and nine months ended September 30, 2014 compared to the similar respective periods of the prior year due to an increase in phone sales, which was primarily driven by the growth in new RingCentral Office customers. Phone sales for the three and nine months ended September 30, 2014 increased by 25% and 37%, respectively, compared to the similar respective periods of the prior year.

Our gross margin was 66% and 62% for the three months ended September 30, 2014 and 2013, respectively, and 64% and 61% for the nine months ended September 30, 2014 and 2013, respectively. The improvement in gross margin for the three and nine months ended September 30, 2014 compared to the similar respective periods of the prior year was primarily due to a reduction in per usage fees that we paid to third-party telecommunications service providers as a result of increased call traffic and economies of scale obtained in our operations personnel and infrastructure, partially offset by increased product sales which carry low gross margin percentages.

Research and Development

(in thousands, except percentages)	Three Months Ended September 30,		\$ Change	% Change	Nine Months Ended September 30,		\$ Change	% Change
	2014	2013			2014	2013		
Research and development	\$ 11,931	\$ 8,150	\$ 3,781	46%	\$ 32,478	\$ 24,260	\$ 8,218	34%
Percentage of total revenues	21%	19%			21%	21%		

Research and development expenses increased for the three and nine months ended September 30, 2014 compared to the similar respective periods of the prior year primarily due to increases in personnel costs for employees and contractors of \$3.1 million and \$7.5 million, including increased share-based compensation expenses of \$0.6 million and \$1.5 million, respectively. The higher personnel costs for the three and nine months ended September 30, 2014 compared to the similar respective periods of the prior year were primarily due to 25% and 13% increases in ending average headcount, respectively. The increases in research and development headcount were in support of the development of additional software development projects for our cloud-based and mobile applications.

We expect research and development expenses to continue to increase in absolute dollars as we continue to invest in future software development projects for our cloud-based and mobile applications.

Sales and Marketing

(in thousands, except percentages)	Three Months Ended September 30,		\$ Change	% Change	Nine Months Ended September 30,		\$ Change	% Change
	2014	2013			2014	2013		
Sales and marketing	\$ 26,697	\$ 18,889	\$ 7,808	41%	\$ 76,342	\$ 52,355	\$ 23,987	46%
Percentage of total revenues	47%	45%			48%	45%		

Sales and marketing expenses increased for the three and nine months ended September 30, 2014 compared to the similar respective periods of the prior year primarily due to increases in personnel costs for employees and contractors of \$3.9 million and \$11.5 million, including higher share-based compensation expenses of \$1.1 million and \$2.9 million, respectively; and increases in other sales and marketing related activities of \$3.2 million and \$9.9 million, respectively. The higher personnel costs for the three and nine months ended September 30, 2014 compared to the similar respective periods of the prior year were primarily due to 20% and 14% increases in ending average headcount, respectively. We hired additional sales personnel to focus on adding new customers and increasing penetration within our existing customer base. The increases in other sales and marketing related activities for the three and nine months ended September 30, 2014 compared to the similar respective periods of the prior year relate primarily to increases in third-party sales commissions of \$1.3 million and \$4.1 million and increases in internet advertising costs of \$1.2 million and \$2.6 million, respectively. The increases in sales and marketing headcount and other expense categories described herein were necessary to support our growth strategy to acquire new customers and establish brand recognition to achieve greater penetration into the North American and United Kingdom markets.

We expect sales and marketing expenses to continue to increase in absolute dollars as we continue to expand our presence in the North American and United Kingdom markets.

General and Administrative

(in thousands, except percentages)	Three Months Ended September 30,		\$ Change	% Change	Nine Months Ended September 30,		\$ Change	% Change
	2014	2013			2014	2013		
General and administrative	\$ 9,725	\$ 7,078	\$ 2,647	37%	\$ 28,184	\$ 24,859	\$ 3,325	13%
Percentage of total revenue	17%	17%			18%	22%		

General and administrative expenses increased for the three months ended September 30, 2014 compared to the similar period of the prior year primarily due to increases in personnel costs for employees and contractors of \$1.3 million in the current period combined with an insurance recovery of \$1.2 million recorded in the three months ended September 30, 2013 that did not recur in the current period. The insurance recovery relates to the CallWave Communications, LLC, or CallWave legal settlement matter. During the third quarter of 2013, the Company paid substantially all of the cash consideration due under the settlement, which was accrued for in a prior period and recorded a credit to general and administrative expense of \$1.2 million to reflect the final cost of the settlement net of insurance recovery. The \$1.3 million increase in personnel costs for employees and contractors, including share-based compensation expenses of \$0.2 million were primarily due to an increase of 25% in ending average headcount. The increase in headcount is a result of our operations as a public company, including costs incurred to comply with the rules and regulations applicable to companies listed on a national securities exchange and compliance and reporting obligations pursuant to the rules and regulations of the SEC.

General and administrative expenses for the nine months ended September 30, 2014 increased compared to the similar period in the prior year primarily due to higher personnel costs for employees and contractors of \$6.2 million in the current period offset by legal contingency charges of \$3.1 million recorded in the nine months ended September 30, 2013 that did not recur in the current period. The legal contingency charges primarily relate to the CallWave legal settlement matter, which was accrued for in the three months ended June 30, 2013 and paid out in the three months ended September 30, 2013. The \$6.2 million increase in personnel costs for employees and contractors, including share-based compensation expenses of \$1.6 million were primarily due to an increase of 24% in ending average headcount. The increase in headcount is a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a national securities exchange and costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC.

We expect general and administrative expenses to continue to increase in absolute dollars as we continue to make additional investments in processes and personnel to support our anticipated revenue growth and to comply with our public company reporting obligations.

Other Income and Expense, net

(in thousands, except percentages)	Three Months Ended September 30,		\$ Change	% Change	Nine Months Ended September 30,		\$ Change	% Change
	2014	2013			2014	2013		
Other income (expense), net:								
Interest expense	\$ (505)	\$ (995)	\$ (490)	(49)%	\$ (1,582)	\$ (2,222)	\$ (640)	(29)%
Other income (expense), net	\$ (648)	\$ 348	\$ 996	286%	\$ (592)	\$ 102	\$ 694	680%

Other income (expense), net for the three and nine months ended September 30, 2014 increased compared to similar respective periods of the prior year primarily due to higher foreign currency exchange losses partially offset by lower interest expense. The increase in foreign currency exchange losses is a result of the weakening British Pound, Euro and Swiss Franc relative to the US dollar period over period. The decrease in interest expense is a result of lower debt balances period over period combined with the refinancing of certain debt obligations to a lower interest rate on December 31, 2013.

Liquidity and Capital Resources

To date, we have financed our operations primarily through sales to our customers, private placements of our preferred stock, proceeds from issuance of stock under our stock plans, proceeds from issuance of debt and proceeds from our initial and secondary public offerings. We believe that our existing liquidity sources will satisfy our cash requirements for at least the next 12 months. As of September 30, 2014 and December 31, 2013, we had \$120.7 million and \$116.4 million, respectively, of cash and cash equivalents.

On March 11, 2014, we closed our secondary public offering in which 7,991,551 shares of Class A common stock, which included 2,791,551 shares of Class A common stock sold by us and 5,200,000 shares of Class A common stock sold by the selling stockholders, were sold at a price of \$21.50 per share. The offer and sale of all of the shares in the secondary public offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-194132). We did not receive any proceeds from the sales of shares by the selling stockholders. The total gross proceeds from the offering to us after deducting underwriting discounts and commissions of \$2.9 million and offering expenses payable by us of \$1.1 million, were \$56.1 million.

A significant majority of our customers are on 30-day subscription periods and billed at the beginning of each subscription period via credit card. Some of our customers enter into subscription periods longer than 30 days. A small number of our customers are invoiced net 30 days. Therefore, a substantial source of our cash provided by operating activities is our deferred revenue, which is included on our consolidated balance sheets as a liability. Deferred revenue primarily consists of the unearned portion of billed fees for our software subscriptions, which we recognize as revenue in accordance with our revenue recognition policy. As of September 30, 2014 and December 31, 2013, we had deferred revenue of \$23.4 million and \$16.6 million, respectively. We will recognize this deferred revenue when all of the revenue recognition criteria are met within the next 12 months.

As of September 30, 2014, the carrying value of notes payable totaled \$27.2 million. The balance consists of \$13.8 million in term loans under an amended loan and security agreement with Silicon Valley Bank, or SVB, \$10.6 million under a revolving line of credit pursuant to an amended loan and security agreement with SVB, and \$2.8 million from TriplePoint Capital LLC, or TriplePoint, under an equipment term loan.

Our future capital requirements will depend on many factors, including revenue growth and costs incurred to support customer growth, international expansion, research and development, litigation, increased general and administrative expenses to support the anticipated growth in our operations, including being a public company, capital equipment required to support our growing headcount and equipment required in connection with our co-location data center facilities. Our capital expenditures in future periods are expected to grow in line with our business. To the extent that existing cash and cash from operations are not sufficient to fund our future operations, we may need to raise additional funds through public or private equity or additional debt financing. Although we currently are not a party to any agreement and do not have any understanding with any third parties with respect to potential investments in, or acquisitions of, businesses or technologies, we may enter into these types of arrangements in the future, which could also require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

The table below, for the periods indicated, provides selected cash flow information (in thousands):

	Nine months ended September 30,	
	2014	2013
Net cash used in operating activities	\$ (7,108)	\$ (20,590)
Net cash used in investing activities	(43,865)	(9,154)
Net cash provided by financing activities	55,267	17,354

Net Cash Used in Operating Activities

Cash used in operating activities is significantly influenced by the amount of cash we invest in personnel, marketing, and infrastructure to support the anticipated growth of our business, the increase in the number of customers using our cloud-based software, the amount and timing of customer payments, as well as the amount and timing of payments to our vendors. For all of the periods presented, we experienced increases in customer acquisition costs combined with increases in investments in personnel and infrastructure, all of which have significantly exceeded the growth in our customer base, driving net losses from operations. Cash used in operating activities has historically come from net losses offset by non-cash expense items, such as depreciation and amortization of property and equipment, and share-based compensation, as well as working capital sources of cash driven by increases in accounts payable, accrued liabilities and deferred revenue. As we continue to invest in personnel, marketing, and infrastructure to support the anticipated growth of our business, we expect to continue to use cash in our operating activities.

Net cash used in operating activities decreased by \$13.5 million from the nine months ended September 30, 2013 to the nine months ended September 30, 2014, primarily due to increases in sources of cash from operations of \$23.2 million offset by decreases in sources of cash from operations of \$10.1 million. The increases in sources of cash are composed of: \$1.3 million from inventory; \$11.7 million from accrued liabilities; \$2.6 million from deferred revenue; and \$7.6 million in non-cash charges, including depreciation, amortization, and share based compensation expenses. The decreases in sources of cash are composed of: \$4.6 million from accounts receivable; and an increase in net loss of \$5.5 million. The changes in accrued liabilities result primarily from the timing of payments to our vendors. The higher net loss and non-cash charges reflect the investments we have made in our business and infrastructure to support expected future growth. The higher deferred revenue, higher inventory and higher accounts receivable balances reflect the overall growth in our business with larger customers and resellers.

Net Cash Used in Investing Activities

Our primary financing activities have consisted of capital expenditures to purchase equipment necessary to support our data center facilities and our network and other operations. As our business grows, we expect our capital expenditures to continue to increase.

Net cash used in investing activities increased by \$34.7 million from the nine months ended September 30, 2013 to the nine months ended September 30, 2014, primarily due to a \$6.1 million increase in use of cash related to purchases of property and equipment and a \$28.7 million increase in use of cash related to purchases of available-for-sale securities. Additional investments in capital equipment are necessary to support additional capacity in our platform to support our increasing customer base, as well to support the increase in headcount levels in all functions of our business. We invested a portion of our cash in available-for-sale securities in order to generate higher returns on our investment portfolio.

Net Cash Provided by Financing Activities

Our primary financing activities have consisted of private placements of our preferred stock, proceeds from issuance of stock under our stock plans, proceeds from issuance of debt, as well as proceeds from our initial and secondary public offerings completed in October 2013 and March 2014, respectively.

Net cash provided by financing activities increased by \$37.9 million from the nine months ended September 30, 2013 to the nine months ended September 30, 2014, primarily due to increases in sources of cash of \$62.3 million offset by decreases in sources of cash of \$24.2 million. The increases in sources of cash are composed of \$56.1 million in proceeds from our secondary public offering in March 2014 (net of underwriters' discounts and commissions and offering expenses paid by us) and a \$6.2 million increase in proceeds from the issuance of common stock in connection with the our stock plans. These sources of cash were higher period over period primarily because we were a public company for the entire nine month period ended September 30, 2014 and we were able to raise money from the issuance of our common stock. These increases in sources of cash were offset by a \$22.9 million decrease in sources of cash from borrowings combined with a \$1.3 million increase in use of cash for repayment of debt. Sources of cash from bank borrowings decreased period over period because we did not borrow any money during the nine months ended September 30, 2014. Principal repayments of debt increased period over period because we made principal payments during the nine months ended September 30, 2014 for the \$15.0 million we borrowed under our 2013 Term Loan with Silicon Valley Bank on December 31, 2013, which is required to be repaid in 48 equal monthly installments of principal and interest.

Backlog

We have generally signed monthly and annual subscription contracts for our services. The timing of our invoices to our customers is a negotiated term and thus varies among our service contracts. For multiple-year agreements, it is common to invoice an initial amount at contract signing followed by subsequent monthly or annual invoices. At any point in the contract term, there can be amounts that we have not yet been contractually able to invoice. Our subscription plans have monthly, annual, and multiple-year contractual terms, however approximately 90% of our current customers are on monthly contractual terms. Accordingly, the vast majority of our customers have average non-cancelable terms of 30 days or less. The change in backlog that results from changes in the average non-cancelable term of our subscription arrangements may not be an indicator of the likelihood of renewal or expected future revenues and therefore we do not utilize backlog as a key management metric internally and do not believe that it is a meaningful measurement of our future revenues.

Contractual Obligations and Commitments

Except as set forth below and in Note 5 of the Condensed Notes to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, there were no material changes in our commitments under contractual obligations, as disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2013. In March 2014, we entered into a new lease for its office in Denver, Colorado for approximately 40,000 square feet for a total lease commitment of \$4.7 million through 2019 and lease incentives totaling \$1.2 million. In May 2014, we entered into a new lease for our office in London, England for approximately 8,500 square feet for a total lease commitment of approximately \$1.9 million through 2019. On September 25 2014, we entered into a new lease for our headquarters for approximately 84,000 square feet for a total lease commitment of \$17.5 million through 2021 and lease incentives totaling \$1.5 million. The Company is currently occupying 10,000 square feet and will take possession of the remainder of the 84,000 square foot building sometime in the first quarter of fiscal 2015.

Contingencies

There has been and may be in the future substantial litigation in the areas in which we operate regarding intellectual property rights, including third parties claiming patent infringement. We record a provision for a liability when we believe that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount of loss. Such legal proceedings are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to be incorrect, it could have a material impact on our results of operations, financial position, and cash flows.

Off-balance Sheet Arrangements

During the nine months ended September 30, 2014 and 2013, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Currency Risk

Our functional currency of our foreign subsidiaries is generally the local currency. Most of our sales are denominated in U.S. dollars, and therefore our net revenue is not currently subject to significant foreign currency risk. Our operating expenses are denominated in the currencies of the countries in which our operations and contractors are located, which are primarily in the U.S., Canada, the Philippines, Russia, Ukraine, UK, Switzerland, the Netherlands and China. Our consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments. During fiscal 2013, the effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our historical consolidated financial statements. As of September 30, 2014, a hypothetical 10% increase or decrease in foreign currency exchange rates applicable to our business would have had an impact of approximately \$0.9 million on our historical consolidated financial statements.

Interest Rate Sensitivity

We had cash, cash equivalents and short-term investments of \$149.4 million and \$116.4 million as of September 30, 2014 and December 31, 2013, respectively. We hold our cash, cash equivalents and short-term investments for working capital purposes. Our cash and cash equivalents are held in cash and short-term money market funds. Our short-term investments are held in commercial paper and corporate debt securities and designated as available-for-sale. Due to the short-term nature of these instruments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, would reduce future interest income. During the three and nine months ended September 30, 2013 and 2014, the effect of a hypothetical 10% increase or decrease in overall interest rates would not have had a material impact on our interest income. In addition, as of December 31, 2013, we had approximately \$29.1 million in short and long-term debt with variable interest rate components. A hypothetical 10% increase or decrease in the applicable interest rate would have had a \$2.9 million impact on our annual interest expense. As of September 30, 2014, we had approximately \$24.6 million in short and long-term debt with variable interest rate components. A hypothetical 10% increase or decrease in the applicable interest rate would have had an impact of approximately \$2.5 million on our annual interest expense.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2014. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of September 30, 2014, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in a variety of claims, lawsuits, investigations, and proceedings relating to contractual disputes, intellectual property rights, employment matters, regulatory compliance matters, and other litigation matters relating to various claims that arise in the normal course of business. Defending such proceedings is costly and can impose a significant burden on management and employees, we may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained.

We determine whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. We assess our potential liability by analyzing specific litigation and regulatory matters using reasonably available information. We develop our views on estimated losses in consultation with inside and outside counsel, which involves a subjective analysis of potential results and outcomes, assuming various combinations of appropriate litigation and settlement strategies. Legal fees are expensed in the period in which they are incurred. As of September 30, 2014, there were no significant ongoing legal matters and we did not have any accrued liabilities recorded for such loss contingencies.

Item 1A. Risk Factors

This Report contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, the risk factors set forth below. The risks and uncertainties described in this Report are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also affect our business. Please see page 3 of this Quarterly Report on Form 10-Q for a discussion of the forward-looking statements that are qualified by these risk factors. If any of these known or unknown risks or uncertainties actually occurs and have a material adverse effect on us, our business, financial condition and results of operations could be seriously harmed.

Risks Related to Our Business and Our Industry

We have incurred significant losses and negative cash flows in the past and anticipate continuing to incur losses and negative cash flows for the foreseeable future, and we may therefore not be able to achieve or sustain profitability in the future.

We have incurred substantial net losses since our inception, including net losses of \$13.9 million for fiscal 2011, \$35.4 million for fiscal 2012, \$46.1 million for fiscal 2013 and \$38.2 million for the nine months ended September 30, 2014, and had an accumulated deficit of \$168.0 million as of September 30, 2014. Over the past few years, we have spent considerable amounts of time and money to develop new business communications solutions and enhanced versions of our existing business communications solutions to position us for future growth. Additionally, we have incurred substantial losses and expended significant resources upfront to market, promote and sell our solutions and expect to continue to do so in the future. We also expect to continue to invest for future growth, including for advertising, customer acquisition, technology infrastructure, storage capacity, services development and international expansion. In addition, as a public company, we incur significant accounting, legal and other expenses.

As a result of our increased expenditures, we will have negative operating cash flows for the foreseeable future and will have to generate and sustain increased revenues to achieve future profitability. Achieving profitability will require us to increase revenues, manage our cost structure and avoid significant liabilities. Revenue growth may slow, revenues may decline or we may incur significant losses in the future for a number of possible reasons, including general macroeconomic conditions, increasing competition (including competitive pricing pressures), a decrease in the growth of the markets in which we compete, or if we fail for any reason to continue to capitalize on growth opportunities. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays, service delivery and quality problems and other unknown factors that may result in losses in future periods. If these losses exceed our expectations or our revenue growth expectations are not met in future periods, our financial performance will be harmed and our stock price could be volatile or decline.

Our limited operating history makes it difficult to evaluate our current business and future prospects, which may increase the risk of investing in our stock.

Although we were incorporated in 1999, we did not formally introduce RingCentral Office, our current flagship service, until 2009. We have encountered and expect to continue to encounter risks and uncertainties frequently experienced by growing companies in rapidly changing markets. If our assumptions regarding these uncertainties are incorrect or change in reaction to changes in our markets, or if we do not manage or address these risks successfully, our results of operations could differ materially from our expectations, and our business could suffer. Any success that we may experience in the future will depend, in large part, on our ability to, among other things:

- retain and expand our customer base;
- increase revenues from existing customers as they add users and, in the future, purchase additional functionalities and premium service editions;
- successfully acquire customers on a cost-effective basis;
- improve the performance and capabilities of our services and applications through research and development and third party service providers;
- successfully expand our business to larger customers and internationally;
- successfully compete in our markets;
- continue to innovate and expand our service offerings;
- continue our relationship with AT&T and other resellers, and successfully launch with TELUS and BT;
- successfully protect our intellectual property and defend against intellectual property infringement claims;
- generate leads and convert potential customers into paying customers;
- maintain and enhance our third-party data center hosting facilities to minimize interruptions in the use of our services; and
- hire, integrate, and retain professional and technical talent.

Our quarterly and annual results of operations have fluctuated in the past and may continue to do so in the future. As a result, we may fail to meet or to exceed the expectations of research analysts or investors, which could cause our stock price to fluctuate.

Our quarterly and annual results of operations have varied historically from period to period, and we expect that they will continue to fluctuate due to a variety of factors, many of which are outside of our control, including:

- our ability to retain existing customers and resellers, expand our existing customers' user base and attract new customers;
- our ability to introduce new solutions;
- the actions of our competitors, including pricing changes or the introduction of new solutions;
- our ability to effectively manage our growth;
- our ability to successfully penetrate the market for larger businesses;
- the mix of annual and multi-year subscriptions at any given time;
- the timing, cost and effectiveness of our advertising and marketing efforts;
- the timing, operating cost and capital expenditures related to the operation, maintenance and expansion of our business;
- service outages or security breaches and any related impact on our reputation;
- our ability to accurately forecast revenues and appropriately plan our expenses;
- our ability to realize our deferred tax assets;
- costs associated with defending and resolving intellectual property infringement and other claims;
- changes in tax laws, regulations, or accounting rules;
- the timing and cost of developing or acquiring technologies, services or businesses and our ability to successfully manage any such acquisitions; and
- the impact of worldwide economic, political, industry and market conditions.

Any one of the factors above, or the cumulative effect of some or all of the factors referred to above, may result in significant fluctuations in our quarterly and annual results of operations. This variability and unpredictability could result in our failure to meet our internal operating plan or the expectations of securities analysts or investors for any period, which could cause our stock price to decline. In addition, a significant percentage of our operating expenses is fixed in nature and is based on forecasted revenues trends. Accordingly, in the event of revenue shortfalls, we may not be able to mitigate the negative impact on net income (loss) and margins in the short term. If we fail to meet or exceed the expectations of research analysts or investors, the market price of our shares could fall substantially, and we could face costly lawsuits, including securities class-action suits.

To deliver our services, we rely on third parties for our network connectivity and co-location facilities, and for certain of the features in our services.

We currently use the infrastructure of third-party network service providers, in particular, the services of Level 3 Communications, Inc. and Bandwidth.com, Inc., to deliver our services over their networks. Our third party network service providers provide access to their Internet protocol, or IP, networks, and public switched telephone networks, or PSTN, and provide call termination and origination services, including 911 emergency calling in the U.S. and equivalent services in Canada and the United Kingdom, or UK, and local number portability for our customers. We expect that we will continue to rely heavily on third-party network service providers to provide these services for the foreseeable future. We have begun obtaining certain connectivity and network services from our wholly owned subsidiary, RCLEC, Inc. in certain geographic markets; however RCLEC also uses the infrastructure of third party network service providers to deliver its services. Historically, our reliance on third-party networks has reduced our operating flexibility and ability to make timely service changes and control quality of service, and we expect that this will continue for the foreseeable future. If any of these network service providers stop providing us with access to their infrastructure, fail to provide these services to us on a cost-effective basis, cease operations, or otherwise terminate these services, the delay caused by qualifying and switching to another third-party network service provider, if one is available, could have a material adverse effect on our business and results of operations.

In addition, we currently use and may in the future use third-party service providers to deliver certain features of our services. For example, we rely on Free Conference Call Global, LLC for some conference calling features, Zoom Video Communications for our HD video and web conferencing and screen sharing features, and Layered Communications for our texting capabilities. If any of these service providers elects to stop providing us with access to their services, fails to provide these services to us on a cost-effective basis, ceases operations, or otherwise terminates these services, the delay caused by qualifying and switching to another third-party service provider, if one is available, or building a proprietary replacement solution could have a material adverse effect on our business and results of operations.

Finally, if problems occur with any of these third-party network or service providers, it may cause errors or poor call quality in our service, and we could encounter difficulty identifying the source of the problem. The occurrence of errors or poor call quality in our service, whether caused by our systems or a third-party network or service provider, may result in the loss of our existing customers, delay or loss of market acceptance of our services, termination of our relationships and agreements with our resellers or liability for failure to meet service level agreements, and may seriously harm our business and results of operations.

Interruptions or delays in service from our third-party data center hosting facilities and co-location facilities could impair the delivery of our services and harm our business.

We currently serve our North American customers from two data center hosting facilities located in northern California and northern Virginia, where we lease space from Equinix, Inc. We also serve customers in the UK, and expect to serve customers in other European countries, from two third-party data center hosting facilities in Amsterdam, the Netherlands, and Zurich, Switzerland. In addition, RCLEC uses five third-party co-location facilities to provide us with network services, and we expect RCLEC to use additional third-party co-location facilities in the future. Any damage to, or failure of, these facilities, the communications network providers with whom we or they contract, or with the systems by which our communications providers allocate capacity among their customers, including us, could result in interruptions in our service. Additionally, in connection with the expansion or consolidation of our existing data center facilities, we may move or transfer our data and our customers' data to other data centers. Despite precautions that we take during this process, any unsuccessful data transfers may impair or cause disruptions in the delivery of our service. Interruptions in our service may reduce our revenues, may require us to issue credits or pay penalties, subject us to claims and litigation, cause customers to terminate their subscriptions and adversely affect our renewal rates and our ability to attract new customers. Because our ability to attract and retain customers depends on our ability to provide customers with a highly reliable service, even minor interruptions in our service could harm our brand and reputation and have a material adverse effect on our business.

As part of our current disaster recovery arrangements, our North American infrastructure and all of our North American customers' data is currently replicated in near real-time at our two data center facilities in the U.S., and our European production environment and all of our UK and other European customers' data will be replicated in near real-time at our two European data center facilities. We do not control the operation of these facilities or of RCLEC's co-location facilities, and they are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, and similar events. They may also be subject to break-ins, sabotage, acts of vandalism, and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism or other unanticipated problems at these facilities could result in lengthy interruptions in our service. Even with the disaster recovery arrangements in place, our service could be interrupted.

We may also be required to transfer our servers to new data center facilities in the event that we are unable to renew our leases on acceptable terms, if at all, or the owners of the facilities decide to close their facilities, and we may incur significant costs and possible service interruption in connection with doing so. In addition, any financial difficulties, such as bankruptcy or foreclosure, faced by our third-party data center operators, or any of the service providers with which we or they contract may have negative effects on our business, the nature and extent of which are difficult to predict. Additionally, if our data centers are unable to keep up with our increasing needs for capacity, our ability to grow our business could be materially and adversely impacted.

Failures in Internet infrastructure or interference with broadband access could cause current or potential users to believe that our systems are unreliable, possibly leading our customers to switch to our competitors or to avoid using our services.

Unlike traditional communications services, our services depend on our customers' high-speed broadband access to the Internet, usually provided through a cable or digital subscriber line, or DSL, connection. Increasing numbers of users and increasing bandwidth requirements may degrade the performance of our services and applications due to capacity constraints and other Internet infrastructure limitations. As our customer base grows and their usage of communications capacity increases, we will be required to make additional investments in network capacity to maintain adequate data transmission speeds, the availability of which may be limited, or the cost of which may be on terms unacceptable to us. If adequate capacity is not available to us as our customers' usage increases, our network may be unable to achieve or maintain sufficiently high data transmission capacity, reliability or performance. In addition, if Internet service providers and other third parties providing Internet services have outages or deteriorations in their quality of service, our customers will not have access to our services or may experience a decrease in the quality of our services. Furthermore, as the rate of adoption of new technologies increases, the networks on which our services and applications rely may not be able to sufficiently adapt to the increased demand for these services, including ours. Frequent or persistent interruptions could cause current or potential users to believe that our systems or services are unreliable, leading them to switch to our competitors or to avoid our services, and could permanently harm our reputation and brands.

In addition, users who access our services and applications through mobile devices, such as smartphones and tablets, must have a high-speed connection, such as Wi-Fi, 3G, 4G or LTE, to use our services and applications. Currently, this access is provided by companies that have significant and increasing market power in the broadband and Internet access marketplace, including incumbent phone companies, cable companies and wireless companies. Some of these providers offer products and services that directly compete with our own offerings, which can potentially give them a competitive advantage. Also, these providers could take measures that degrade, disrupt or increase the cost of user access to third-party services, including our services, by restricting or prohibiting the use of their infrastructure to support or facilitate third-party services or by charging increased fees to third parties or the users of third-party services, any of which would make our services less attractive to users, and reduce our revenues.

In December 2010, the Federal Communications Commission, or FCC, adopted net neutrality rules that make it more difficult for broadband Internet access service providers to block, degrade or discriminate against our services. These rules apply to wired broadband Internet providers, but not all of the rules apply to wireless broadband service. In January 2014, the U.S. Court of Appeals for the District of Columbia Circuit vacated portions of the FCC's net neutrality rules relating to anti-discrimination and anti-blocking. On May 15, 2014, the FCC released a Notice of Proposed Rulemaking to consider the court's decision and what actions the FCC should take in response. We cannot predict the outcome of this rulemaking or whether any new rules, if any are adopted, will be subject to a legal appeal. An FCC decision allowing broadband internet providers to charge web-based services such as ours for priority access to customers could result in increased costs and a loss of existing users, which could impair our ability to attract new users, and materially and adversely affect our business and opportunities for growth.

Most of our customers may terminate their subscriptions for our service at any time without penalty, and increased customer turnover, or costs we incur to retain our customers and encourage them to add users and, in the future, to purchase additional functionalities and premium service editions, could materially and adversely affect our financial performance.

Our customers generally do not have long-term contracts with us and these customers may terminate their subscription for our service at any time without penalty or early termination charges. We cannot accurately predict the rate of customer terminations or average monthly service cancellations or failures to renew, which we refer to as turnover. Our customers with subscription agreements have no obligation to renew their subscriptions for our service after the expiration of their initial subscription period, which is typically between one and three years. In the event that these customers do renew their subscriptions, they may choose to renew for fewer users, shorter contract lengths, or for a less expensive service plan or edition. We cannot predict the renewal rates for customers that have entered into subscription contracts with us.

Customer turnover, as well as reductions in the number of users for which a customer subscribes, each have a significant impact on our results of operations, as does the cost we incur in our efforts to retain our customers and encourage them to upgrade their services and increase their number of users. Our turnover rate could increase in the future if customers are not satisfied with our service, the value proposition of our services or our ability to otherwise meet their needs and expectations. Turnover and reductions in the number of users for whom a customer subscribes may also increase due to factors beyond our control, including the failure or unwillingness of customers to pay their monthly subscription fees due to financial constraints and the impact of a slowing economy. Because of turnover and reductions in the number of users for whom a customer subscribes, we have to acquire new customers, or acquire new users within our existing customer base, on an ongoing basis simply to maintain our existing level of customers and revenues. If a significant number of customers terminate, reduce or fail to renew their subscriptions, we may be required to incur significantly higher marketing expenditures than we currently anticipate in order to increase the number of new customers or to upsell existing customers, and such additional marketing expenditures could harm our business and results of operations.

Our future success also depends in part on our ability to sell additional subscriptions and additional functionalities to our current customers. This may also require increasingly sophisticated and more costly sales efforts and a longer sales cycle. Any increase in the costs necessary to upgrade, expand and retain existing customers could materially and adversely affect our financial performance. If our efforts to convince customers to add users and, in the future, to purchase additional functionalities are not successful, our business may suffer. In addition, such increased costs could cause us to increase our subscription rates, which could increase our turnover rate.

If we are unable to attract new customers to our services on a cost-effective basis, our business will be materially and adversely affected.

In order to grow our business, we must continue to attract new customers and expand the number of users in our existing customer base on a cost-effective basis. We use and periodically adjust the mix of advertising and marketing programs to promote our services. Significant increases in the pricing of one or more of our advertising channels would increase our advertising costs or may cause us to choose less expensive and perhaps less effective channels to promote our services. As we add to or change the mix of our advertising and marketing strategies, we may need to expand into channels with significantly higher costs than our current programs, which could materially and adversely affect our results of operations. We will incur advertising and marketing expenses in advance of when we anticipate recognizing any revenues generated by such expenses, and we may fail to otherwise experience an increase in revenues or brand awareness as a result of such expenditures. We have made in the past, and may make in the future, significant expenditures and investments in new advertising campaigns, and we cannot assure you that any such investments will lead to the cost-effective acquisition of additional customers. If we are unable to maintain effective advertising programs, our ability to attract new customers could be materially and adversely affected, our advertising and marketing expenses could increase substantially, and our results of operations may suffer.

Some of our potential customers learn about us through leading search engines, such as Google, Yahoo! and Bing. While we employ search engine optimization and search engine marketing strategies, our ability to maintain and increase the number of visitors directed to our website is not entirely within our control. If search engine companies modify their search algorithms in a manner that reduces the prominence of our listing, or if our competitors' search engine optimization efforts are more successful than ours, or if search engine companies restrict or prohibit us from using their services, fewer potential customers may click through to our website. In addition, the cost of purchased listings has increased in the past and may increase in the future. A decrease in website traffic or an increase in search costs could materially and adversely affect our customer acquisition efforts and our results of operations.

We market our products and services principally to small and medium-sized businesses, which may have fewer financial resources to weather an economic downturn.

We market our products and services principally to small and medium-sized businesses. These customers may be materially and adversely affected by economic downturns to a greater extent than larger, more established businesses. These businesses typically have more limited financial resources, including capital-borrowing capacity, than larger entities. Because the vast majority of our customers pay for our services through credit and debit cards, weakness in certain segments of the credit markets and in the U.S. and global economies has resulted in and may in the future result in increased numbers of rejected credit and debit card payments, which could materially affect our business by increasing customer cancellations and impacting our ability to engage new customers. If small and medium-sized businesses experience financial hardship as a result of a weak economy, industry consolidation or the overall demand for our services could be materially and adversely affected.

We face significant risks in our strategy to target medium-sized and larger businesses for sales of our services and, if we do not manage these efforts effectively, our business and results of operations could be materially and adversely affected.

We currently derive only a small portion of our revenues from sales to medium-sized and larger businesses. As we target more of our sales efforts to medium-sized and larger businesses, we expect to incur higher costs and longer sales cycles and we may be less effective at predicting when we will complete these sales. In this market segment, the decision to purchase our services may require the approval of more technical personnel and management levels within a potential customer's organization than we have historically encountered, and if so, these types of sales would require us to invest more time educating these potential customers about the benefits of our services. In addition, larger customers may demand more features, integration services and customization. Also, we have only limited experience in developing and managing sales channels and distribution arrangements for larger businesses. As a result of these factors, these sales opportunities may require us to devote greater research and development resources and sales, support and professional services resources to individual customers, resulting in increased costs and would likely lengthen our typical sales cycle, which could strain our limited sales and professional services resources. Moreover, these larger transactions may require us to delay recognizing the associated revenues we derive from these customers until any technical or implementation requirements have been met. Furthermore, because we have limited experience selling to larger businesses, our investment in marketing our services to these potential customers may not be successful, which could materially and adversely affect our results of operations and our overall ability to grow our customer base. Following sales to medium-sized or larger customers, we may experience fewer opportunities to expand these customers' user base or sell them additional functionalities, or experience increased subscription terminations as compared to our experience with smaller businesses, any of which could materially and adversely impact our results of operations.

We rely significantly on a network of resellers to sell our services; our failure to effectively develop, manage, and maintain our indirect sales channels could materially and adversely affect our revenues.

Our future success depends on our continued ability to establish and maintain a network of channel relationships, and we expect that we will need to expand our network in order to both support and expand our historical base of smaller enterprises as well as attract and support larger customers and expand into international markets. An increasing portion of our revenues is derived from our network of over 1,500 sales agents and resellers, in particular AT&T, which we refer to collectively as resellers, many of which sell or may in the future decide to sell their own services or services from other business communications providers. We generally do not have long-term contracts with these resellers, and the loss of or reduction in sales through these third parties could materially reduce our revenues. Our competitors may in some cases be effective in causing our current or potential resellers to favor their services or prevent or reduce sales of our services. If we fail to maintain relationships with our resellers, fail to develop relationships with new resellers in new markets or expand the number of resellers in our network in existing markets, or if we fail to manage, train, or provide appropriate incentives to our existing resellers, or if our resellers are not successful in their sales efforts, sales of our services may decrease and our operating results would suffer. If we are unable to maintain our relationship with AT&T or to implement our service with TELUS or BT, or if AT&T, TELUS or BT reduced resources committed to reselling the service, our results of operations may suffer.

Recruiting and retaining qualified resellers in our network and training them in our technology and service offerings requires significant time and resources. To develop and expand our indirect sales channels, we must continue to scale and improve our processes and procedures to support these channels, including investment in systems and training. Many resellers may not be willing to invest the time and resources required to train their staff to effectively market our services.

Support for smartphones and tablets are an integral part of our solutions. If we are unable to develop robust mobile applications that operate on mobile platforms that our customers use, our business and results of operations could be materially and adversely affected.

Our solutions allow our customers to use and manage our cloud-based business communications solution on smart devices. As new smart devices and operating systems are released, we may encounter difficulties supporting these devices and services, and we may need to devote significant resources to the creation, support, and maintenance of our mobile applications. In addition, if we experience difficulties in the future integrating our mobile applications into smart devices or if problems arise with our relationships with providers of mobile operating systems, such as those of Apple Inc. or Google Inc., our future growth and our results of operations could suffer.

We face intense competition in our markets and may lack sufficient financial or other resources to compete successfully.

The cloud-based business communications industry is competitive, and we expect it to become increasingly competitive in the future. We face intense competition from other providers of business communications systems and solutions. Our competitors include traditional on-premise, hardware business communications providers such as Alcatel-Lucent, S.A., Avaya Inc., Cisco Systems, Inc., Mitel Networks Corporation, ShoreTel, Inc., Siemens Enterprise Networks, LLC, their resellers and others; as well as companies such as Microsoft Corporation and Broadsoft, Inc. that generally license their software, and their resellers. In addition, certain of our resellers are also our competitors. For example, AT&T serves, and we expect that TELUS and BT will serve, as a reseller to us but they are also competitors for business communications. All of these companies do now or may in the future also host their solutions through the cloud. We also face competition from other cloud companies such as j2 Global, Inc., 8x8, Inc., Intermedia, Vonage Holdings Corp., Nextiva, Inc. and Jive Communications, Inc., as well as from established communications providers, such as AT&T Inc., Verizon Communications Inc. and Comcast Corporation in the United States, TELUS and others in Canada, and BT and others in the UK, that resell on-premise hardware, software and hosted solutions. We may also face competition from other large Internet companies, such as Google Inc., Yahoo! Inc. and Amazon.com, Inc., any of which might launch its own cloud-based business communications services or acquire other cloud-based business communications companies in the future.

Many of our current and potential competitors have longer operating histories, significantly greater resources and name recognition, more diversified service offerings and larger customer bases than we have. As a result, these competitors may have greater credibility with our existing and potential customers and may be better able to withstand an extended period of downward pricing pressure. In addition, certain of our competitors have partnered with, or been acquired by, and may in the future partner with or acquire, other competitors to offer services, leveraging their collective competitive positions, which makes it more difficult to compete with them and could materially and adversely affect our results of operations. They also may be able to adopt more aggressive pricing policies and devote greater resources to the development, promotion and sale of their services than we can to ours. Some of these service providers have in the past and may choose in the future to sacrifice revenues in order to gain market share by offering their services at lower prices or for free. Our competitors may also offer bundled service arrangements offering a more complete service offering, despite the technical merits or advantages of our services. Competition could force us to decrease our prices, slow our growth, increase our customer turnover, reduce our sales or decrease our market share. The adverse impact of a shortfall in our revenues may be magnified if we are unable to adjust spending adequately to compensate for such shortfall.

If we are unable to develop, license or acquire new services or applications on a timely and cost-effective basis, our business, financial condition, and results of operations may be materially and adversely affected.

The cloud-based business communications industry is an emerging market that is characterized by rapid changes in customer requirements, frequent introductions of new and enhanced services, and continuing and rapid technological advancement. We cannot predict the effect of technological changes on our business. To compete successfully in this emerging market, we must anticipate and adapt to technological changes and evolving industry standards, and continue to design, develop, manufacture and sell new and enhanced services that provide increasingly higher levels of performance and reliability at lower cost. Currently, we derive a majority of our revenues from subscriptions to RingCentral Office, and we expect this will continue for the foreseeable future. However, our future success will also depend on our ability to introduce and sell new services, features and functionality that enhance or are beyond the voice, fax and text communications services we currently offer, as well as to improve usability and support and increase customer satisfaction. Our failure to develop solutions that satisfy customer preferences in a timely and cost-effective manner may harm our ability to renew our subscriptions with existing customers and create or increase demand for our services, and may materially and adversely impact our results of operations.

The introduction of new services by competitors or the development of entirely new technologies to replace existing offerings could make our solutions obsolete or adversely affect our business and results of operations. Announcements of future releases and new services and technologies by our competitors or us could cause customers to defer purchases of our existing services, which also could have a material adverse effect on our business, financial condition or results of operations. We may experience difficulties with software development, operations, design or marketing that could delay or prevent our development, introduction or implementation of new or enhanced services and applications. We have in the past experienced delays in the planned release dates of new features and upgrades, and have discovered defects in new services and applications after their introduction. We cannot assure you that new features or upgrades will be released according to schedule, or that, when released, they will not contain defects. Either of these situations could result in adverse publicity, loss of revenues, delay in market acceptance or claims by customers brought against us, all of which could harm our reputation, business, results of operations, and financial condition. Moreover, the development of new or enhanced services or applications may require substantial investment, and we must continue to invest a significant amount of resources in our research and development efforts to develop these services and applications to remain competitive. We do not know whether these investments will be successful. If customers do not widely adopt any new or enhanced services and applications, we may not be able to realize a return on our investment. If we are unable to develop, license, or acquire new or enhanced services and applications on a timely and cost-effective basis, or if such new or enhanced services and applications do not achieve market acceptance, our business, financial condition, and results of operations may be materially and adversely affected.

A security breach could delay or interrupt service to our customers, harm our reputation, or subject us to significant liability.

Our operations depend on our ability to protect our network from interruption by damage from unauthorized entry, computer viruses or other events beyond our control. In the past, we may have been subject to denial or disruption of service, or DDOS, attacks by hackers intent on bringing down our services, and we may be subject to DDOS attacks in the future. We cannot assure you that our backup systems, regular data backups, security protocols and other procedures are currently in place, or that may be in place in the future, will be adequate to prevent significant damage, system failure or data loss. Also, our services are web-based, and the amount of data we store for our users on our servers has been increasing as our business has grown. Despite the implementation of security measures, our infrastructure may be vulnerable to hackers, computer viruses, worms, other malicious software programs or similar disruptive problems caused by our customers, employees, consultants or other Internet users who attempt to invade public and private data networks. Further, in some cases we do not have in place disaster recovery facilities for certain ancillary services, such as email delivery of messages. Currently, nearly all of our customers authorize us to bill their credit or debit card accounts directly for all transaction fees that we charge. We rely on encryption and authentication technology to ensure secure transmission of confidential information, including customer credit and debit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology we use to protect transaction data.

Additionally, third parties may have attempted in the past, and may attempt in the future, to fraudulently induce domestic and international employees, consultants or customers into disclosing sensitive information, such as user names, passwords or customer proprietary network information, or CPNI, or other information in order to gain access to our customers' data or to our data. CPNI includes information such as the phone numbers called by a consumer, the frequency, duration, and timing of such calls, and any services purchased by the consumer, such as call waiting, call forwarding, and caller ID, in addition to other information that may appear on a consumer's bill. Third parties may also attempt to fraudulently induce employees, consultants or customers into disclosing sensitive information regarding our intellectual property and other confidential business information, or our information technology systems. In addition, because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any system failure or security breach that causes interruptions or data loss in our operations or in the computer systems of our customers or leads to the misappropriation of our or our customers' confidential or personal information, or CPNI, could result in significant liability to us, cause our service to be perceived as not being secure, cause considerable harm to us and our reputation (including requiring notification to customers, regulators or the media), and deter current and potential customers from using our services. Any of these events could have a material adverse effect on our business, results of operations, and financial condition.

We also maintain sensitive data related to our employees, strategic partners, and customers including intellectual property, proprietary business information and personally identifiable information on our own systems. We employ sophisticated security measures; however we may face threats across our infrastructure including unauthorized access, security breaches and other system disruptions.

It is critical to our business that our employees', strategic partners' and customers' sensitive information remains secure and that our customers perceive that this information is secure. A cybersecurity breach could result in unauthorized access to, loss of, or unauthorized disclosure of such information. A cybersecurity breach could expose us to litigation, indemnity obligations, government investigations and other possible liabilities. Additionally, a cyber attack, whether actual or perceived, could result in negative publicity which could harm our reputation and reduce our customers' confidence in the effectiveness of our solutions, which could materially and adversely affect our business and operating results. A breach of our security systems could also expose us to increased costs including remediation costs, disruption of operations, or increased cybersecurity protection costs that may have a material adverse effect on our business.

We rely on third parties for some of our software development, quality assurance, operations and customer support.

We currently depend on various third parties for some of our software development efforts, quality assurance, operations and customer support services. Specifically, we outsource some of our software development and design, quality assurance and operations activities to third-party contractors that have employees and consultants located in St. Petersburg, Russia and Odessa, Ukraine. In addition, we outsource a portion of our customer support, inside sales and network operation control functions to third-party contractors located in Manila, the Philippines. Our dependence on third-party contractors creates a number of risks, in particular, the risk that we may not maintain service quality, control or effective management with respect to these business operations. In addition, the recent political and military events in the Ukraine, including political demonstrations, the recent annexation of the Crimea region of Ukraine by Russia, the increasingly hostile relations between Russia and the Ukraine, and recent disruptions caused by Pro-Russian separatists in the Ukraine, could have an adverse impact on our third-party software development and quality assurance operations in Odessa, Ukraine. Further, the deteriorating relations between the U.S. and Russia and possible sanctions by the U.S. and the European Union against Russia could adversely impact our third-party software development and quality assurance operations in St. Petersburg, Russia. We have established contingency plans that could mitigate some of these risks in the event of any disruption, but there can be no guarantee that we will be successful in mitigating these risks.

Our agreements with these third-party contractors are either not terminable by them (other than at the end of the term or upon an uncured breach by us) or require at least 60 days' prior written notice of termination. If we experience problems with our third-party contractors, the costs charged by our third-party contractors increase or our agreements with our third-party contractors are terminated, we may not be able to develop new solutions, enhance or operate existing solutions or provide customer support in an alternate manner that is equally or more efficient and cost-effective.

We anticipate that we will continue to depend on these and other third-party relationships in order to grow our business for the foreseeable future. If we are unsuccessful in maintaining existing and, if needed, establishing new relationships with third parties, our ability to efficiently operate existing services or develop new services and provide adequate customer support could be impaired, and, as a result, our competitive position or our results of operations could suffer.

Growth may place significant demands on our management and our infrastructure.

We have recently experienced substantial growth in our business. This growth has placed and may continue to place significant demands on our management and our operational and financial infrastructure. As our operations grow in size, scope and complexity, we will need to increase our sales and marketing efforts and add additional sales and marketing personnel in various regions worldwide, and improve and upgrade our systems and infrastructure to attract, service and retain an increasing number of customers. For example, we expect the volume of simultaneous calls to increase significantly as our customer base grows. Our network hardware and software may not be able to accommodate this additional simultaneous call volume. The expansion of our systems and infrastructure will require us to commit substantial financial, operational, and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. Any such additional capital investments will increase our cost base. Continued growth could also strain our ability to maintain reliable service levels for our customers and resellers, develop and improve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train and retain highly skilled personnel. In addition, given our expected growth, we expect to move our headquarters offices within the next three to four months, and we may open a sales office on the East Coast in the near future. If we fail to achieve the necessary level of efficiency in our organization as we grow, our business, results of operations and financial condition could be materially and adversely affected.

Accusations of infringement of third-party intellectual property rights could materially and adversely affect our business.

There has been substantial litigation in the areas in which we operate regarding intellectual property rights. In the past, we have been sued by third parties claiming infringement of their intellectual property rights and we may be sued for infringement from time to time in the future. In the past, we have settled infringement litigation brought against us; however, we cannot assure you that we will be able to settle any future claims or, if we are able to settle any such claims, that the settlement will be on terms favorable to us. Our broad range of technology may increase the likelihood that third parties will claim that we infringe their intellectual property rights. In this regard, in June 2011, j2 Global, Inc. and Advanced Messaging Technologies, Inc. named us in a patent infringement lawsuit seeking a permanent injunction, damages and attorneys' fees. In April 2013, we entered into a license and settlement agreement with j2 Global, Inc. and one of its affiliates to settle the matter. Under the terms of the settlement agreement, the parties granted each other certain patent cross licenses for over 10 years and the parties have dismissed all claims in these matters without prejudice. In addition, in December 2012, we were named as a defendant in a patent infringement lawsuit by CallWave Communications, LLC, or CallWave, which we believe to be a non-practicing entity. In September 2013, we entered into a license and settlement agreement with Callwave to settle the matter. Under the terms of the settlement agreement, CallWave granted us a non-exclusive license and agreed to dismiss all claims in these matters without prejudice.

We have in the past received, and may in the future receive, notices of claims of infringement, misappropriation or misuse of other parties' proprietary rights. Furthermore, regardless of their merits, accusations and lawsuits like these may require significant time and expense to defend, may negatively affect customer relationships, may divert management's attention away from other aspects of our operations and, upon resolution, may have a material adverse effect on our business, results of operations, financial condition and cash flows.

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

If we were found to be infringing on the intellectual property rights of any third party, we could be subject to liability for such infringement, which could be material. We could also be prohibited from using or selling certain services, prohibited from using certain processes, or required to redesign certain services, each of which could have a material adverse effect on our business and results of operations.

These and other outcomes may:

- result in the loss of a substantial number of existing customers or prohibit the acquisition of new customers;
- cause us to pay license fees for intellectual property we are deemed to have infringed;
- cause us to incur costs and devote valuable technical resources to redesigning our services;
- cause our cost of goods sold to increase;
- cause us to accelerate expenditures to preserve existing revenues;
- cause existing or new vendors to require prepayments or letters of credit;
- materially and adversely affect our brand in the marketplace and cause a substantial loss of goodwill;
- cause us to change our business methods or services;
- require us to cease certain business operations or offering certain services or features; and
- lead to our bankruptcy or liquidation.

Our limited ability to protect our intellectual property rights could materially and adversely affect our business.

We rely, in part, on patent, trademark, copyright and trade secret law to protect our intellectual property in the U.S. and abroad. We seek to protect our technology, software, documentation and other information under trade secret and copyright law, which afford only limited protection. For example, we typically enter into confidentiality agreements with our employees, consultants, third-party contractors, customers and vendors in an effort to control access to use and distribution of our technology, software, documentation and other information. These agreements may not effectively prevent unauthorized use or disclosure of confidential information and may not provide an adequate remedy in the event of such unauthorized use or disclosure, and it may be possible for a third party to legally reverse engineer, copy or otherwise obtain and use our technology without authorization. In addition, improper disclosure of trade secret information by our current or former employees, consultants, third-party contractors, customers or vendors to the public or others who could make use of the trade secret information would likely preclude that information from being protected as a trade secret.

We also rely, in part, on patent law to protect our intellectual property in the U.S. and internationally. Our intellectual property portfolio includes 33 issued U.S. patents, which expire between 2026 and 2032. We also have 47 patent applications pending examination in the U.S., and 24 patent applications pending examination in foreign jurisdictions all of which are related to U.S. applications. We cannot predict whether such pending patent applications will result in issued patents or whether any issued patents will effectively protect our intellectual property. Even if a pending patent application results in an issued patent, the patent may be circumvented or its validity may be challenged in various proceedings in United States District Court or before the U.S. Patent and Trademark Office, such as reexamination, which may require legal representation and involve substantial costs and diversion of management time and resources. In addition, we cannot assure you that every significant feature of our solutions is protected by our patents, or that we will mark our products with any or all patents they embody. As a result, we may be prevented from seeking damages in whole or in part for infringement of our patents.

The unlicensed use of our brand, including domain names, by third parties could harm our reputation, cause confusion among our customers and impair our ability to market our products and services. To that end, we have registered numerous trademarks and service marks and have applied for registration of additional trademarks and service marks and have acquired a large number of domain names in and outside the U.S. to establish and protect our brand names as part of our intellectual property strategy. If our applications receive objections or are successfully opposed by third parties, it will be difficult for us to prevent third parties from using our brand without our permission. Moreover, successful opposition to our applications might encourage third parties to make additional oppositions or commence trademark infringement proceedings against us, which could be costly and time consuming to defend against. If we are not successful in protecting our trademarks, our trademark rights may be diluted and subject to challenge or invalidation, which could materially and adversely affect our brand.

Despite our efforts to implement our intellectual property strategy, we may not be able to protect or enforce our proprietary rights in the U.S. or internationally (where effective intellectual property protection may be unavailable or limited). For example, we have entered into agreements containing confidentiality and invention assignment provisions in connection with the outsourcing of certain software development and quality assurance activities to third-party contractors located in St. Petersburg, Russia and Odessa, Ukraine. We have also entered into an agreement containing a confidentiality provision with a third-party contractor located in Manila, the Philippines, where we have outsourced a significant portion of our customer support function. We cannot assure you that agreements with these third-party contractors or their agreements with their employees and contractors will adequately protect our proprietary rights in the applicable jurisdictions and foreign countries, as their respective laws may not protect proprietary rights to the same extent as the laws of the U.S. In addition, our competitors may independently develop technologies that are similar or superior to our technology, duplicate our technology in a manner that does not infringe our intellectual property rights or design around any of our patents. Furthermore, detecting and policing unauthorized use of our intellectual property is difficult and resource-intensive. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation, whether successful or not, could result in substantial costs and diversion of management time and resources and could have a material adverse effect on our business, financial condition and results of operations.

Our success depends on the public acceptance of our services and applications.

Our future success depends on our ability to significantly increase revenues generated from our cloud-based business communications solutions. The market for cloud-based business communications is evolving rapidly and is characterized by an increasing number of market entrants. As is typical of a rapidly evolving industry, the demand for, and market acceptance of, these applications is uncertain. If the market for cloud-based business communications fails to develop, develops more slowly than we anticipate or develops in a manner different than we expect, our services could fail to achieve market acceptance, which in turn could materially and adversely affect our business.

Our growth depends on the continued use of voice communications by businesses, as compared to email and other data-based methods. A decline in the overall rate of voice communications by businesses would harm our business. Furthermore, our continued growth depends on future demand for and adoption of Internet voice communications systems and services. Although the number of broadband subscribers worldwide has grown significantly in recent years, a small percentage of businesses have adopted Internet voice communications services to date. For demand and adoption of Internet voice communications services by businesses to increase, Internet voice communications networks must improve the quality of their service for real-time communications by managing the effects of and reducing packet loss, packet delay and packet jitter, as well as unreliable bandwidth, so that toll-quality service can be consistently provided. Additionally, the cost and feature benefits of Internet voice communications must be sufficient to cause customers to switch from traditional phone service providers. We must devote substantial resources to educate customers and their end users about the benefits of Internet voice communications solutions, in general, and our services in particular. If any or all of these factors fail to occur, our business may be materially and adversely affected.

Interruptions in our services could harm our reputation, result in significant costs to us, and impair our ability to sell our services.

Because our services are complex and we have incorporated a variety of new computer hardware, as well as software that is developed in-house or licensed or acquired from third-party vendors, our services may have errors or defects that customers identify after they begin using them that could result in unanticipated interruptions of service. Internet-based services frequently contain undetected errors and bugs when first introduced or when new versions or enhancements are released. While the substantial majority of our customers are small and medium-sized businesses, the use of our services in complicated, large-scale network environments may increase our exposure to undetected errors, failures or bugs in our services. Although we test our services to detect and correct errors and defects before their general release, we have from time to time experienced significant interruptions in our service as a result of such errors or defects and may experience future interruptions of service if we fail to detect and correct these errors and defects. The costs incurred in correcting such defects or errors may be substantial and could harm our results of operations. In addition, we rely on hardware purchased or leased and software licensed from third parties to offer our services.

Any defects in, or unavailability of, our or third-party software or hardware that cause interruptions of our services could, among other things:

- cause a reduction in revenues or delay in market acceptance of our services;
- require us to issue refunds to our customers or expose us to claims for damages;
- cause us to lose existing customers and make it more difficult to attract new customers;
- divert our development resources or require us to make extensive changes to our software, which would increase our expenses and slow innovation;
- increase our technical support costs; and
- harm our reputation and brand.

If we fail to continue to develop our brand or our reputation is harmed, our business may suffer.

We believe that continuing to strengthen our current brand will be critical to achieving widespread acceptance of our services and will require continued focus on active marketing efforts. The demand for and cost of online and traditional advertising have been increasing and may continue to increase. Accordingly, we may need to increase our investment in, and devote greater resources to, advertising, marketing, and other efforts to create and maintain brand loyalty among users. Brand promotion activities may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses incurred in building our brands. If we fail to promote and maintain our brand, or if we incur substantial expense in an unsuccessful attempt to promote and maintain our brands, our business could be materially and adversely affected.

Our services, as well as those of our competitors, are regularly reviewed and commented upon by online and social media sources, as well as computer and other business publications. Negative reviews, or reviews in which our competitors' products and services are rated more highly than our solutions, could negatively affect our brand and reputation. From time to time, our customers have expressed dissatisfaction with our services, including dissatisfaction with our customer support, our billing policies and the way our services operate. If we do not handle customer complaints effectively, our brand and reputation may suffer, we may lose our customers' confidence, and they may choose to terminate, reduce or not to renew their subscriptions. In addition, many of our customers participate in social media and online blogs about Internet-based services, including our services, and our success depends in part on our ability to minimize negative and generate positive customer feedback through such online channels where existing and potential customers seek and share information. If actions we take or changes we make to our services upset these customers, their blogging could negatively affect our brand and reputation. Complaints or negative publicity about our services or customer service could materially and adversely impact our ability to attract and retain customers and our business, financial condition and results of operations.

If we experience excessive fraudulent activity or cannot meet evolving credit card association merchant standards, we could incur substantial costs and lose the right to accept credit cards for payment, which could cause our customer base to decline significantly.

Nearly all of our customers authorize us to bill their credit card accounts directly for service fees that we charge. If people pay for our services with stolen credit cards, we could incur substantial third-party vendor costs for which we may not be reimbursed. Further, our customers provide us with credit card billing information online or over the phone, and we do not review the physical credit cards used in these transactions, which increases our risk of exposure to fraudulent activity. We also incur charges, which we refer to as chargebacks, from the credit card companies from claims that the customer did not authorize the credit card transaction to purchase our service, something that we have experienced in the past. If the number of unauthorized credit card transactions becomes excessive, we could be assessed substantial fines for excess chargebacks and we could lose the right to accept credit cards for payment. In addition, credit card issuers may change merchant standards, including data protection and documentation standards, required to utilize their services from time to time. We are compliant with the Payment Card Industry Data Security Standard, or PCI, in the United States and Canada. We are developing a plan to become PCI-compliant in the UK; however, if we fail to maintain compliance with current merchant standards, such as PCI, or fail to meet new standards, the credit card associations could fine us or terminate their agreements with us, and we would be unable to accept credit cards as payment for our services. Our services may also be subject to fraudulent usage, including but not limited to revenue share fraud, domestic traffic pumping, subscription fraud, premium text message scams, and other fraudulent schemes. Although our customers are required to set passwords and Personal Identification Numbers, or PINs, to protect their accounts and may configure in which destinations international calling is enabled from their extensions, third parties have in the past and may in the future be able to access and use their accounts through fraudulent means. In addition, third parties may have attempted in the past, and may attempt in the future, to fraudulently induce domestic and international employees or consultants into disclosing customer credentials and other account information. Communications fraud can result in unauthorized access to customer accounts and customer data, unauthorized use of customers' services, charges to customers for fraudulent usage and expense that we must pay to carriers. We may be required to pay for these charges and expenses with no reimbursement from the customer, and our reputation may be harmed if our services are subject to fraudulent usage. Although we implement multiple fraud prevention and detection controls, we cannot assure you that these controls will be adequate to protect against fraud. Substantial losses due to fraud or our inability to accept credit card payments, which could cause our paid customer base to significantly decrease, could have a material adverse effect on our results of operations, financial condition and ability to grow our business.

Potential problems with our information systems could interfere with our business and operations.

We rely on our information systems and those of third parties for processing customer orders, distribution of our services, billing our customers, processing credit card transactions, customer relationship management, supporting financial planning and analysis, accounting functions and financial statement preparation and otherwise running our business. Information systems may experience interruptions, including interruptions of related services from third-party providers, which may be beyond our control. Such business interruptions could cause us to fail to meet customer requirements. All information systems, both internal and external, are potentially vulnerable to damage or interruption from a variety of sources, including without limitation, computer viruses, security breaches, energy blackouts, natural disasters, terrorism, war and telecommunication failures and employee or other theft, as well as third-party provider failures. In addition, since telecommunications billing is inherently complex and requires highly sophisticated information systems to administer, our billing system may experience errors or we may improperly operate the system, which could result in the system incorrectly calculating the fees owed by our customers for our services or related taxes and administrative fees. Any such errors in our customer billing could harm our reputation and cause us to violate truth in billing laws and regulations. Any errors or disruption in our information systems and those of the third parties upon which we rely could have a significant impact on our business.

In addition, we transitioned from a number of disparate systems and in 2012 we implemented NetSuite, a SaaS enterprise resource planning system, to handle various business, operating and financial processes. We plan to transition from a spreadsheet-based financial modeling system and implement a third-party corporate performance management system. In addition, in the future we intend to implement a third-party SaaS billing system to replace our current internally developed billing system. We may also implement further and enhanced information systems in the future to meet the demands resulting from our growth and to provide additional capabilities and functionality. The implementation of new systems and enhancements is frequently disruptive to the underlying business of an enterprise, and can be time-consuming and expensive, increase management responsibilities and divert management attention. Any disruptions relating to our systems enhancements or any problems with the implementation, particularly any disruptions impacting our operations or our ability to accurately report our financial performance on a timely basis during the implementation period, could materially and adversely affect our business. Even if we do not encounter these material and adverse effects, the implementation of these enhancements may be much more costly than we anticipated. If we are unable to successfully implement the information systems enhancements as planned, our financial position, results of operations and cash flows could be negatively impacted.

Our use of open source technology could impose limitations on our ability to commercialize our services.

We use open source software in our platform on which our services operate. There is a risk that the owners of the copyrights in such software may claim that such licenses impose unanticipated conditions or restrictions on our ability to market or provide our services. If such owners prevail in such claim, we could be required to make the source code for our proprietary software (which contains our valuable trade secrets) generally available to third parties, including competitors, at no cost, to seek licenses from third parties in order to continue offering our services, to re-engineer our technology, or to discontinue offering our services in the event re-engineering cannot be accomplished on a timely basis or at all, any of which could cause us to discontinue our services, harm our reputation, result in customer losses or claims, increase our costs or otherwise materially and adversely affect our business and results of operations.

Our services are subject to regulation, and future legislative or regulatory actions could adversely affect our business and expose us to liability.

Federal Regulation

Our business is regulated by the FCC. As a communications services provider, we are subject to existing or potential FCC regulations relating to privacy, disability access, porting of numbers, Federal Universal Service Fund, or USF, contributions, E-911, and other requirements. FCC classification of our Internet voice communications services as telecommunications services could result in additional federal and state regulatory obligations. If we do not comply with FCC rules and regulations, we could be subject to FCC enforcement actions, fines, loss of licenses, and possibly restrictions on our ability to operate or offer certain of our services. Any enforcement action by the FCC, which may be a public process, would hurt our reputation in the industry, possibly impair our ability to sell our services to customers and could have a materially adverse impact on our revenues.

Through RCLEC, we also provide competitive local exchange carrier services, or CLEC services, which are regulated by the FCC as traditional telecommunications services. Our CLEC services depend on certain provisions of the Telecommunications Act of 1996 that permit us to procure facilities and services from incumbent local exchange carriers, or ILECs, that are necessary to provide our services. Over the past several years, the FCC has reduced or eliminated a number of regulations governing ILECs' offerings. If ILECs are not required by law to provide services to us or do not continue to permit us to purchase these services from them under commercial arrangements at reasonable rates, our business could be adversely affected and our cost of providing CLEC services could increase. This could have a materially adverse impact on our results of operations and cash flows.

Our services are also subject to a number of other FCC regulations. Among others, we must comply (in whole or in part) with:

- the Communications Assistance for Law Enforcement Act, or CALEA, which requires covered entities to assist law enforcement in undertaking electronic surveillance;
- requirements to provide E-911 to our customers;
- contributions to the USF which requires that we pay a percentage of our revenues to support certain federal programs;
- payment of annual FCC regulatory fees based on our interstate and international revenues;
- rules pertaining to access to our services by people with disabilities and contributions to the Telecommunications Relay Services fund;
- FCC rules regarding CPNI, which requires that we not use such information without customer approval, subject to certain exceptions and that we file annual certifications regarding CPNI protections; and
- FCC rules requiring the monitoring and reporting of call quality and call completion rates to rural areas of the United States.

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

State Regulation

States currently may not regulate our Internet voice communications services. However, a small number of states have ruled that non-nomadic Internet voice communications services may or do fall within the definition of "telecommunications services" and therefore those states assert that they have jurisdiction to regulate the service. No states currently require certification for nomadic Internet voice communications service providers. Even if a state does not require Internet voice communications service providers to be certified, a number of states require us to register as a VoIP provider, contribute to state USF, contribute to E-911 and pay other surcharges, while others are actively considering extending their public policy programs to include the services we provide. We pass USF, E-911 fees and other surcharges through to our customers, which may result in our services becoming more expensive or require that we absorb these costs. We expect that state public utility commissions will continue their attempts to apply state telecommunications regulations to Internet voice communications services like ours.

Our subsidiary's CLEC services are subject to regulation by the public utility regulatory agency in those states where we provide local telecommunications services. This regulation includes the requirement to obtain a certificate of public convenience and necessity or other similar licenses prior to offering our CLEC services. We may also be required to file tariffs that describe our CLEC's services and provide rates for those services. We are also required to comply with state regulations that vary from state to state concerning service quality, disconnection and billing requirements. State commissions also have authority to review and approve interconnection agreements between incumbent phone carriers and CLECs such as our subsidiary, and to conduct arbitration of disputes arising in the negotiation of such agreements.

Both we and our CLEC subsidiary are also subject to state consumer protection laws, as well as U.S. state or municipal sales, use, excise, utility user and ad valorem taxes, fees or surcharges.

International Regulation

As we expand internationally, we may be subject to telecommunications, consumer protection, data privacy and other laws and regulations in the foreign countries where we offer our services. Internationally, we currently offer our services in Canada and the UK.

We are a provider of Internet voice telecommunications services in Canada. As a provider of Internet voice communications services, we, directly and through our Canadian subsidiary, are subject to regulation in Canada by the Canadian Radio-television and Telecommunications Commission, or CRTC. We are registered with the CRTC as a reseller of telecommunications services and have been issued a basic international telecommunications services, or BITS, license by the CRTC. As an Internet voice communications provider, we are subject to obligations imposed by the CRTC, including providing access to emergency calling services, providing access to operator assistance, directory information services, number portability, providing minimum customer information, charging customers certain regulatory charges and paying contribution charges. As a holder of a BITS license, we also must comply with various annual reporting requirements. We are also subject to Canadian federal privacy and anti-spam laws and provincial consumer protection legislation.

As a provider of electronic communications services in the UK, we, through our subsidiary, are subject to regulation in the UK by the Office of Communications, or Ofcom. Some of these regulatory obligations include providing access to emergency call services (E999/112) without charge; providing access to operator assistance, directories and directory enquiry services, offering contracts with minimum terms, providing and publishing certain information transparently, providing itemized billing, protecting customer information (including personal data); porting phone numbers upon a valid customer request and implementing a code of practice. We are required to comply with laws and matters relating to, among other things, competition law, distance selling, e-commerce and consumer protection. We must also comply with various reporting and recordkeeping requirements.

In addition, our international operations are potentially subject to country-specific governmental regulation and related actions that may increase our costs or impact our product and service offerings or prevent us from offering or providing our products and services in certain countries. Certain of our services may be used by customers located in countries where VoIP and other forms of IP communications may be illegal or require special licensing or in countries on a U.S. embargo list. Even where our products are reportedly illegal or become illegal or where users are located in an embargoed country, users in those countries may be able to continue to use our products and services in those countries notwithstanding the illegality or embargo. We may be subject to penalties or governmental action if consumers continue to use our products and services in countries where it is illegal to do so, and any such penalties or governmental action may be costly and may harm our business and damage our brand and reputation. We may be required to incur additional expenses to meet applicable international regulatory requirements or be required to discontinue those services if required by law or if we cannot or will not meet those requirements.

We process, store, and use personal information and other data, which subjects us and our customers to a variety of evolving governmental regulation, industry standards and self-regulatory schemes, contractual obligations, and other legal obligations related to privacy, which may increase our costs, decrease adoption and use of our products and services and expose us to liability.

There are a number of federal, state, local and foreign laws and regulations, as well as contractual obligations and industry standards, that provide for certain obligations and restrictions with respect to data privacy and security, and the collection, storage, retention, protection, use, processing, transmission, sharing, disclosure and protection of personal information and other customer data. The scope of these obligations and restrictions is changing, subject to differing interpretations, and may be inconsistent among countries or conflict with other rules, and their status remains uncertain. Within the European Union, or EU, strict laws already apply in connection with the collection, storage, retention, protection, use, processing, transmission, sharing, disclosure and protection of personal information and other customer data. The EU model has been replicated in many jurisdictions outside the U.S., including Asia-Pacific Economic Cooperation countries. Regulators have the power to fine non-compliant organizations significant amounts. There are proposals to increase the maximum level of fines that EU regulators may impose to the greater of €100 million or 5% of worldwide annual sales. Such fines are in addition to the rights of individuals to sue for damages in respect of any data privacy breach which has caused them to suffer loss. As Internet commerce and communication technologies continue to evolve, thereby increasing online service providers' and network users' capacity to collect, store, retain, protect, use, process and transmit large volumes of personal information, increasingly restrictive regulation by federal, state or foreign agencies becomes more likely. For example, a variety of regulations that would increase restrictions on online service providers in the area of data privacy are currently being proposed, both in the U.S. and in other jurisdictions, and we believe that the adoption of increasingly restrictive regulation in the field of data privacy and security is likely, possibly as restrictive as the EU model. In Canada, new anti-spam legislation that prescribes certain rules regarding the use of electronic messages for commercial purposes took effect on July 1, 2014. This new law also contains provisions that will take effect in January 2015, imposing certain restrictions on a service provider's ability to electronically automatically update or change software used in a customer's service without the customer's consent. Penalties for non-compliance with the new Canadian anti-spam legislation are considerable, including administrative monetary penalties of up to \$10 million and a private right of action. Obligations and restrictions imposed by current and future applicable laws, regulations, contracts and industry standards may affect our ability to provide all the current features of our products and services and our customers' ability to use our products and services, and could require us to modify the features and functionality of our products and services. Such obligations and restrictions may limit our ability to collect, store, process, use, transmit and share data with our customers, and to allow our customer to collect, store, retain, protect, use, process, transmit, share and disclose data with others through our products and services. Compliance with, and other burdens imposed by, such obligations and restrictions could increase the cost of our operations. Failure to comply with obligations and restrictions related to data privacy and security could subject us to lawsuits, fines, criminal penalties, statutory damages, consent decrees, injunctions, adverse publicity and other losses that could harm our business.

Our customers can use our services to store contact and other personal or identifying information, and to process, transmit, receive, store and retrieve a variety of communications and messages, including information about their own customers and other contacts. In addition, while our terms of service prohibit the use of our services to store Protected Health Information, or PHI (a category of information regulated under the US Health Insurance Portability and Accountability Act of 1996, or HIPAA), on a non-temporary basis and impose certain restrictions and conditions with respect to customers' use of our services to transmit or receive PHI or to store PHI on a temporary basis, customers are able, and may be authorized under certain circumstances, to use our services to transmit, receive, and/or store PHI. In addition, RingCentral may execute Business Associate Agreements, or BAAs, which are HIPAA-defined contracts related to the security of PHI, with HIPAA-regulated customers. Noncompliance with laws and regulations relating to privacy and HIPAA or with contractual obligations under any BAAs may lead to significant fines, penalties or liabilities. Our actual compliance, our customers' perception of our compliance, costs of compliance with such regulations and obligations and customer concerns regarding their own compliance obligations (whether factual or in error) may limit the use and adoption of our service and reduce overall demand. Furthermore, privacy concerns, including the inability or impracticality of providing advance notice to customers of privacy issues related to the use of our services, may cause our customers' customers to resist providing the personal data necessary to allow our customers to use our services effectively. Even the perception of privacy concerns, whether or not valid, may inhibit market adoption of our service in certain industries.

In addition to government activity, privacy advocacy groups and industry groups have adopted and are considering the adoption of various self-regulatory standards and codes of conduct that may place additional burdens on us and our customers, which may further reduce demand for our services and harm our business.

While we try to comply with all applicable data protection laws, regulations, standards, and codes of conduct, as well as our own posted privacy policies and contractual commitments to the extent possible, any failure by us to protect our users' privacy and data, including as a result of our systems being compromised by hacking or other malicious or surreptitious activity, could result in a loss of user confidence in our services and ultimately in a loss of users, which could materially and adversely affect our business. Our customers may also accidentally disclose their passwords or store them on a mobile device that is lost or stolen, creating the perception that our systems are not secure against third-party access. Additionally, our third-party contractors in the Philippines, Russia, Ukraine, India and Poland may have access to customer data. If these or other third-party vendors violate applicable laws or our policies, such violations may also put our customers' information at risk and could in turn have a material and adverse effect on our business.

Use or delivery of our services may become subject to new or increased regulatory requirements, taxes or fees.

The increasing growth and popularity of Internet voice communications heighten the risk that governments will regulate or impose new or increased fees or taxes on Internet voice communications services. To the extent that the use of our services continues to grow, regulators may be more likely to seek to regulate or impose new or additional taxes, surcharges or fees on our services. Similarly, advances in technology, such as improvements in locating the geographic origin of Internet voice communications, could cause our services to become subject to additional regulations, fees or taxes, or could require us to invest in or develop new technologies, which may be costly. In addition, as we continue to expand our user base and offer more services, we may become subject to new regulations, taxes, surcharges or fees. Increased regulatory requirements, taxes, surcharges or fees on Internet voice communications services, which could be assessed by governments retroactively or prospectively, would substantially increase our costs, and, as a result, our business would suffer. In addition, the tax status of our services could subject us to conflicting taxation requirements and complexity with regard to the collection and remittance of applicable taxes. Any such additional taxes could harm our results of operations.

Our emergency and E-911 calling services may expose us to significant liability.

The FCC requires Internet voice communications providers, such as our company, to provide E-911 service in all geographic areas covered by the traditional wire-line E-911 network. Under the FCC's rules, Internet voice communications providers must transmit the caller's phone number and registered location information to the appropriate public safety answering point, or PSAP, for the caller's registered location. Our CLEC services are also required by the FCC and state regulators to provide E-911 service to the extent that they provide services to end users.

In Canada, the Canadian Radio-television and Telecommunications Commission, or the CRTC, has imposed similar requirements related to the provision of E-911 services in all areas of Canada where the wireline incumbent carrier offers such 911 services. The CRTC also mandates certain customer notification requirements pursuant to which new customers are required to be notified of 911 service limitations and to consent to the same before their service with us commences and we are required to provide annual update notifications to our customers of the 911 limitations of our service.

Additionally, as a provider of electronic communications services in the UK, we are subject to regulation in the UK by Ofcom. Similar to the position in the U.S., Ofcom requires electronic communications providers, such as our company, to provide all users access to both 112 (EU-mandated) and 999 (UK-mandated) emergency service numbers at no charge. Ofcom also requires us to clearly and transparently inform our users of any emergency service limitations on their device including by way of labels and network announcements.

We provide E-911/999/112 service in compliance with the Ofcom, the CRTC and the FCC's rules, as applicable, to substantially all of our customers' interconnected VoIP lines. In some circumstances, 911/999/112 calls may be routed to a national emergency call center that routes the call to the appropriate PSAP. In addition, certain of our Internet voice communications services that work with mobile devices and are accessed through Wi-Fi networks may not be able to complete 911/999/112 calls. The FCC is considering requiring providers of Internet voice communications services on mobile devices and softphones to provide E-911 service, if such service may be used to make calls to the public telephone network. In Canada, the CRTC requires providers of Internet voice communications services on mobile devices and softphones to provide E-911 service, if such service may be used to make calls to the public telephone network. The adoption of such a requirement in the US could increase our costs and make our service more expensive, which could adversely affect our results of operations.

In May 2013, the FCC issued an order requiring all providers of interconnected text messaging services to provide, by September 30, 2013, an automatic bounce-back text message in situations where a consumer attempts to text message to 911 and text-to-911 is not available. We believe we are in compliance with this order. On August 13, 2014, the FCC released an order that requires providers of interconnected text messaging application, by December 31, 2014, to be capable of supporting the routing of text messages to 911 to the appropriate Public Safety Answering Point (PSAP). Covered text messaging providers will have until June 30, 2015, or six months from the date of a PSAP request, whichever is later, to implement the routing of text messages to 911 for that PSAP. We are working toward meeting these FCC deadlines but could be subject to enforcement action by the FCC if we did not receive a waiver from the FCC extending these deadlines.

In connection with the regulatory requirements that we provide E-911/999/112 to all of our interconnected VoIP customers, we must obtain from each customer, prior to the initiation of or changes to service, the physical locations at which the service will first be used for each VoIP line. For services that can be utilized from more than one physical location, we must provide customers one or more methods of updating their physical location. Because we do not validate the physical address at each location where the services may be used by our customers, and because customers may use the services in locations that differ from the registered location without providing us with the updated information, it is possible that E-911/999/112 calls may get routed to the wrong public safety answering point, or PSAP. We are also aware that certain customer registered addresses are incorrect, or may not have been updated. If E-911/999/112 calls or text messages are not routed to the correct PSAP, and if the delay results in serious injury or death, we could be sued and the damages substantial. We are evaluating measures to attempt to verify and update the addresses for locations where our services are used. The FCC is also considering requiring interconnected VoIP providers to automatically update subscriber location information, for purposes of routing 911 calls.

We could be subject to enforcement action by the FCC, the CRTC or Ofcom for our customer lines that cannot provide E-911/999/112 service. This enforcement action could result in significant monetary penalties and restrictions on our ability to offer non-compliant services.

Customers may in the future attempt to hold us responsible for any loss, damage, personal injury, or death suffered as a result of delayed, misrouted or uncompleted emergency service calls or text messages. The New and Emerging Technologies 911 Improvement Act of 2008 provides that Internet voice communications providers and interconnected text messaging providers have the same protections from liability for the operation of 911 service as traditional wire-line and wireless providers. Limitations on liability for the provision of 911 service are normally governed by state law, and these limitations typically are not absolute. It is also unclear under the FCC's rules whether the limitations on liability would apply to those customer lines for which we do not provide E-911 service. In the UK, by law we cannot limit our liability for any death or injury arising out of our negligence, including as a result of emergency service calls that are delayed, misrouted or uncompleted due to our negligence. In Canada, the CRTC does not permit any limitation of liability related to the provision of E-911 services that is due to our gross negligence or where negligence on the part of a service provider results in physical injury, death or damage to the customer's property or premises. In addition, Canadian provincial consumer protection laws may constrain our ability to limit liability to our non-business customers for any liability caused due to the 911 shortfalls inherent in Internet voice communications services. In the UK, by law we cannot limit our liability for any death or injury arising out of our negligence, including as a result of emergency service calls that are delayed, misrouted or uncompleted due to our negligence.

We rely on third parties to provide the majority of our customer service and support representatives and to fulfill various aspects of our E-911 service. If these third parties do not provide our customers with reliable, high-quality service, our reputation will be harmed, and we may lose customers.

We offer customer support through both our online account management website and our toll-free customer support number. Our customer support is currently provided via a third-party provider located in the Philippines, as well as our employees in the U.S. We currently offer support almost exclusively in English. Our third-party providers generally provide customer service and support to our customers without identifying themselves as independent parties. The ability to support our customers may be disrupted by natural disasters, inclement weather conditions, civil unrest, strikes and other adverse events in the Philippines. Furthermore, as we expand our operations internationally, we may need to make significant expenditures and investments in our customer service and support to adequately address the complex needs of international customers, such as support in multiple foreign languages.

We also contract with third parties to provide E-911 services, including assistance in routing emergency calls and terminating E-911 calls. Our providers operate a national call center that is available 24 hours a day, seven days a week, to receive certain emergency calls and maintain PSAP databases for the purpose of deploying and operating E-911 services. On mobile devices, we generally rely on the underlying cellular or wireless carrier to provide E-911 services. Interruptions in service from our vendors could cause failures in our customers' access to E-911 services and expose us to liability and damage our reputation.

If any of these third parties do not provide reliable, high-quality service, our reputation and our business will be harmed. In addition, industry consolidation among providers of services to us may impact our ability to obtain these services or increase our costs for these services.

We are in the process of expanding our international operations, which exposes us to significant risks.

To date, we have not generated significant revenues from outside of the U.S., Canada and the U.K. However, we already have significant operations outside these countries, including software development operations in Russia and China, and software development and quality assurance operations in Ukraine, and we expect to grow our international revenues in the future. The future success of our business will depend, in part, on our ability to expand our operations and customer base worldwide. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks that are different from those in the U.S. Because of our limited experience with international operations and developing and managing sales and distribution channels in international markets, our international expansion efforts may not be successful. In addition, we will face risks in doing business internationally that could materially and adversely affect our business, including:

- our ability to comply with differing technical and environmental standards, data privacy and telecommunications regulations and certification requirements outside the U.S.;
- difficulties and costs associated with staffing and managing foreign operations;
- potentially greater difficulty collecting accounts receivable and longer payment cycles;
- the need to adapt and localize our services for specific countries;
- the need to offer customer care in various native languages;
- reliance on third parties over which we have limited control, including TELUS, BT and other international resellers, for marketing and reselling our services;
- availability of reliable broadband connectivity and wide area networks in targeted areas for expansion;
- lower levels of adoption of credit or debit card usage for Internet related purchases by foreign customers and compliance with various foreign regulations related to credit or debit card processing and data privacy requirements;
- difficulties in understanding and complying with local laws, regulations, and customs in foreign jurisdictions;
- export controls and economic sanctions administered by the Department of Commerce Bureau of Industry and Security and the Treasury Department's Office of Foreign Assets Control;
- tariffs and other non-tariff barriers, such as quotas and local content rules;
- compliance with various anti-bribery and anti-corruption laws such as the Foreign Corrupt Practices Act and United Kingdom Bribery Act of 2010;
- more limited protection for intellectual property rights in some countries;
- adverse tax consequences;
- fluctuations in currency exchange rates, which could increase the price of our services outside of the U.S., increase the expenses of our international operations, including expenses related to foreign contractors, and expose us to foreign currency exchange rate risk;
- fluctuations in currency exchange rates, which could reduce the amount of revenues we generate outside of the U.S. related to customer contracts that are denominated in local currencies of the countries we operate in, currently Canada and the U.K., or which could increase the expenses incurred in our operations or through our contractors outside the U.S. that are denominated in local currencies, currently the U.K., Russia, China and Ukraine;
- exchange control regulations, which might restrict or prohibit our conversion of other currencies into U.S. Dollars;
- restrictions on the transfer of funds;
- our ability to effectively price our services in competitive international markets;
- new and different sources of competition;
- deterioration of political relations between the U.S. and other countries, particularly Russia, Ukraine, China and the Philippines; and including the possibility of a breakdown in diplomatic relations between the U.S. or the European Union and Russia or sanctions implemented by the U.S. or the European Union against Russia or vice versa, which could have a material adverse effect on our third-party software development operations in Russia; and
- political or social unrest, economic instability, conflict or war in a specific country or region, such as the recent events in the Ukraine, including political demonstrations, the recent annexation of the Crimea region of Ukraine by Russia, the increasingly hostile relations between Russia and the Ukraine, and recent disruptions caused by Pro-Russian separatists in the Ukraine, which could have an adverse impact on our third-party software development and quality assurance operations there.

Our failure to manage any of these risks successfully could harm our future international operations and our overall business.

We depend largely on the continued services of our senior management and other key employees, the loss of any of whom could adversely affect our business, results of operations and financial condition.

Our future performance depends on the continued services and contributions of our senior management and other key employees to execute on our business plan, and to identify and pursue opportunities and services innovations. The loss of services of senior management or other key employees could significantly delay or prevent the achievement of our development and strategic objectives. In particular, we depend to a considerable degree on the vision, skills, experience and effort of our co-founder, Chairman and Chief Executive Officer, Vladimir Shmunis. None of our executive officers or other senior management personnel is bound by a written employment agreement and any of them may therefore terminate employment with us at any time with no advance notice. The replacement of any of these senior management personnel would likely involve significant time and costs, and such loss could significantly delay or prevent the achievement of our business objectives. In addition, certain members of our senior management team, including our President, who joined us in June 2013, and our Chief Financial Officer, who joined us in August 2013, have worked together for only a relatively short period of time and it may be difficult to evaluate their effectiveness, on an individual or collective basis, and ability to address future challenges to our business. The loss of the services of our senior management or other key employees for any reason could adversely affect our business, financial condition or results of operations.

If we are unable to hire, retain and motivate qualified personnel, our business will suffer.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. We believe that there is, and will continue to be, intense competition for highly skilled technical and other personnel with experience in our industry in the San Francisco Bay Area, where our headquarters is located, in Denver, Colorado, where our U.S. sales and customer support office and our network operations center is located, and in other locations where we maintain offices. We must provide competitive compensation packages and a high-quality work environment to hire, retain and motivate employees. If we are unable to retain and motivate our existing employees and attract qualified personnel to fill key positions, we may be unable to manage our business effectively, including the development, marketing and sale of existing and new services, which could have a material adverse effect on our business, financial condition and results of operations. To the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or divulged proprietary or other confidential information.

Volatility in, or lack of performance of, our stock price may also affect our ability to attract and retain key personnel. Many of our key personnel are, or will soon be, vested in a substantial amount of shares of common stock, stock options or restricted stock units. Employees may be more likely to terminate their employment with us if the shares they own or the shares underlying their vested options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or if the exercise prices of the options that they hold are significantly above the market price of our Class A common stock. If we are unable to retain our employees, our business, results of operations, and financial condition will be harmed.

We may expand through acquisitions of, or investments in, other companies, each of which may divert our management's attention, result in additional dilution to our stockholders, increase expenses, disrupt our operations and harm our results of operations.

Our business strategy may, from time to time, include acquiring or investing in complementary services, technologies or businesses. We cannot assure you that we will successfully identify suitable acquisition candidates, integrate or manage disparate technologies, lines of business, personnel and corporate cultures, realize our business strategy or the expected return on our investment, or manage a geographically dispersed company. Any such acquisition or investment could materially and adversely affect our results of operations. Acquisitions and other strategic investments involve significant risks and uncertainties, including:

- the potential failure to achieve the expected benefits of the combination or acquisition;
- unanticipated costs and liabilities;
- difficulties in integrating new products and services, software, businesses, operations and technology infrastructure in an efficient and effective manner;
- difficulties in maintaining customer relations;
- the potential loss of key employees of the acquired businesses;
- the diversion of the attention of our senior management from the operation of our daily business;
- the potential adverse effect on our cash position to the extent that we use cash for the purchase price;
- the potential significant increase of our interest expense, leverage, and debt service requirements if we incur additional debt to pay for an acquisition;
- the potential issuance of securities that would dilute our stockholders' percentage ownership;
- the potential to incur large and immediate write-offs and restructuring and other related expenses; and
- the inability to maintain uniform standards, controls, policies and procedures.

Any acquisition or investment could expose us to unknown liabilities. Moreover, we cannot assure you that we will realize the anticipated benefits of any acquisition or investment. In addition, our inability to successfully operate and integrate newly acquired businesses appropriately, effectively, and in a timely manner could impair our ability to take advantage of future growth opportunities and other advances in technology, as well as on our revenues, gross margins and expenses.

We may be subject to liabilities on past sales for taxes, surcharges and fees.

Prior to 2012, we did not collect or remit U.S. state or municipal sales, use, excise, utility user and ad valorem taxes, fees or surcharges on the charges to our customers for our services or goods, except that we have historically complied with the collection of certain California sales/use taxes and financial contributions to the California 9-1-1 system (the Emergency Telephone Users Surcharge) and federal USF. For periods prior to 2012, with limited exception, we believe that we were generally not subject to taxes, fees, or surcharges imposed by other U.S. state and municipal jurisdictions or that such taxes, fees, or surcharges did not apply to our service. There is uncertainty as to what constitutes sufficient “in state presence” for a state to levy taxes, fees and surcharges for sales made over the Internet. Therefore, taxing authorities may challenge our position and may decide to audit our business and operations with respect to sales, use, telecommunications and other taxes, which could result in increased tax liabilities for us or our customers, which could materially and adversely affect our results of operations and our relationships with our customers.

In 2012, we voluntarily began collecting and remitting U.S. state sales, use or other taxes, surcharges, and fees. The collection of these taxes, fees, or surcharges could have the effect of decreasing or eliminating price advantages we may have had over other providers. We may not accurately calculate these taxes, particularly in foreign jurisdictions. In addition, we have recorded a contingent sales tax liability for sales prior to 2012. If our ultimate liability exceeds the collected and accrued amount, it could result in significant charges to our earnings.

Finally, the application of other indirect taxes (such as sales and use tax, value added tax, or VAT, goods and services tax, business tax, and gross receipt tax) to e-commerce businesses, such as ours, is a complex and evolving area. In November 2007, the U.S. federal government enacted legislation extending the moratorium on states and other local authorities imposing access or discriminatory taxes on the Internet through November 2014. This moratorium does not prohibit federal, state, or local authorities from collecting taxes on our income or from collecting taxes that are due under existing tax rules. The application of existing, new, or future laws, whether in the U.S. or internationally, could have adverse effects on our business, prospects, and results of operations. There have been, and will continue to be, substantial ongoing costs associated with complying with the various indirect tax requirements in the numerous markets in which we conduct or will conduct business.

Changes in effective tax rates, or adverse outcomes resulting from examination of our income or other tax returns, could adversely affect our results of operations and financial condition.

Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expiration of, or lapses in, the research and development tax credit laws;
- expiration or non-utilization of net operating loss carryforwards;
- tax effects of share-based compensation;
- certain non-deductible expenses as a result of acquisitions;
- expansion into new jurisdictions;
- potential challenges to and costs related to implementation and ongoing operation of our intercompany arrangements; and
- changes in tax laws and regulations and accounting principles, or interpretations or applications thereof.

Any changes in our effective tax rate could adversely affect our results of operations.

We may be unable to use some or all of our net operating loss carryforwards, which could materially and adversely affect our reported financial condition and results of operations.

As of December 31, 2013, we had federal and state net operating loss carryforwards, or NOLs, of \$94.7 million and \$77.9 million, respectively, available to offset future taxable income, due to prior period losses, which, if not utilized, will begin to expire in 2023 and 2014 for federal and state purposes, respectively. We also have federal research tax credit carryforwards that will begin to expire in 2028. Realization of these net operating loss and research tax credit carryforwards depends on future income, and there is a risk that our existing carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could materially and adversely affect our results of operations.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, our ability to utilize net operating loss carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if we experience an “ownership change.” A Section 382 “ownership change” generally occurs if one or more stockholders or groups of stockholders, who own at least 5% of our stock, increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws.

No deferred tax assets have been recognized on our balance sheet related to these NOLs, as they are fully reserved by a valuation allowance. If we have previously had, or have in the future, one or more Section 382 “ownership changes,” including in connection with our initial public offering or another offering, or if we do not generate sufficient taxable income, we may not be able to utilize a material portion of our NOLs, even if we achieve profitability. If we are limited in our ability to use our NOLs in future years in which we have taxable income, we will pay more taxes than if we were able to fully utilize our NOLs. This could materially and adversely affect our results of operations.

As a result of being a public company, we need to further develop and maintain our internal control over financial reporting. If our internal control over financial reporting is not effective, it may adversely affect investor confidence in our company.

We will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting as of December 31, 2014. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting.

We are currently compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. For example, in connection with the audit of our consolidated financial statements for fiscal 2011, our independent registered public accounting firm identified a material weakness in our internal control over financial reporting. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness that our independent registered public accounting firm identified related to our lack of sufficient, qualified personnel in accounting and financial reporting matters to perform process level controls and other controls. We believe that we remediated this material weakness in 2012.

However, in connection with the audit of our consolidated financial statements for fiscal 2012, our independent registered public accounting firm identified two significant deficiencies. A “significant deficiency” is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting. The significant deficiencies that our independent registered public accounting firm identified in connection with our fiscal 2012 audit related to our lack of sufficient controls to enable our timely remittance of sales tax liabilities and inadequate controls related to the accounting process and incomplete documentation of accounting and financial period close procedures. While we believe we remediated the first of these two significant deficiencies in 2013, in connection with the audit of our consolidated financial statements for 2013, our independent registered public accounting firm determined that the second significant deficiency still remained as of December 31, 2013.

If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls when it is required to do so by the applicable rules, we could lose investor confidence in the accuracy and completeness of our financial reports, which could cause the price of our Class A common stock to decline, and we may be subject to investigation or sanctions by the Securities and Exchange Commission, or the SEC.

We will be required to disclose changes made in our internal control and procedures on a quarterly basis. However, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 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” as defined in the recently enacted Jumpstart our Business Startups Act of 2012, or JOBS Act, if we take advantage of the exemptions contained in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that may be adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. As a result, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff. Our remediation efforts may not enable us to avoid a material weakness in the future.

We may not be successful in obtaining local access services through our recently-created CLEC.

We have formed a competitive local exchange carrier subsidiary, RCLEC, to allow us to purchase network services directly from ILECs and from other CLECs in certain geographic markets, at lower prices than we pay for such services through third-party network service providers, such as Level 3 Communications, Inc. and Bandwidth.com, Inc., and to help us improve our quality of service. However, the ILECs may favor themselves and their affiliates and may not provide network services to us at lower prices than we could obtain through Level 3 Communications, Inc., Bandwidth.com, Inc., other third-party CLECs, or at all. If we are unable to reduce our pricing as a result of obtaining network services through our subsidiary, we may be forced to rely on other third-party network service providers and be unable to effectively lower our cost of service. Further, creation and maintenance of a CLEC requires significant expenditures, and we may not realize much or any benefit from our investment in our subsidiary if we do not reduce our costs of network service through our subsidiary. In addition, if ILECs or other CLECs do not provide us with any access, we will not be able to use our RCLEC subsidiary as intended to improve the quality of our services or lower the cost of our services.

If we are unable to effectively process local number and toll-free number portability provisioning in a timely manner, our growth may be negatively affected.

We support local number and toll-free number portability, which allows our customers to transfer to us and thereby retain their existing phone numbers when subscribing to our services. Transferring numbers is a manual process that can take up to 15 business days or longer to complete. A new customer of our services must maintain both our service and the customer's existing phone service during the number transferring process. Any delay that we experience in transferring these numbers typically results from the fact that we depend on third-party carriers to transfer these numbers, a process that we do not control, and these third-party carriers may refuse or substantially delay the transfer of these numbers to us. Local number portability is considered an important feature by many potential customers, and if we fail to reduce any related delays, we may experience increased difficulty in acquiring new customers. Moreover, the FCC requires Internet voice communications providers, which are companies like us that provide services similar to traditional phone companies, including the ability to make calls to and receive calls from the public phone network, to comply with specified number porting timeframes when customers leave our service for the services of another provider. In Canada, the CRTC has imposed a similar number portability requirement on service providers like us. Similarly in the UK, Ofcom requires providers of electronic communications services, like us, to provide number portability as soon as practicable and on reasonable terms. If we, or our third-party carriers, are unable to process number portability requests within the requisite timeframes, we could be subject to fines and penalties, including, in the UK, compensation payable to our customers. Additionally, in the U.S., both customers and carriers may seek relief from the relevant state public utility commission, the FCC, or in state or federal court for violation of local number portability requirements.

Our business could suffer if we cannot obtain or retain direct inward dialing numbers, or DIDs, are prohibited from obtaining local or toll-free numbers, or are limited to distributing local or toll-free numbers to only certain customers.

Our future success depends on our ability to procure large quantities of local and toll-free DID in the U.S. and foreign countries in desirable locations at a reasonable cost and without restrictions. Our ability to procure and distribute DID depends on factors outside of our control, such as applicable regulations, the practices of the communications carriers that provide DID, the cost of these DID, and the level of demand for new DID. Due to their limited availability, there are certain popular area code prefixes that we generally cannot obtain. Our inability to acquire DID for our operations would make our services less attractive to potential customers in the affected local geographic areas. In addition, future growth in our customer base, together with growth in the customer bases of other providers of cloud-based business communications, has increased, which increases our dependence on needing sufficiently large quantities of DID.

We rely on third-party hardware and software that may be difficult to replace or which could cause errors or failures of our service.

We rely on purchased or leased hardware and software licensed from third parties in order to offer our service. In some cases, we integrate third-party licensed software components into our platform. This hardware and software may not continue to be available at reasonable prices or on commercially reasonable terms, or at all. Any loss of the right to use any of this hardware or software could significantly increase our expenses and otherwise result in delays in the provisioning of our service until equivalent technology is either developed by us, or, if available, is identified, obtained and integrated. Any errors or defects in third-party hardware or software could result in errors or a failure of our service which could harm our business.

We depend on two vendors and one fulfillment agent to configure and deliver the phones that we sell, and any delay or interruption in manufacturing, configuring and delivering by these third parties would result in delayed or reduced shipments to our customers and may harm our business.

We rely on Cisco Systems, Inc. and Polycom, Inc. for phones that we offer for sale to our customers that use our services. In addition, we rely on one fulfillment agent to configure and deliver our phones to our customers. We currently do not have long-term contracts with these vendors or with the fulfillment agent. As a result, these third parties are not obligated to provide products to or perform services for us for any specific period, in any specific quantities or at any specific price, except as may be provided in a particular purchase order. If these third parties are unable to deliver phones of acceptable quality or in a timely manner, our ability to bring services to market, the reliability of our services and our reputation could suffer. We expect that it could take several months to effectively transition to new third-party manufacturers or fulfillment agents.

If our vendor-supplied phones are not able to interoperate effectively with our own back-end servers and systems, our customers may not be able to use our service, which could harm our business, financial condition and results of operations.

Phones must interoperate with our back-end servers and systems, which contain complex specifications and utilize multiple protocol standards and software applications. Currently, the phones we sell are manufactured by only two third-party providers, Cisco Systems, Inc. and Polycom, Inc. If either of these providers changes the operation of their phones, we will be required to undertake development and testing efforts to ensure that the new phones interoperate with our system. These efforts may require significant capital and employee resources, and we may not accomplish these development efforts quickly or cost-effectively, if at all. If our vendor-supplied phones do not interoperate effectively with our system, our customers' ability to use our services could be delayed or orders for our services could be cancelled, which would harm our business, financial condition and results of operations.

We may not be able to manage our inventory levels effectively, which may lead to inventory obsolescence that would force us to incur inventory write-downs.

Our vendor-supplied phones have lead times of up to 20 weeks for delivery and are built to forecasts that are necessarily imprecise. It is likely that from time to time we will have either excess or insufficient product inventory. In addition, because we rely on third-party vendors for the supply of our vendor-supplied phones, our inventory levels are subject to the conditions regarding the timing of purchase orders and delivery dates that are not within our control. Excess inventory levels would subject us to the risk of inventory obsolescence, while insufficient levels of inventory may negatively affect relations with customers. For instance, our customers rely upon our ability to meet committed delivery dates, and any disruption in the supply of our services could result in loss of customers or harm to our ability to attract new customers. Any of these factors could have a material adverse effect on our business, financial condition or results of operations.

We may require additional capital to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances. If capital is not available to us, our business, results of operations and financial condition may be adversely affected.

We intend to continue to make expenditures and investments to support the growth of our business and may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including the need to develop new solutions or enhance our existing solutions, enhance our operating infrastructure, and acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. However, additional funds may not be available when we need them on terms that are acceptable to us, or at all. Any debt financing that we secure in the future could involve further restrictive covenants, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. In addition, the restrictive covenants in our current credit facilities with Silicon Valley Bank and TriplePoint or in other credit facilities we may secure in the future may restrict us from being able to conduct our operations in a manner required for our business and may restrict our growth, which could have an adverse effect on our business, financial condition or results of operations.

We cannot assure you that we will be able to comply with any such restrictive covenants. For example, on one instance in 2013, we were temporarily out of compliance with one of our covenants in our SVB credit agreement which was waived by SVB. In the event that we are unable to comply with these covenants in the future, we would seek an amendment or waiver of the covenants. We cannot assure you that any such waiver or amendment would be granted. In such event, we may be required to repay any or all of our existing borrowings, and we cannot assure you that we will be able to borrow under our existing credit agreements, or obtain alternative funding arrangements on commercially reasonable terms, or at all.

In addition, volatility in the credit markets may have an adverse effect on our ability to obtain debt financing. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our Class A common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, results of operations, financial condition and prospects could be materially and adversely affected.

Our corporate headquarters, one of our data centers and co-location facilities, our third-party customer service and support facilities, and a research and development facility are located near known earthquake fault zones, and the occurrence of an earthquake, tsunami or other catastrophic disaster could damage our facilities or the facilities of our contractors, which could cause us to curtail our operations.

Our corporate headquarters, one of our data centers and one of our subsidiary's co-location facilities are located in California, our third-party customer service call centers operated by our contractors are located in the Philippines, and one of our research and development facilities is located on the coast of China. All of these locations are on the Pacific Rim near known earthquake fault zones and, therefore, are vulnerable to damage from earthquakes and tsunamis. Additionally, our China facility, our third-party customer service and support facilities in the Philippines, and our CLEC subsidiary's co-location facility in Florida are located in areas subject to hurricanes. We and our contractors are also vulnerable to other types of disasters, such as power loss, fire, floods, pandemics, cyber-attack, war, political unrest and terrorist attacks and similar events that are beyond our control. If any disasters were to occur, our ability to operate our business could be seriously impaired, and we may endure system interruptions, reputational harm, loss of intellectual property, delays in our services development, lengthy interruptions in our services, breaches of data security and loss of critical data, all of which could harm our future results of operations. In addition, we do not carry earthquake insurance and we may not have adequate insurance to cover our losses resulting from other disasters or other similar significant business interruptions. Any significant losses that are not recoverable under our insurance policies could seriously impair our business and financial condition.

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

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, 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, or the Dodd-Frank Act, the listing requirements of the New York Stock Exchange and other applicable securities rules and regulations. Compliance with these rules and regulations may increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly after we are no longer an "emerging growth company." The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business and results of operations. Although we have already hired additional employees to comply with these requirements, we may need to hire more employees in the future or engage outside consultants, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. Our failure to comply with these laws, regulations and standards could materially and adversely affect our business and results of operations.

However, for as long as we remain an "emerging growth company" as defined in the JOBS Act we will take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, exemption from the requirement to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We will take advantage of these reporting exemptions until we are no longer an "emerging growth company."

We will cease to be an “emerging growth company” upon the earliest of (i) January 1, 2019, (ii) the first fiscal year after our annual gross revenues are \$1.0 billion or more, (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities or (iv) as of the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded \$700 million as of the end of the second quarter of that fiscal year.

As a result of filings required of a public company, our business and financial condition has become more visible, which we believe may result in more litigation, including by competitors and other third parties. If such claims are successful, our business and results of operations could be materially and adversely affected, and even if the claims do not result in litigation or are resolved in our favor. These claims, and the time and resources necessary to resolve them, could divert the resources of our management and materially and adversely affect our business and results of operations.

We are an “emerging growth company,” and the reduced disclosure requirements applicable to emerging growth companies may make our Class A common stock less attractive to investors.

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

In addition, Section 107 of the JOBS Act also provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to “opt out” of this extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

The market price of our Class A common stock is likely to be volatile and could decline.

The stock market in general, and the market for technology-related stocks in particular, has been highly volatile. As a result, the market price and trading volume for our Class A common stock has been and may continue to be highly volatile, and investors in our Class A common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. Factors that could cause the market price of our Class A common stock to fluctuate significantly include:

- our operating and financial performance and prospects and the performance of other similar companies;
- our quarterly or annual earnings or those of other companies in our industry;
- conditions that impact demand for our services;
- the public’s reaction to our press releases, financial guidance, and other public announcements, and filings with the Securities and Exchange Commission, or SEC;
- changes in earnings estimates or recommendations by securities or research analysts who track our Class A common stock;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in government and other regulations;
- changes in accounting standards, policies, guidance, interpretations or principles;
- arrival and departure of key personnel;
- sales of common stock by us, our investors or members of our management team; and
- changes in general market, economic, and political conditions in the U.S. and global economies or financial markets, including those resulting from natural disasters, telecommunications failure, cyber attack, civil unrest in various parts of the world, acts of war, terrorist attacks, or other catastrophic events.

Any of these factors may result in large and sudden changes in the trading volume and market price of our Class A common stock and may prevent investors from being able to sell their shares at or above the price they paid for your shares of our Class A common stock. Following periods of volatility in the market price of a company's securities, stockholders often file securities class-action lawsuits against such company. Our involvement in a class-action lawsuit could divert our senior management's attention and, if adversely determined, could have a material and adverse effect on our business, financial condition and results of operations.

The dual class structure of our common stock as contained in our charter documents has the effect of concentrating voting control with a limited number of stockholders that held our stock prior to our initial public offering, including our founders and our executive officers, employees and directors and their affiliates, and venture capital investors, and limiting other stockholders' ability to influence corporate matters.

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. Stockholders who hold shares of Class B common stock, including our founders, previous investors and our executive officers, employees and directors and their affiliates, together hold approximately 79% of the voting power of our outstanding capital stock, and our founders, including our CEO and Chairman, together hold a majority of such voting power. As a result, for the foreseeable future, our pre-offering stockholders will have significant influence over the management and affairs of our company and over the outcome of all matters submitted to our stockholders for approval, including the election of directors and significant corporate transactions, such as a merger, consolidation or sale of substantially all of our assets.

In addition, the holders of Class B common stock collectively will continue to control all matters submitted to our stockholders for approval even if their stock holdings represent less than 50% of the outstanding shares of our common stock. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock so long as the shares of Class B common stock represent at least 10% of all outstanding shares of our Class A and Class B common stock. This concentrated control will limit your ability to influence corporate matters for the foreseeable future, and, as a result, the market price of our Class A common stock could be adversely affected.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, which will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, Mr. Shmunis retains a significant portion of his holdings of Class B common stock for an extended period of time, he could, in the future, control a majority of the combined voting power of our Class A and Class B common stock. As a board member, Mr. Shmunis owes a fiduciary duty to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, even a controlling stockholder, Mr. Shmunis is entitled to vote his shares in his own interests, which may not always be in the interests of our stockholders generally.

We have never paid cash dividends and do not anticipate paying any cash dividends on our common stock.

We currently do not plan to declare dividends on share of our common stock in the foreseeable future and plan to, instead, retain any earnings to finance our operations and growth. Because we have never paid cash dividends and do not anticipate paying any cash dividends on our common stock in the foreseeable future, the only opportunity to achieve a return on an investor's investment in our company will be if the market price of our Class A common stock appreciates and the investor sells its shares at a profit. There is no guarantee that the price of our Class A common stock that will prevail in the market will ever exceed the price that an investor pays.

If research analysts do not publish research or reports about our business, or if they issue unfavorable commentary or downgrade our Class A common stock, our stock price and trading volume may decline.

The trading market for our Class A common stock will depend in part on the research and reports that research analysts publish about us and our business. If we do not establish and maintain adequate research coverage or if one or more analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, the price of our Class A common stock may decline. If one or more of the research analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our Class A common stock may decrease, which could cause our stock price or trading volume to decline.

Anti-takeover provisions in our restated certificate of incorporation and bylaws and under Delaware corporate law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our Class A common stock.

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

- authorize our board of directors to issue, without further action by the stockholders, up to 100,000,000 shares of undesignated preferred stock;
- require that, once our outstanding shares of Class B common stock represent less than a majority of the combined voting power of our common stock, any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent; specify that special meetings of our stockholders can be called only by our board of directors, the Chair of our board of directors, or our Chief Executive Officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, Class I, Class II and Class III, with each class serving three-year staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that our directors may be removed only for cause;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;
- require the approval of our board of directors or the holders of a supermajority of our outstanding shares of capital stock to amend our bylaws and certain provisions of our certificate of incorporation; and
- reflect two classes of common stock, as discussed above.

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

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

a) Sale of Unregistered Securities

None.

b) Use of Proceeds from Public Offering of Common Stock

On October 2, 2013, we closed our IPO whereby 8,625,000 shares of Class A common stock, which included 8,545,000 shares of Class A common stock sold by us (including 1,125,000 shares of common stock from the exercise of the overallotment option of shares granted to the underwriters), and 80,000 shares of Class A common stock sold by the selling stockholders, were sold at a price of \$13.00 per share. The offer and sale of all of the shares in the initial public offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-190815). Goldman, Sachs & Co., J.P. Morgan, BofA Merrill Lynch, Allen & Company LLC, and Raymond James acted as the underwriters. We did not receive any proceeds from the sales of shares by the selling stockholders. The total gross proceeds from the offering to us after deducting underwriting discounts and commissions of \$7.8 million and offering expenses payable by us of \$3.9 million, were \$99.4 million. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC on September 27, 2013 pursuant to Rule 424(b) of the Securities Act. We invested the funds received in registered money market funds.

c) Use of Proceeds from Secondary Public Offering of Common Stock

On March 11, 2014, we closed our secondary public offering whereby 7,991,551 shares of Class A common stock, which included 2,791,551 shares of Class A common stock sold by us (including 791,551 shares of common stock from the exercise of the overallotment option of shares granted to the underwriters), and 5,200,000 shares of Class A common stock sold by the selling stockholders, were sold at a price of \$21.50 per share. The offer and sale of all of the shares in the secondary public offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-194132). Goldman, Sachs & Co., J.P. Morgan, BofA Merrill Lynch, Raymond James, William Blair, Oppenheimer & Co., Macquarie Capital, and Northland Capital Markets acted as the underwriters. We did not receive any proceeds from the sales of shares by the selling stockholders. The total gross proceeds from the offering to us after deducting underwriting discounts and commissions of \$2.9 million and offering expenses payable by us of \$1.1 million, were \$56.1 million. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC on March 5, 2014 pursuant to Rule 424(b) of the Securities Act. We invested the funds received in registered money market funds.

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits.

The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Quarterly Report.

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference From Form	Incorporated by Reference From Exhibit Number	Date Filed
10.1	Office Lease, dated September 25, 2014, by and between the Company and JHR Marital Trust, JHR Bypass Trust, Harvey E. Chapman, Jr. Living Trust and Colleen C. Badell Living Trust	Filed herewith		
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.	Filed herewith		
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.	Filed herewith		
32.1*	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act.	Furnished herewith		
32.2*	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act.	Furnished herewith		
101.INS	XBRL Instance Document	Filed herewith		
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith		
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith		
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith		
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith		
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith		

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RingCentral, Inc.

Date: November 3, 2014

By: /s/ Clyde Hosein

Clyde Hosein

Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

LEASE

between

Helen M. Raiser, Trustee of the JHR Marital Trust under Trust Agreement dated October 2, 1969, as amended, Helen M. Raiser, Trustee of the JHR Bypass Trust under Trust Agreement dated October 2, 1969, as amended, Harvey E. Chapman, Jr., Trustee of the Harvey E. Chapman, Jr. Living Trust under Trust Agreement dated July 17, 2006, and Colleen C. Badell, Trustee of the Colleen C. Badell Living Trust under Trust Agreement dated July 17, 2006, as tenants in common
as Landlord

and

RingCentral, Inc.,

a Delaware corporation

as Tenant

Dated as of

September 25, 2014

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Exhibit A – Diagram of the Premises

Exhibit B – Base Rent Schedule

Exhibit C – Rules and Regulations

Exhibit D – Work Letter
Exhibit E – Early Occupancy Premises
Exhibit F – Schedule of Janitorial Services

SMRH:432982280.2

OFFICE LEASE

BASIC LEASE INFORMATION

Date: September 25, 2014

Landlord: Helen M. Raiser, Trustee of the JHR Marital Trust under Trust Agreement dated October 2, 1969, as amended, Helen M. Raiser, Trustee of the JHR Bypass Trust under Trust Agreement dated October 2, 1969, as amended, Harvey E. Chapman, Jr., Trustee of the Harvey E. Chapman, Jr. Living Trust under Trust Agreement dated July 17, 2006, and Colleen C. Badell, Trustee of the Colleen C. Badell Living Trust under Trust Agreement dated July 17, 2006, as tenants in common

Tenant: RingCentral, Inc.
a Delaware corporation

Project (Paragraph 18) 20 Davis Drive
Belmont, California

Premises (Paragraph 1(b)): Approximately 84,148 rentable square feet located in the Building

Term Commencement (Paragraph 2): February 1, 2015, or upon both completion of Landlord's Work and substantial completion of the Work (as both are defined in the Work Letter attached as Exhibit D to this Lease), whichever is later

Term Expiration (Paragraph 2): July 31, 2021

Option to Extend (Paragraph 43): One 5-year extension option

Base Rent (Paragraph 3(a)): See attached Exhibit B

Tenant's Percentage Share (Paragraph 1(h)): 100%

Security Deposit (Paragraph 33): \$ 799,641.09

Tenant's Address for Notices (Paragraph 35):

Prior to Occupancy RingCentral, Inc.
1400 Fashion Island Boulevard, 7th Floor
San Mateo, CA 94404
Attn: Eric Orr
With copies to:
RingCentral, Inc.
1400 Fashion Island Boulevard, 7th Floor
San Mateo, CA 94404
Attn: Doug Chartier

And with copies of any default notice to:

ReedSmith LLP
101 Second Street, Suite 1800
San Francisco, CA 94105
Attn: Charles H. Seaman

After Occupancy

RingCentral, Inc.
20 Davis Drive,
Belmont, California 94002
Attn: Director of Facilities

With copies to:

RingCentral, Inc.

20 Davis Drive,
Belmont, California 94002
Attn: Office of General Counsel (Real Estate)

With copies of any notice of default to:

ReedSmith LLP
101 Second Street, Suite 1800
San Francisco, CA 94105
Attn: Charles H. Seaman

Landlord's Address
for Notices (Paragraph 35):

c/o The Raiser Organization
800 S. Claremont Avenue
San Mateo, CA 94402

Brokers (Paragraph 40):

Cassidy Turley, Landlord's Broker
CBRE, Tenant's Broker

Exhibits (Paragraph 46):

Exhibit A – Diagram of the Premises
Exhibit B – Base Rent Schedule
Exhibit C – Rules and Regulations
Exhibit D – Work Letter
Exhibit E – Early Occupancy Premises
Exhibit F – Schedule of Janitorial Services

LEASE

THIS LEASE, dated September 25, 2014 for purposes of reference only, is made and entered into by Helen M. Raiser, Trustee of the JHR Marital Trust under Trust Agreement dated October 2, 1969, as amended, Helen M. Raiser, Trustee of the JHR Bypass Trust under Trust Agreement dated October 2, 1969, as amended, Harvey E. Chapman, Jr., Trustee of the Harvey E. Chapman, Jr. Living Trust under Trust Agreement dated July 17, 2006, and Colleen C. Badell, Trustee of the Colleen C. Badell Living Trust under Trust Agreement dated July 17, 2006, as tenants in common (individually and collectively, "Landlord"), and RingCentral, Inc., a Delaware corporation ("Tenant").

WITNESSETH:

Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord the premises described in subparagraph l(b) below for the term and subject to the terms, covenants, agreements and conditions hereinafter set forth, to each and all of which Landlord and Tenant hereby mutually agree.

1. Definitions. Unless the context otherwise specifies or requires, the following terms shall have the meanings herein specified:

(a) The term "Building" shall mean the office building located at 20 Davis Drive, Belmont, California 94002.

(b) The term "Premises" shall mean the entire leaseable space within the Building, including the balconies, which the parties stipulate to be 84,148 square feet of rentable area.

(c) The term "Project" shall mean the land and other real property described on Exhibit A to this Lease, as well as any property interest in the area of the streets bounding the parcel described in the Basic Lease Information, and all other improvements on or appurtenances to said parcel or said streets. All portions of the Project not included within the Premises are common areas of the Project. Tenant shall have the exclusive right to use all Project common areas, subject to the right of the owner of One and Eleven Davis Drive, Belmont to maintain in its current location on the Project parking lot a generator solely for the benefit of One and Eleven Davis Drive and to come onto the Project common areas to service and repair the generator or any replacement generator.

(d) The term "Operating Expenses" shall mean (1) all reasonable and customary costs of management, operation and maintenance of the Project, including, without limitation: wages, salaries and payroll burden of employees; property management fees (not to exceed 3% of Project revenues); janitorial, maintenance, and other services; Project office rent or rental value; power, water, waste disposal and other utilities; materials and supplies; maintenance, replacements and repairs; license costs; insurance premiums and the deductible portion of any insured loss; and depreciation of all personal property, fixtures and equipment (including window washing machinery) used in the management, operation, maintenance and repair of the Project and depreciation on exterior window coverings provided by Landlord and carpeting in public corridors and common areas; and (2) the cost of any capital improvements made to the Project by Landlord that are reasonably anticipated to reduce other Operating Expenses or made to the Project by Landlord after the Term Commencement and required under any governmental law or regulation that was not applicable to the Project as of the Term Commencement, such cost or allocable portion thereof to be amortized over the useful life of such capital improvements, together with interest on the unamortized balance at the lesser of Landlord's cost of funds borrowed for the purpose of constructing or acquiring such capital improvements or at an annual rate of five percent (5%) over the annual prime rate of interest announced publicly by Citibank, N.A. in New York, New York from time to time (but in no event in excess of the maximum rate of interest permitted by law). Operating Expenses shall not include: Property Taxes; depreciation on the Project other than depreciation on exterior window coverings provided by Landlord and carpeting in public corridors and common areas; costs of tenants' improvements; real estate brokers' commissions; interest (except as stated in clause (2) above) and principal on any debt, including without limitation any debt secured by the Project; capital items other than those referred to in clause (2) above; costs and overhead and profit increment paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services to the extent the same exceed typical costs and overhead and profit increment of such goods and/or services rendered by qualified unaffiliated third parties on a competitive basis; any costs for which Landlord has been reimbursed or receives a credit or refund or in excess of the actual discounted cost, if discounted; costs of Landlord's earthquake insurance and flood insurance premiums in excess of those generally being charged for such insurance to institutional owners of comparable office buildings facing similar

hazards in the vicinity of the Premises, except to the extent such coverage

is required by any mortgagee under a deed of trust encumbering the Project; costs of cleanup, removal and/or remediation of any hazardous or toxic substances or materials in, on or under the Project required to comply with applicable laws which are incurred as a result of (A) the introduction by Landlord or any tenant of the Project of any such hazardous or toxic substances or materials in, on or under the Project in violation of applicable in effect at the time of such introduction, or (B) as a result of the presence of hazardous or toxic substances or materials in, on, or under the Project as of the date Landlord delivers to Tenant exclusive possession of the Premises, where such hazardous or toxic substances or materials are in violation of applicable laws in effect as of such date; all roof repair costs and any increased costs of roof maintenance where caused by or otherwise reasonably attributable to the rooftop use by AT&T as noted in subparagraph 5(e) below; any costs expressly excluded from Operating Expenses elsewhere in this Lease; and any other expenses which are not specifically identified herein as being included in Operating Expenses, where such expenses would not normally be treated as a cost of operation (to be reimbursed by tenants) by landlords of comparable buildings in the area in which the Premises is located. Operating Expenses for any calendar year during the term hereof shall be adjusted, if necessary, to equal Landlord's reasonable estimate of Operating Expenses for a full calendar year and, if the total square footage of the Building occupied during such full calendar year is less than ninety-five percent (95%), to reflect a ninety-five percent (95%) occupancy level of the Building. Landlord will not collect or be entitled to collect Operating Expenses in excess of the Operating Expenses actually paid by Landlord in connection with the operation of the Project and Landlord shall make no profit from the collection of Operating Expenses.

(e) The term "Property Taxes" shall mean, unless required to be paid by Tenant under Paragraph 7, all taxes, service payments in lieu of taxes, assessments, general or special, excises, exactions, transit charges, housing fund assessments or other housing charges, child care assessments or levies, fees or charges, general or special, ordinary or extraordinary, unforeseen as well as foreseen, of any kind which are assessed, levied, charged, confirmed or imposed by any public authority upon the Project, or its use, occupancy or operation, or upon any personal property used in the operation of the Project, or with respect to services or utilities consumed in the use, occupancy or operation of the Project, or upon Landlord with respect to the Project, or upon the act of leasing any space within the Project, or in connection with the business of renting space within the Project or with respect to the possession, leasing, operation, use or occupancy by Tenant of the Premises or any portion thereof, or upon or measured by the gross rentals received by Landlord from the Project. Property Taxes shall also include any tax, fee or other excise, however described, which may be levied or assessed in lieu of, or as a substitute, in whole or in part, for, or as an addition to, any other Property Taxes. Property Taxes shall not include (x) corporate income or franchise taxes, (y) inheritance or estate taxes imposed upon or assessed against the Project or any part thereof or interest therein, and (z) taxes computed upon the basis of the net income derived from the Project by Landlord or the owner of any interest therein, unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord in lieu of, or as a substitute; in whole or in part, for, or as an addition to, any other charge which would otherwise constitute a Property Tax. If requested by Tenant, Landlord shall take reasonable steps to contest any assessment or re-assessment of all or any part of the Project, and the costs of such contest shall be treated as Operating Expenses. If the Project is reassessed due to a change in ownership occurring after the Base Year, any increase in Property Taxes resulting from such reassessment ("Proposition 13 Increase") shall be phased in as part of Property Taxes as follows: (i) 25% of the Proposition 13 Increase shall be included in Property Taxes for the calendar year in which the reassessment occurs; (ii) 50% of the Proposition 13 Increase shall be included in Property Taxes in the next following calendar year; (iii) 75% of the Proposition 13 Increase shall be included in Property Taxes in the next following calendar year; and (iv) 100% of the Proposition 13 Increase shall be included in Property Taxes for the remaining calendar years of the Term.

(f) The term "Tenant's Percentage Share" shall mean the percentage figure specified in the Basic Lease Information.

2. Term; Condition of Premises .

(a) The term of this Lease (the "Term") shall commence and, unless sooner terminated as hereinafter provided or extended in accordance with the provisions of Paragraph 43 below, shall end on the dates respectively specified in the Basic Lease Information as the "Term Commencement" and the "Term Expiration." Except as otherwise provided in the Work Letter attached hereto as Exhibit D and incorporated herein by this reference (the "Work Letter"), Landlord shall deliver the Premises to Tenant on the Term Commencement in a broom clean condition with all building systems in good working order and otherwise in its then existing condition with no alterations being made by Landlord. If Landlord, for any reason other than a Tenant Delay (as defined in Section 5(d)) of

the Work Letter), cannot deliver the Premises to Tenant at the scheduled Term Commencement in the condition specified in this Section 2 and in the Work Letter, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, but in that event the Term Commencement shall be delayed until the date when Landlord delivers the Premises to Tenant in the condition required by this Lease (including the Work Letter). Notwithstanding the foregoing, if the Term Commencement does not occur within ninety (90) days after February 1, 2015, as such date is extended by any Tenant Delay, then Tenant may terminate this Lease by notice to Landlord and Tenant thereupon shall be relieved of all further obligations under this Lease. No delay in delivery of the Premises shall operate to extend the Term unless Tenant so elects by notice to Landlord delivered within 30 days after the Term Commencement, provided, however, in no event shall the Term be extended for any delay in delivery attributable to a Tenant Delay. Tenant shall execute a confirmation of the Term Commencement and Term Expiration and other related matters in such form as Landlord may reasonably request within ten (10) business days after requested in writing by Landlord.

(b) Tenant shall return the Premises to Landlord at the end of the Term or any earlier termination of the Lease in the condition received, reasonable wear and tear and damage due to casualty or condemnation excepted and excepting any alterations, additions or improvements made during the Term of the Lease which Landlord agreed in writing prior to the making of such alterations, additions or improvements could remain as part of the Premises at the end of the Term.

3. Rental.

(a) Tenant shall pay to Landlord throughout the Term of this Lease as rental for the Premises the sum specified in Exhibit B to this Lease as the Base Rent for each month during the Term, plus in each calendar year subsequent to the Base Year, the amount of Additional Rent payable pursuant to Paragraph 4 below. Rental shall be paid to Landlord on or before the first day of the Term and on or before the first day of each and every successive calendar month thereafter during the Term. In the event the Term Commencement occurs on a day other than the first day of a calendar month or the Term Expiration ends on a day other than the last day of a calendar month, the monthly rental for the first and last fractional months of the Term hereof shall be appropriately prorated. Base Rent for the first full calendar month following the Abatement Period for floors 1 and 2 described in subparagraph (b) below in the amount of \$134,122.50 shall be paid on or before January 5, 2015.

(b) Notwithstanding subparagraph (a) above, so long as no Event of Default (as described in Paragraph 19 below) has occurred and remains outstanding, Tenant shall be entitled to an abatement of Base Rent for the first three (3) months of the Term for floors 1 and 2 and for the first twelve (12) months of the Term for floor 3 (each an "Abatement Period"), provided, however, that Tenant shall pay to Landlord on the first day of each month during the Abatement Period for floors 1 and 2 one hundred percent (100%) of Operating Expenses and Property Taxes attributable to such floors and during the Abatement Period for floor 3 fifty percent (50%) of the Operating Expenses and Property Taxes attributable to floor 3, prorated monthly based on the respective rentable square footage of each floor. Operating Expenses and Property Taxes for the Base Year are estimated to be \$0.75 per rentable square foot. The Operating Expenses and Property Taxes payable by Tenant pursuant to this Paragraph 3(b) and Paragraph 42 shall be subject to reconciliation once Landlord determines the total Operating Expenses and Property Taxes for the Base Year, with Tenant paying any amount by which the actual Operating Expenses and Property Taxes exceed the estimated amount paid by Tenant and Landlord refunding to Tenant any amount by which the actual Operating Expenses and Property Taxes for the period in question were less than the estimated amount paid by Tenant.

(c) All sums of money due from Tenant hereunder not specifically characterized as rental shall constitute additional rent, and if any such sum is not paid when due it shall nonetheless be collectible as additional rent with the next installment of rental thereafter falling due, but nothing contained herein shall be deemed to suspend or delay the payment of any sum of money at the time it becomes due and payable hereunder, or to limit any other remedy of Landlord.

(d) Tenant hereby acknowledges that late payment by Tenant to Landlord of rent and other sums due hereunder after the expiration of any applicable grace period described in subparagraph 19(a) will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Landlord by the terms of any encumbrances covering the Project and the Premises. Accordingly, if any installment of rent or any other

sums due from Tenant shall not be received by Landlord prior to the expiration of any applicable grace period described in subparagraph l9(a), Tenant shall pay to Landlord a late charge equal to 3% of such overdue amount.

The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant based on the circumstances existing as of the date of this Lease. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. Notwithstanding the foregoing, on the first occasion of a delinquency by Tenant within any 12 month period during the Term, Landlord shall give Tenant written notice of such delinquency and two business days within which to cure the delinquency in full, and no late charge shall be imposed if Tenant timely cures the delinquency; provided, however, that, once Landlord has given such a delinquency notice, Landlord may collect a late charge without notice to Tenant for the ensuing 12 months, and provided, further, that if the delinquent amount involves an adjustment to Landlord's estimate of Operating Expenses and Property Taxes, or an amount due from Tenant upon Landlord's annual reconciliation of Operating Expenses and Property Taxes, Tenant shall have a grace period of ten (10) days after Landlord's notice of delinquency before any late charge may be imposed.

(e) Any amount due from Tenant, if not paid when first due, shall bear interest from the date due until paid at an annual rate equal to 4% over the annual prime rate of interest announced publicly by Citibank, N.A. in New York, New York from time to time (but in no event in excess of the maximum rate of interest permitted by law), provided that interest shall be payable on late charges incurred by Tenant only from and after the first day of the month following the month in which payment of the delinquent amount was due, if then still unpaid. Payment of interest shall not excuse or cure any default hereunder by Tenant.

(f) All payments due from Tenant shall be paid to Landlord, without deduction or offset in lawful money of the United States of America at Landlord's address for notices hereunder, or to such other person or at such other place as Landlord may from time to time designate by not less than 10 business days prior written notice to Tenant.

4. Additional Rent Payments.

(a) With respect to each calendar year during the Term commencing January 1, 2016 (each, an "Adjustment Year"), Tenant shall pay to Landlord as "Additional Rent," at the times hereinafter set forth, Tenant's Percentage Share of the amount, if any, by which Operating Expenses and Property Taxes for each applicable Adjustment Year exceed Operating Expenses and Property Taxes for the 2015 calendar year (the "Base Year"). Landlord shall provide Tenant with a good faith estimate of any Additional Rent payable by Tenant for each Adjustment Year. Tenant shall pay to Landlord on the first day of each calendar month during such current calendar year one-twelfth (1/12) of the amount of any such estimated Additional Rent for each Adjustment Year payable by Tenant hereunder. If at any time or times Landlord determines that the amount of any Additional Rent payable by Tenant for the current year will vary from its estimate by more than 5%, Landlord may, by notice to Tenant, revise Landlord's estimate for such year, and subsequent payments by Tenant for such year shall be based on such revised estimate. Following the close of each calendar year, Landlord shall deliver to Tenant a statement of the actual amount of Additional Rent for the immediately preceding year, accompanied by a statement made by an accounting or auditing officer designated by Landlord showing the Operating Expenses and Property Taxes on the basis of which Additional Rent was determined. Unless Tenant objects thereto as provided in subparagraph (c) below, the statement of said accounting or auditing officer shall be final and binding upon Landlord and Tenant. All amounts payable by Tenant as shown on said statement, less any amounts theretofore paid by Tenant on account of Landlord's earlier estimate of Additional Rent for such calendar year made pursuant to this Paragraph 4, shall be paid by or, if Tenant theretofore shall have paid more than such amounts, reimbursed to Tenant within ten (10) business days after delivery of said statement to Tenant.

(b) If this Lease shall terminate on a day other than the last day of a calendar year, the amount of any Additional Rent payable by Tenant for the calendar year in which this Lease terminates shall be prorated on the basis by which the number of days from the commencement of said calendar year to and including said date on which this Lease terminates bears to 365 and shall be due and payable when rendered notwithstanding termination of this Lease. Additional Rent allocable to the calendar year in which this Lease terminates shall be deemed to have been incurred evenly over the entire twelve-month period of the calendar year.

(c) Landlord shall maintain at a location within 100 miles of the Project complete and accurate books and records of Operating Expenses and Property Taxes in accordance with sound accounting and property management practices. Landlord shall maintain such books and records for a

minimum of three years after the Base Year or Adjustment Year to which they pertain. Within 180 days after Tenant's receipt of any annual statement for the Base Year or any Adjustment Year, Tenant may notify Landlord of its desire to examine Landlord's books and records, in which case Landlord shall make the same available for Tenant's review and copying within ten (10) business days after Tenant's notice. Such review may be undertaken by an employee of Tenant or a third party selected by Tenant and shall be completed not later than sixty (60) days after delivery of Tenant's notice to Landlord. If Tenant conducts such a review and notifies Landlord within 30 days after completion of the review that Tenant objects to Landlord's statement, the parties shall select an independent certified public accountant to review Landlord's books and records and determine the proper calculation of Operating Expenses and Property Taxes for the year in question. If the parties are not able to agree upon the selection of an independent certified public accountant within 30 days following Landlord's receipt of Tenant's written objection, either party may apply to the presiding judge of the San Mateo County Superior Court to designate an independent certified public accountant, which selection shall be binding on both parties. The decision by such independent certified public accountant shall be final and binding on the parties and may be confirmed as a judgment upon an arbitration award. Tenant may withhold payment of any contested amount of Operating Expenses and Property Taxes, and the same shall not serve as the basis for an Event of Default hereunder, so long as Tenant pays to Landlord within ten (10) business days after the independent certified public accountant issues his or her final findings, together with interest thereon at the rate specified in subparagraph 3(e) above. Tenant shall be responsible for payment of the independent certified public accountant's fees and costs unless the Additional Rent payable by Tenant has been overstated by five percent (5%) or more, in which case Landlord shall pay such fees and costs.

5. Use and Common Area Privileges and Obligations.

(a) The Premises shall be used for general office uses, including without limitation software development, telephone sales and customer training and support, and other lawful uses reasonably related to Tenant's headquarters functions. The gym and fitness room shall be used only by Tenant's employees and guests, or the employees and guests of any sublessee, and may not be operated as a commercial gym open to members of the general public. In addition, Tenant shall have the right to operate a café on the ground floor of the Building solely for the use of Tenant's employees and guests, and the employees and guests of any sublessee and shall be required, as a condition precedent to such operation, to obtain any permits or approvals required by any governmental entity having jurisdiction. The Premises shall not be used for any other purpose without the prior written consent of Landlord. Tenant shall not do or permit to be done in or about the Premises, nor bring or keep or permit to be brought or kept therein, anything which is prohibited by or would in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated, or which is prohibited by the standard form of fire insurance policy, or would in any way increase the existing rate of or affect any fire or other insurance upon the Building or any of its contents, or cause a cancellation of any insurance policy covering the Building or any part thereof or any of its contents. Without limiting the generality of the foregoing or of Paragraph 15 below, except with the prior written consent of Landlord which may be granted or withheld in Landlord's sole discretion, Tenant shall not bring, or permit to be brought, upon the Premises, any hazardous or toxic materials or chemicals, except for ordinary and customary office products and cleaning supplies which are used, stored, and removed in compliance with all applicable laws, statutes, ordinances and governmental rules, regulations or requirements, in quantities reasonably necessary for Tenant's use of the Premises. Tenant shall promptly notify Landlord of all hazardous or toxic substances maintained in the Premises. Tenant shall not do or permit anything to be done in or about the Premises, or use or allow the Premises to be used for, any improper, immoral or unlawful purposes, nor shall Tenant cause, maintain or permit any nuisance or waste in, on or about the Premises.

(b) Without limiting the foregoing, Tenant's use of the premises must comply both with the laws of the City of Belmont, California, the Declaration of the Establishment of Restrictions, Covenants and Conditions recorded against the Project dated February 10, 1965 (the "CC&R's"), and Tenant shall not conduct any retail sales on or from the Premises. Tenant acknowledges that it has received and reviewed the CC&R's and the pertinent portions of the zoning ordinance of the City of Belmont.

(c) Tenant shall have the exclusive right to use the existing parking lots within the Project (except that portion occupied by the One and Eleven Davis Drive generator) and, subject to compliance with applicable laws and ordinances, shall have the right to provide valet services permitting double-parking and stacked parking of vehicles. Tenant shall have the exclusive right to use all other common areas of the Project, including the right to install (subject to Paragraphs 8 and 15 below) and

use basketball courts and other recreational facilities, outdoor dining and seating areas and valet parking facilities, and other on-site services and amenities reasonably associated with the headquarters of a Bay Area technology company.

(d) Tenant shall have the right to use the existing kitchen equipment and furniture, at no cost to Tenant, during the Term. Tenant may elect to remove or replace any such equipment or furniture, provided Tenant replaces any equipment or furniture removed with reasonably comparable equipment or furniture.

(e) Tenant acknowledges that it has been advised that AT&T currently leases space for a communications tower on the rooftop of the Building, that a portion of AT&T's equipment is located in the MPOE room within the Building, that AT&T's utility usage is separately metered and that AT&T requires access to and on the roof through the interior of the Building. The access route to the roof is through the men's restroom on the third floor. Tenant agrees to provide access to the roof by AT&T representatives during the Term, or for such shorter period as the AT&T lease remains in effect, at reasonable times and upon not less than 24 hours' prior written notice to Tenant, except in an emergency with respect to AT&T's transmission capabilities. A representative of Tenant or Landlord shall have the right to accompany AT&T's employees or representative(s) during any such entry into the Premises. Landlord shall be responsible for arranging any such entry outside of the hours of 8 a.m. to 5 p.m. on weekdays (excluding holidays). AT&T representatives shall access the MPOE room from the door on the exterior of the Building. Tenant shall have the exclusive right to use of the portions of the roof not currently used by AT&T for the installation of Tenant's antennae and equipment, subject to Landlord's prior written approval.

6. Services and Utilities.

(a) Landlord shall provide and pay for (subject to inclusion in Operating Expenses) all gas, electricity, heat, cooling energy, ventilation, janitorial service, water, waste disposal, refuse collection and other utility-type services furnished to the Premises (excluding only telephone, internet and cable television services), together with all installation or connection charges or deposits. In the event Tenant desires to have any of the above utilities or services separately metered for a subtenant or for any other purpose, the installation, maintenance and monitoring of such meters shall be at Tenant's cost. Landlord shall furnish the Premises with the above services and utilities in quantities sufficient for Tenant's use of the Premises for the purposes authorized by this Lease. Furthermore, with respect to janitorial services Landlord shall supply the same in accordance with the Schedule of Janitorial Services attached as Exhibit F to this Lease.

(b) Landlord shall not be in default hereunder or be liable for any damages directly or indirectly resulting from, nor shall the rental herein reserved be abated by reason of (i) the installation, use or interruption of use of any equipment in connection with the furnishing of any of the foregoing services, (ii) failure to furnish or delay in furnishing any such services when such failure or delay is caused by accident or any condition beyond the actual or reasonable control of Landlord or by the making of necessary repairs to the Premises or to the Building or the making of improvements which are required by applicable laws, or (iii) the limitation, curtailment, rationing or restrictions on use of water, electricity, gas or any other form of energy serving the Premises or the Building. Landlord shall use reasonable efforts diligently to remedy any interruption in the furnishing of such services.

(c) In the event that Landlord, at Tenant's request, provides services to Tenant that are not otherwise provided for in this Lease, Tenant shall pay Landlord's actual reasonable charges for such services upon billing therefor, which shall be accompanied by reasonable supporting documentation.

(d) If Tenant is prevented from using, and does not use, the Premises or any material portion thereof, for five (5) consecutive business days (the "Eligibility Period") as a result of (i) any failure attributable to the acts or omissions of Landlord to provide to the Premises any of the utilities and services required to be provided in subparagraph (a) above, (ii) any failure to provide access to the Premises, (iii) any breach by Landlord of any material obligation under the Lease, or (iv) because of the presence of hazardous or toxic substances or materials in, on or around the Building, the Premises or the Real Property which were not caused or introduced by Tenant or Tenant's agents, employees, licensees or invitees, and which hazardous or toxic substances or materials pose a material and significant health risk to occupants of the Premises and as to which Landlord fails to take prompt action to remediate, in each case not caused or contributed to by Tenant or its subtenants or any employee, contractor, agent or invitee of any of the foregoing, then Tenant's obligation to pay Base Rent and increased Operating

Expenses and Property Taxes shall be abated or reduced, as the case may be, from and after the first (1st) day following the Eligibility Period and continuing for so long as Tenant continues to be so prevented from using, and does not use, the Premises or a portion thereof, in the proportion that the rentable square feet of the portion of the Premises that Tenant is prevented from using, and does not use, bears to the total rentable square feet of the Premises. To the extent Tenant shall be entitled to abatement of rent because of damage or destruction pursuant to Paragraph 11 or a taking by eminent domain pursuant to Paragraph 25, then the Eligibility Period shall not be applicable. Notwithstanding anything to the contrary set forth in this Lease, in the event that Tenant is prevented from using, and does not use, the Premises or any portion thereof, for one hundred eighty (180) consecutive days or for a total of two hundred (200) days in any consecutive nine (9) month period as a result of the matters described in clauses (i) through (iv) of this subparagraph (d), then Tenant shall have the right to terminate this Lease by delivering to Landlord written termination notice within five (5) days after the end of such one hundred eighty (180) day (or two hundred (200) day) period; provided, however, Tenant shall not have such termination right if any of such events described in clauses (i) through (iv) of this subparagraph (d) are caused by damage or destruction pursuant to Paragraph 11 or a taking by eminent domain pursuant to Paragraph 25, as Tenant's termination rights for such events are expressly provided in and are governed by Paragraphs 11 and 25 of this Lease, respectively.

7. Impositions Payable by Tenant . In addition to the monthly rental and other charges to be paid by Tenant hereunder, Tenant shall pay or reimburse Landlord for any and all of the following items (hereinafter collectively referred to as "Impositions"), whether or not now customary or in the contemplation of the parties hereto: taxes (other than local, state and federal personal or corporate income taxes measured by the net income of Landlord from all sources), assessments (including, without limitation, all assessments for public improvements, services or benefits, irrespective of when commenced or completed), excises, levies, business taxes, license, permit, inspection and other authorization fees, transit development fees, assessments or charges for housing funds, service payments in lieu of taxes and any other fees or charges of any kind, which are levied, assessed, confirmed or imposed by any public authority, but only to the extent the Impositions are (a) upon, measured by or reasonably attributable to the cost or value of Tenant's equipment, furniture, fixtures and other personal property located in the Premises or the cost or value of any leasehold improvements made in or to the Premises by or for Tenant (except to the extent taxed as a component of Property Taxes); (b) upon or measured by the monthly rental or other charges payable hereunder, including, without limitation, any gross receipts tax levied by the City of Belmont, the State of California, the Federal Government or any other governmental body with respect to the receipt of such rental; (c) upon, with respect to or by reason of the development, possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion thereof; or (d) upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises; provided, however, that if any Impositions of the type described in clauses (b) through (d) above are in effect during the Base Year, the same shall be included in either Operating Expenses or Property Taxes. In the event that it shall not be lawful for Tenant to reimburse Landlord for the Impositions but it is lawful to increase the monthly rental to take into account Landlord's payment of the Impositions, the monthly rental payable to Landlord shall be revised to net Landlord the same net return without reimbursement of the Impositions as would have been received by Landlord with reimbursement of the Impositions.

8. Alterations .

(a) Except as expressly provided in Paragraph 41 and Exhibit D , and except for Cosmetic Alterations (as defined below), Tenant shall make no alterations, additions or improvements to the Premises or install fixtures in the Premises without first obtaining Landlord's consent, which consent shall not be unreasonably withheld. In no event, however, may the Tenant make any alterations, additions or improvements or install fixtures which in Landlord's reasonable judgment might adversely affect the structural components of the Building, Building mechanical, utility or life safety systems, or the Building facade. At the time such consent is requested, Tenant shall furnish to Landlord a description of the proposed work, including detailed specifications and floor plans, an estimate of the cost thereof and such information as shall reasonably be requested by Landlord substantiating Tenant's ability to pay for such work. Landlord may require reasonable changes to such plans and specifications as a condition to the granting of its consent. In addition Landlord, may require as a condition to the granting of such consent to any work costing in excess of one month's Base Rent (at the rate then in effect) that Tenant provide to Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to one and one-half (1.5) times any and all estimated costs of the proposed work, to insure Landlord against any liability from mechanics' and materialmen's liens and to insure completion of the work. Before commencing any work, Tenant shall give Landlord at least five (5) days written

notice of the proposed commencement of such work in order to give Landlord an opportunity to prepare, post and record such notice as may be permitted by law to protect Landlord's interest in the Premises and the Building from mechanics' and materialmen's liens. Within a reasonable period following completion of any work for which plans and specifications were required to obtain a building permit for such work, Tenant shall furnish to Landlord "as built" plans showing the changes made to the Premises. As used in this Lease, "Cosmetic Alterations" shall mean (i) replacement of carpeting or wall coverings, paint, and affixing in a reasonable and customary manner to the walls and ceilings of the Premises audio-visual and CCTV systems and equipment (and technological innovations that supplement or supplant the same), provided the latter do not fall within (B) below and/or require extra strengthening of the affected wall or ceiling or special support or bracing; and (ii) any other alterations, additions and improvements to the Premises that (A) are not visible from the exterior of the Premises, (B) do not affect the Building's structure or materially, adversely affect the Building's mechanical, electrical, plumbing and fire/life safety systems and (C) do not cost in excess of \$25,000 in any instance. Cosmetic Alterations shall not include any installations on the roof of the Building or the affixing to walls or ceilings of the Premises any audio-visual or CCTV systems and equipment or any technological innovations that supplement or supplant the same which require special support, bracing or strengthening of the affected wall or ceiling or that adversely affect the Building's mechanical, technical, plumbing or fire/life safety systems.

(b) Any alterations, additions or improvements to the Premises shall be made at Tenant's expense and, except for Cosmetic Alterations, by Landlord's contractor or by a contractor selected in accordance with the procedure set forth in Paragraph 4(d) of the Work Letter. All work performed by Tenant shall comply with the laws, rules, orders, directions, regulations and requirements of all governmental entities having jurisdiction over such work and shall comply with the rules, orders, directions, regulations and requirements of any nationally recognized board of insurance underwriters (but the foregoing shall not relieve Landlord of the duty to comply with laws, rules, orders, directions, regulations and requirements of all governmental entities having jurisdiction pertaining to the Project common areas). All alterations, additions and improvements (except for trade fixtures and alterations of a decorative or cosmetic nature that may be removed without material damage to the Premises) shall become Landlord's property at the end of the Term and shall remain on the Premises without compensation to Tenant; provided, however, that if Landlord at the time of consenting to the making of any such alterations, additions and improvements reserved the right to have Tenant remove such alterations, additions and improvements, Tenant shall, prior to the end of the Term, at its sole cost and expense, remove such alterations, additions and improvements and repair and restore the Premises to their condition existing prior to the making of such alterations, additions and improvements. If Landlord consents to, inspects the work of, supervises, recommends or designates any architects, engineers, contractors, subcontractors, or suppliers, the same shall not be deemed a warranty as to the adequacy of the design, workmanship or quality of materials of the work, or as to the compliance of the work with the plans and specifications or any legal requirements. However, the preceding sentence shall not be construed to negate any warranties by Landlord's contractor if Landlord's contractor performs the construction work for any such alterations, additions or improvements. In the event the alterations are made by a contractor selected by Tenant and not by Landlord's contractor, Landlord shall be entitled to charge Tenant an administrative fee of five percent (5%) of the cost of the work plus Landlord's actual out-of-pocket costs for its review of plans and construction supervision. Notwithstanding the foregoing, or any contrary provision elsewhere in this Lease, no administrative fee shall be payable for Cosmetic Alterations.

9. Liens. Tenant shall keep the Premises and the Project free from any liens (and claims thereof) arising out of any work performed, materials furnished or obligations incurred by or for Tenant (except insofar as such lien arises from Landlord's failure to disburse the Allowance as required by the Work Letter). Landlord shall have the right to post and keep posted on the Premises any notices that may be provided by law or which Landlord reasonably may determine to be proper for the protection of Landlord, the Premises and the Project from such liens and claims.

10. Repairs.

(a) Tenant shall, at all times during the term hereof and at Tenant's sole cost and expense, keep the Premises in good condition and repair, ordinary wear and tear and damage thereto by fire, earthquake, act of God or the elements excepted. Tenant hereby waives all rights to make repairs at the expense of Landlord or in lieu thereof to vacate the Premises. Tenant shall at the end of the term hereof surrender to Landlord the Premises and all alterations, additions and improvements thereto (except to the extent Tenant is required to remove any such alterations, additions or improvements pursuant to subparagraph 8(b) above) in the same condition as when received, ordinary wear and tear

and damage by fire, earthquake, act of God or the elements excepted. Without limiting the foregoing, Landlord shall have the right to require Tenant to replace or reimburse Landlord for replacement of all plate glass or windows in or upon the Premises or the Project which are broken by Tenant, its employees, agents, guests or invitees. Landlord has no obligation and has made no promise to alter, remodel, improve, repair, decorate or paint the Premises or any part thereof, except as specifically set forth in this Lease (including the Work Letter). No representations respecting the condition of the Premises or the Building have been made by Landlord to Tenant, except as specifically herein set forth.

(b) Landlord shall maintain the roof, exterior walls, structural elements and foundation of the Building, Building systems and all Project common areas including, without limitation, the driveways, parking areas, walkways and landscaping for the Project, and all utility lines located within the Project but not exclusively within the Premises, in compliance with all applicable laws and in good order, condition and repair except for uninsured damage caused by the act of Tenant, its agents, employees, guests or invitees, which uninsured damage shall be repaired at Tenant's expense by Landlord or Tenant, as Landlord may elect.

11. Destruction or Damage.

(a) In the event the Premises are damaged by fire, earthquake, act of God, the elements or other casualty, Landlord shall repair the same, subject to the provisions of this Paragraph hereinafter set forth, if (i) such repairs can, in Landlord's reasonable opinion, be made within a period of 270 days from the date of damage, (ii) insurance proceeds are available to pay the cost of such repairs (exclusive of any deductible amount) and (iii) the damage or destruction does not occur during the last twelve (12) months of the Term of this Lease or any extension thereof. This Lease shall remain in full force and effect except that to the extent the damage or destruction is not caused by the fault or negligence of Tenant, its contractors, agents, employees or invitees, an abatement of rental shall be allowed Tenant for such part of the Premises as shall be rendered unusable by Tenant in the conduct of its business during the time such part is so unusable (and, if the part of the Premises rendered unusable for the conduct of Tenant's business is so extensive that the remainder of the Premises cannot be efficiently used for such business and Tenant does not use the Premises during such period, the rental shall be entirely abated).

(b) As soon as is reasonably possible following the occurrence of any damage, Landlord shall notify Tenant of the estimated time and cost required for the repair or restoration of the Premises or the portion of the Building necessary for Tenant's occupancy. If, in Landlord's opinion, such repairs cannot be made within 270 days as set forth in subparagraph (a)(i) above, Landlord may elect by written notice to Tenant within 30 days after Landlord's notice of estimated time and cost is given, to terminate this Lease effective as of the date of such damage or destruction. If Landlord is not obligated to effect the repair based upon the circumstances set forth in subparagraphs (a)(ii) or (a)(iii) above, Landlord shall have the right to terminate this Lease, by written notice to Tenant within 30 days after Landlord's notice of time and cost is given, effective as of the date of such damage or destruction; provided, however, in case of damage under subparagraph (a)(iii), Landlord may terminate this Lease only as to the damaged portion of the Premises if Tenant desires (in its sole discretion) to continue in possession of the remainder of the Premises and may do so lawfully and without impairing in any material respect Landlord's ability to repair the damaged portion of the Premises. If Landlord does not elect to terminate this Lease, and if Tenant does not exercise any termination right under subparagraph (c), this Lease shall continue in full force and effect, but the rent shall be partially abated as hereinabove in this Paragraph provided, and Landlord shall proceed diligently to repair such damage.

(c) In the event the damage or destruction renders more than thirty percent (30%) of the gross square footage of the Premises unusable for the conduct of Tenant's business and if in Landlord's reasonable opinion the repairs cannot be completed within 270 days after the date of damage, or the damage or destruction occurs during the last twelve (12) months of the Term of this Lease or any extension thereof and more than ten percent (10%) of the remaining Term would be required for Landlord to complete the repairs, then Tenant may terminate the Lease by notice to Landlord, delivered within thirty (30) days after Landlord advises Tenant of the estimated time required to complete the repairs.

(d) A total destruction of the Building shall automatically terminate this Lease. Tenant waives California Civil Code Sections 1932, 1933, 1941 and 1942 providing for (among other things) termination of hiring upon destruction of the thing hired and the right to make repairs and to vacate the Premises under certain conditions.

(e) In connection with Landlord's repair of damage or destruction pursuant to this Paragraph 11, Tenant shall not be entitled to any compensation or damages from Landlord for (i) loss of the use of the whole or any part of the Premises, (ii) damage to Tenant's personal property in or improvements to the Premises, or (iii) any inconvenience, annoyance or expense occasioned by such damage or repair (including moving expenses and the expense of establishing and maintaining any temporary facilities). However, nothing in this subparagraph (e) shall be construed to limit Landlord's liability for breach or default under this Lease.

(f) Landlord, in repairing the Premises, shall not be required to repair any injury or damage to the personal property of Tenant, or to make any repairs to or replacement of any alterations, additions, improvements or fixtures installed on the Premises by or for Tenant.

12. Insurance.

(a) Tenant agrees to procure and maintain in force during the Term, at Tenant's sole cost and expense, Commercial General Liability insurance in an amount not less than two million dollars (\$2,000,000) combined single limit for bodily injury and property damage for injuries to or death of persons and property damage occurring in, on or about the Premises, the Building, or the Project. Such policy shall name Landlord, Landlord's managing agent and any other party reasonably designated by Landlord as additional insureds, shall insure Landlord's and Landlord's managing agent's contingent liability as respects acts or omissions of Tenant, shall be issued by a company licensed to do business in the State of California and otherwise reasonably acceptable to Landlord, and shall provide, to the extent the same is available on commercially reasonable terms, that the policy may not be canceled nor amended without thirty (30) days prior written notice to Landlord. Tenant shall also procure and maintain in force during the term hereof full replacement cost "all risk" insurance on its personal property and trade fixtures in the Premises. Tenant may carry said insurance under a blanket policy, provided however, said insurance by Tenant shall include an endorsement confirming application to and coverage of Landlord. Said insurance shall be primary insurance to any other insurance that may be available to Landlord. Any other insurance available to Landlord shall be non-contributing with and excess to the insurance required to be carried by Tenant hereunder.

(b) A Certificate of Insurance evidencing coverages required to be carried by Tenant hereunder shall be delivered to Landlord by Tenant prior to commencement of the Term and upon each renewal of such insurance.

(c) Tenant shall, prior to and throughout the Term, procure from each of its insurers under all policies of fire, theft, public liability, workers' compensation and any other insurance policies of Tenant now or hereafter existing, pertaining in any way to the Premises, the Building or the Project or any operation therein, a waiver, as set forth in Paragraph 13 of this Lease, of all rights of subrogation which the insurer might otherwise, if at all, have against the Landlord or any officer, agent or employee of Landlord (including Landlord's managing agent).

13. Subrogation. Landlord and Tenant shall each obtain from its respective insurers under all policies of fire, theft, public liability, worker's compensation and other insurance maintained by either of them at any time during the term hereof insuring or covering the Building or any portion thereof or operations therein, a waiver of all rights of subrogation which the insurer of one party might have against the other party, and Landlord and Tenant shall each indemnify the other against and reimburse the other for any and all loss or expense, including reasonable attorneys' fees, resulting from the failure to obtain such waiver.

14. Indemnification. Tenant hereby waives all claims against Landlord for damage to any property or injury or death of any person in, upon or about the Premises arising at any time and from any cause other than by reason of the gross negligence or willful misconduct of Landlord, its employees or agents, and Tenant shall defend Landlord against, hold Landlord harmless from, and reimburse Landlord for any and all claims, liability, damage and loss arising out of (a) injury to or death of any person, and (b) damage to or destruction of any property, attributable to or resulting from the condition, use or occupancy of the Premises by Tenant or Tenant's failure to perform its obligations under this Lease, except to the extent caused by the gross negligence or willful misconduct of Landlord, its agents or employees or from Landlord's default under or breach of this Lease. The foregoing indemnity obligation of Tenant shall include reasonable attorneys' fees, investigation costs and all other reasonable costs and expenses incurred by Landlord from the first notice that injury, death or damage has occurred or that any claim or demand is to be made or may be made. Landlord shall defend Tenant against, hold Tenant harmless from, and reimburse Tenant for any and all claims, liability, damage and loss to the

extent arising out of the gross negligence or willful misconduct of Landlord, its employees or agents, or from Landlord's default under or breach of this Lease. The foregoing indemnity obligation of Landlord shall include reasonable attorneys' fees, investigation costs and all other reasonable costs and expenses incurred by Tenant from the first notice that injury, death or damage has occurred or that any claim or demand is to be made or may be made. The provisions of this Paragraph shall survive the termination of this Lease with respect to any damage, injury or death occurring prior to such termination.

15. Compliance with Legal Requirements . Tenant, at its sole cost and expense, shall promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, with the requirements of any board of fire underwriters or other similar body now or hereafter constituted, with any direction or occupancy certificate issued pursuant to any law by any public officer or officers, as well as the provisions of all recorded documents affecting the Premises (including, without limitation, any ground lease, mortgage or covenants, conditions and restrictions), insofar as any thereof relate to or affect the use or occupancy of the Premises, including without limitation the operation of a café for employees and subtenants; provided, however, that Tenant shall not be obligated to make or pay for structural changes to the Premises or the Project, or changes to the systems and equipment therein that Landlord is responsible for maintaining, except where such changes are necessitated by Tenant's use of the Premises other than for customary office use or due to improvements made by or for Tenant. Landlord shall be responsible for complying with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force and pertain to the Project, except where Tenant is expressly required by this Lease to so comply.

16. Assignment and Subletting .

(a) Tenant shall not hypothecate or encumber this Lease or any interest herein without the prior written consent of Landlord, which may be granted or denied in Landlord's absolute discretion. Tenant shall not, without the prior written consent of Landlord, which consent shall not be unreasonably withheld by Landlord, transfer or assign this Lease or any interest herein, sublet the Premises or any part thereof, or permit the use of the Premises by any party other than Tenant. This Lease shall not, nor shall any interest herein, be assignable as to the interest of Tenant by operation of law without the consent of Landlord, which consent shall not be unreasonably withheld. Any of the foregoing acts without such consent shall be void and shall, at the option of Landlord, terminate this Lease. In connection with each consent requested by Tenant, Tenant shall submit to Landlord the terms of the proposed transaction, the identity of the parties to the transaction, the proposed documentation for the transaction, and all other information reasonably requested by Landlord concerning the proposed transaction and the parties involved.

(b) If the Tenant is a privately held corporation, or is an unincorporated association or partnership, the transfer, assignment, or hypothecation of any stock or interest in such corporation, association, or partnership in excess of fifty percent (50%) in the aggregate shall be deemed an assignment or transfer within the meaning and provisions of this Paragraph 16. For so long as Tenant is a publicly held corporation, the public trading of stock in Tenant, shall not be deemed an assignment or transfer within the meaning of this Paragraph.

(c) Without limiting the other instances in which it may be reasonable for Landlord to withhold its consent to an assignment or subletting, Landlord and Tenant acknowledge that it shall be reasonable for Landlord to withhold its consent in the following instances:

(1) if at the time consent is requested or at any time prior to the granting of consent, there exists an Event of Default by Tenant under this Lease;

(2) if the proposed assignee or sublease is a governmental agency;

(3) if, in Landlord's reasonable judgment, the use of the Premises by the proposed assignee or sublessee would not be comparable to the types of office use by other tenants in the building or would entail alterations which would materially lessen the value of the leasehold improvements in the Premises; and

(4) if, in Landlord's reasonable judgment, the financial worth of the proposed assignee or sublessee (taking into consideration Tenant's continuing liability and financial ability) does not meet the credit standards applied by Landlord for other tenants under leases with comparable terms,

or the character, reputation, or business of the proposed assignee or sublessee is not consistent with the quality of the other tenancies in the Project.

(d) If at any time during the Term of this Lease Tenant desires to assign its interest in this Lease or sublet any portion of the Premises (except any assignment or sublease permitted under subparagraph (e) below), Tenant shall give notice to Landlord setting forth the terms of the proposed assignment or subletting ("Tenant's Notice"). Landlord shall have the option, exercisable by notice given to Tenant within thirty (30) days after Tenant's Notice is given ("Landlord's Option Period"), either (1) to consent to the assignment in which event the provisions of subparagraph (g) shall be applicable, or to consent to the subletting in which event the provisions of subparagraph (h) shall be applicable; (2) in the event of a proposed assignment, to terminate this Lease and to retake possession of the Premises; (3) in the event of a proposed subletting of a portion of the Premises, to not unreasonably withhold Landlord's consent; or (4) in the event of a proposed subletting of the entire Premises for all or substantially all of the remainder of the Term, to terminate this Lease with respect to, and to retake possession of, the space in question, together with, if only a portion of the Premises is involved, such rights of access to and from such portion as may be reasonably required for its use and enjoyment.

(e) The provisions of subparagraphs (a) and (b) above notwithstanding, Tenant may assign this Lease or sublet the Premises or any portion thereof, with prior notice to Landlord but without the necessity of Landlord's consent and without extending any option to Landlord pursuant to subparagraph (d) above, to any corporation which controls, is controlled by or is under common control with Tenant, to any corporation resulting from the merger or consolidation with Tenant, or to any person or entity which acquires all or substantially all of the assets of Tenant as a going concern. Notwithstanding the foregoing, if Tenant is bound by commercially reasonable confidentiality restrictions that preclude advance notice of any transaction under this subparagraph (e), Tenant may give notice thereof to Landlord promptly after such restrictions are removed.

(f) No sublessee shall have a right further to sublet without Landlord's prior consent, which shall not be unreasonably withheld, and any assignment by a sublessee of its sublease shall be subject to Landlord's prior consent in the same manner as if Tenant were entering into a new sublease.

(g) In the case of an assignment other than under subparagraph (e) above, 50% of any sums or other economic consideration received by Tenant as a result of such assignment shall be paid to Landlord after first deducting the unamortized cost of leasehold improvements paid for by Tenant, and the cost of any real estate commissions incurred by Tenant in connection with such assignment, reasonable legal fees and any amounts paid to Landlord under subparagraph (j).

(h) In the case of a subletting other than under subparagraph (e) above, 50% of any sums or economic consideration received by Tenant as a result of such subletting shall be paid to Landlord after first deducting (1) the rental due hereunder, prorated to reflect only rental allocable to the sublet portion of the Premises, (2) the cost of leasehold improvements made to the sublet portion of the Premises at Tenant's cost, amortized over the term of this Lease except for leasehold improvements made for the specific benefit of the sublessee, which shall be amortized over the term of the sublease, (3) the cost of any real estate commissions incurred by Tenant in connection with such subletting, amortized over the term of the sublease, (4) any reasonable financial concessions made by Tenant to consummate the sublease, and (5) reasonable legal fees not to exceed \$20,000 in any one instance and any amounts paid to Landlord under subparagraph (j).

(i) Regardless of Landlord's consent, no subletting or assignment shall release Tenant of Tenant's obligation or alter the primary liability of Tenant to pay the rental and to perform all other obligations to be performed by Tenant hereunder. The acceptance of rental by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting. In the event of default by any assignee of Tenant or any successor of Tenant in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against such assignee or successor. Landlord may consent to subsequent assignments or subletting of this Lease or amendments or modifications to this Lease with assignees of Tenant, without notifying Tenant, or any successor of Tenant, and without obtaining its or their consent thereto, and such action shall not relieve Tenant of liability under this Lease.

(j) In the event Tenant shall assign this Lease or sublet the Premises or request the consent of Landlord to any assignment, subletting, hypothecation or other action requiring Landlord's consent hereunder, then Tenant shall pay Landlord's then reasonable and standard processing fee and

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Landlord's reasonable attorneys' fees incurred in connection therewith, the combination of which shall not exceed \$5,000 in any one instance.

(k) Any sublease hereunder shall be subordinate and subject to the provisions of this Lease, and if this Lease shall be terminated during the term of any sublease, Landlord shall have the right to: (a) deem such sublease as merged and canceled and repossess the subject space by any lawful means, or (b) deem such termination as an assignment of such sublease to Landlord and not as a merger, and require that such subtenant attorn to and recognize Landlord as its landlord under any such sublease. If an Event of Default shall occur under this Lease, Landlord is hereby irrevocably authorized, as Tenant's agent and attorney-in -fact, to direct any subtenants and assignees to make all payments under or in connection with the sublease or assignment directly to Landlord (which Landlord shall apply towards Tenant's obligations under this Lease).

17. Rules: No Discrimination . Tenant shall faithfully observe and comply with the rules and regulations annexed to this Lease, and after not less than 30 days prior written notice thereof, all reasonable modifications thereof and additions thereto from time to time promulgated in writing by Landlord. Provided Landlord acts reasonably to enforce the rules and regulations in a reasonable and non-discriminatory manner, Landlord shall not be responsible to Tenant for the nonperformance by any other tenant or occupant of the Project of any of said rules and regulations. Tenant specifically covenants and agrees that Tenant shall not discriminate against or segregate any person or group of persons on account of race, sex, creed, color, national origin, or ancestry or other legally protected classification, in the occupancy, use, sublease or enjoyment of the Premises.

18. Entry by Landlord . Landlord may enter the Premises at reasonable hours with reasonable advance notice (except no notice is required in case of emergency or to provide routine maintenance, engineering and janitorial services) to (a) inspect the same; (b) exhibit the same to prospective purchasers or lenders and, during the last six months of the Term, to prospective tenants, (c) determine whether Tenant is complying with all its obligations hereunder; (d) supply janitor service and any other service to be provided by Landlord to Tenant hereunder; (e) post notices of nonresponsibility; and (f) make repairs or perform maintenance required of Landlord under the terms hereof; provided, however, that all such work shall be done as promptly as reasonably possible and so as to cause as little interference to Tenant as reasonably possible. Notices required pursuant to this Paragraph 8 may be given by email or text message to Tenant's Director of Facilities. Subject to compliance with the preceding two sentences, Tenant hereby waives any claim for damages for any inconvenience to or interference with Tenant's business or any loss of occupancy or quiet enjoyment of the Premises occasioned by such entry. Landlord shall at all times have and retain a key with which to unlock all of the doors in, on or about the Premises (excluding Tenant's vaults, safes and similar secured areas designated in writing by Tenant in advance); and Landlord shall have the right to use any and all means which Landlord may deem proper to open Tenant's doors in an emergency in order to obtain entry to the Premises, and any entry to the Premises obtained by Landlord in an emergency shall not be construed or deemed to be forcible or unlawful entry into or be a detainer of the Premises or of Tenant from the Premises or an eviction, actual or constructive, of Tenant from the Premises or any portion thereof.

19. Events of Default . The following events shall constitute Events of Default under this Lease:

(a) A default by Tenant in the payment when due of any Base Rent or Additional Rent or any other sum payable hereunder and the continuation of such default for a period of five (5) days after the same is due; provided, however, that on not more than one (1) occasion during any twelve (12) month period within the Term, Landlord shall give Tenant a written notice of delinquency and shall not declare an Event of Default if such delinquency is cured within two (2) business days after delivery of such notice (it being understood that no further delinquency notice shall be required for the ensuing twelve (12) months);

(b) A default by Tenant in the performance of any of the other terms, covenants, agreements or conditions contained herein and the continuation of such default for a period of 20 days after notice by Landlord or beyond the time reasonably necessary for cure if the default is of a nature to require more than 20 days to remedy;

(c) The bankruptcy or insolvency of Tenant or any guarantor of this Lease, transfer by Tenant or any guarantor of this Lease in fraud of creditors, an assignment by Tenant or any guarantor of this Lease for the benefit of creditors, or the commencement of any proceedings of any kind by or against Tenant or any guarantor of this Lease

under any provision of the Federal Bankruptcy Act or

under any other insolvency, bankruptcy or reorganization act unless, in the event any such proceedings are involuntary, Tenant is discharged from the same within 60 days thereafter;

(d) The appointment of a receiver for a substantial part of the assets of Tenant;

(e) The abandonment of the Premises;

(f) The levy upon this Lease or any estate of Tenant hereunder by any attachment or execution and the failure to have such attachment or execution vacated within 20 days thereafter; and

(g) If Tenant violates the same term or condition of this Lease on three (3) occasions during any twelve (12) month period or thereafter violates the same term or condition on two (2) occasions during any succeeding twelve (12) month period, Landlord shall have the right to exercise all remedies for any violations of the same term or condition during the next twelve (12) months without providing further notice or an opportunity to cure.

20. Termination Upon Default. Upon the occurrence of any Event of Default by Tenant hereunder, Landlord may, at its option and without any further notice or demand, in addition to any other rights and remedies given hereunder or by law, terminate this Lease and exercise its remedies relating thereto in accordance with the following provisions:

(a) Landlord shall have the right, so long as the Event of Default remains uncured, to give notice of termination to Tenant, and on the date specified in such notice this Lease shall terminate.

(b) In the event of any such termination of this Lease, Landlord may then or at any time thereafter by judicial process, re-enter the Premises and remove therefrom all persons and property and again repossess and enjoy the Premises, without prejudice to any other remedies that Landlord may have by reason of Tenant's default or of such termination.

(c) In the event of any such termination of this Lease, and in addition to any other rights and remedies Landlord may have, Landlord shall have all of the rights and remedies of a landlord provided by Section 1951.2 of the California Civil Code. The amount of damages which Landlord may recover in event of such termination shall include, without limitation: (1) the worth at the time of award of the unpaid rent which had been earned at the time of termination; (2) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (3) the worth at the time of award (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) of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss that Tenant proves could be reasonably avoided; (4) all legal expenses and other related costs incurred by Landlord following Tenant's default; (5) all costs incurred by Landlord in restoring the Premises to good order and condition, or in remodeling, renovating or otherwise preparing the Premises for reletting; and (6) all costs (including, without limitation, any brokerage commissions) incurred by Landlord in reletting the Premises.

(d) After terminating this Lease, Landlord may remove any and all personal property located in the Premises and place such property in a public or private warehouse or elsewhere at the sole cost and expense of Tenant. In the event that Tenant shall not immediately pay the cost of storage of such property after the same has been stored for a period of thirty (30) days or more, Landlord may sell any or all thereof at a public or private sale in such manner and at such times and places as Landlord in its sole discretion may deem proper, without notice to or demand upon Tenant. Tenant waives all claims for damages that may be caused by Landlord's removing or storing or selling the property as herein provided, and Tenant shall indemnify and hold Landlord free and harmless from and against any and all losses, costs and damages, including without limitation all costs of court and attorneys' fees of Landlord occasioned thereby.

(e) In the event of the occurrence of any of the events specified in Paragraph 19(c) of this Lease, if Landlord shall not choose to exercise, or by law shall not be able to exercise, its rights hereunder to terminate this Lease, then, in addition to any other rights of Landlord hereunder or by law, neither Tenant, as debtor-in-possession, nor any trustee or other person (collectively, the "Assuming Tenant") shall be entitled to assume this Lease unless on or before

the date of such assumption, the Assuming Tenant (a) cures, or provides adequate assurance that the Assuming Tenant will promptly cure, any existing default under this Lease, (b) compensates, or provides adequate assurance that the

Assuming Tenant will promptly compensate, Landlord for any pecuniary loss (including, without limitation, attorneys' fees and disbursements) resulting from such default, and (c) provides adequate assurance of future performance under this Lease. For purposes of this subparagraph (e) "adequate assurance" of such cure, compensation or future performance shall be effected by the establishment of an escrow fund for the amount at issue or by bonding.

21. Continuation after Default. Landlord shall have the remedy described in California Civil Code Section 1951.4 (i.e., Landlord may continue this Lease in effect after Tenant's breach and abandonment and recover rental as it becomes due, because Tenant has the right to sublet or assign, subject only to reasonable limitations). Even though Tenant has breached this Lease and abandoned the Premises, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession, and Landlord may enforce all its rights and remedies under this Lease, including the right to recover the rental as it becomes due under this Lease. Acts of maintenance or preservation or efforts to relet the Premises or the appointment of a receiver upon initiative of Landlord to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession.

22. Other Relief. The remedies provided for in this Lease are in addition to any other remedies available at law or in equity by statute or otherwise.

23. Landlord's Right to Cure Defaults. Upon the occurrence of an Event of Default by Tenant, or a failure to cure any default in a shorter period than specified in Paragraph 19 if constituting a danger to persons or property, Landlord may, but shall not be obligated so to do, and without waiving or releasing Tenant from any obligations of Tenant, make any such payment or perform any such other act on Tenant's part to be made or performed as in this Lease provided to the extent Landlord may deem desirable. All reasonable sums so paid by Landlord (with interest at an annual rate equal to four percent (4%) over the annual prime rate of interest announced publicly by Citibank, N.A., in New York, New York from time to time, but in no event in excess of the maximum interest rate permitted by law) and all necessary incidental costs shall be payable to Landlord on demand.

24. Attorneys' Fees. If any action (including, where applicable, arbitration) arising out of this Lease is brought by either party hereto against the other, then and in that event the unsuccessful party to such action shall pay to the prevailing party all costs and expenses, including reasonable attorneys' fees, incurred by such prevailing party, and if the prevailing party shall recover judgment in such action, such costs, expenses and attorneys' fees shall be included in and as part of such judgment.

25. Eminent Domain. If all or any part of the Premises shall be taken as a result of the exercise of the power of eminent domain, this Lease shall terminate as to the part so taken as of the date of taking, and, in the case of a partial taking, either Landlord or Tenant shall have the right to terminate this Lease as to the balance of the Premises by notice to the other within 30 days after such date; provided, however, that (a) a condition to the exercise by Tenant of such right to terminate shall be that the portion of the Premises taken shall be of such extent and nature as substantially to handicap, impede or impair Tenant's use of the balance of the Premises for its headquarters functions, and (b) a condition to the exercise by Landlord of such right to terminate shall be that it is not commercially feasible to continue operating the Project for office purposes given the nature and extent of the taking. In the event of any taking, Landlord shall be entitled to any and all compensation, damages, income, rent, awards, or any interest therein whatsoever which may be paid or made in connection therewith, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Lease or otherwise. In the event of a partial taking of the Premises which does not result in a termination of this Lease, the monthly rental thereafter to be paid shall be equitably reduced, and Landlord shall restore the Project, insofar as commercially feasible, to a condition comparable to that existing prior to exercise of the power of eminent domain.

26. Subordination.

(a) This Lease shall be subject and subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation for security now or hereafter placed upon the Building and to any and all advances made on the security thereof or Landlord's interest therein, and to all renewals, modifications, consolidations, replacements and extensions thereof. In the event any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, Tenant shall attorn to the purchaser at the foreclosure sale or to the grantee under the deed in lieu of foreclosure; in the event any ground lease to which this Lease is subordinate is

terminated, Tenant shall attorn to the ground lessor. Tenant agrees to execute any documents required to effectuate such subordination, to make this Lease prior to the lien of any mortgage or deed of trust or ground lease, or to evidence such attornment.

(b) In the event any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, or in the event any ground lease to which this Lease is subordinate is terminated, this Lease shall not be barred, terminated, cut off or foreclosed nor shall the rights and possession of Tenant hereunder be disturbed if Tenant shall not then be in default in the payment of rental and other sums due hereunder or otherwise be in default under the terms of this Lease, and if Tenant shall attorn to the purchaser, grantee, or ground lessor as provided in subparagraph (a) above or, if requested, enter into a new lease for the balance of the term hereof upon the same terms and provisions as are contained in this Lease. Tenant's covenant under subparagraph (a) above to subordinate this Lease to any ground lease, mortgage, deed of trust or other hypothecation hereafter executed is conditioned upon each such senior instrument containing the commitments specified in this subparagraph (b).

27. No Merger. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Landlord, terminate all or any existing subleases or subtenancies, or operate as an assignment to it of any or all such subleases or subtenancies.

28. Sale. In the event the original Landlord hereunder or any successor owner of the Building, shall sell or convey the Building, all liabilities and obligations on the part of the original Landlord, or such successor owner, under this Lease accruing thereafter shall terminate, and thereupon all such liabilities and obligations shall be binding upon the new owner. Tenant agrees to attorn to such new owner.

29. Estoppel Certificate. At any time and from time to time but on not less than ten (10) days' prior written notice by Landlord, Tenant shall execute, acknowledge, and deliver to Landlord, promptly upon request, a certificate certifying (a) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the date and nature of each modification), (b) the date, if any, to which rental and other sums payable hereunder have been paid, (c) that no notice has been received by Tenant of any default which has not been cured, except as to defaults specified in the certificate, (d) whether there is then existing any known claim by Tenant of default hereunder by Landlord, and, if so, specifying the nature thereof, and (e) such other matters as may be reasonably requested by Landlord. Any such certificate may be relied upon by any prospective purchaser, mortgagee or beneficiary under any deed of trust on the Building or any part thereof.

30. No Light, Air, or View Easement. Any diminution or shutting off of light, air or view by any structure which may be erected on lands adjacent to the Building shall in no way affect this Lease or impose any liability on Landlord.

31. Holding Over.

(a) Unless Landlord expressly agrees otherwise in writing, Tenant shall pay Landlord 150% of the amount of rent and additional rent then in effect immediately prior to expiration or earlier termination of this Lease, computed on a monthly basis, for each month or portion thereof that Tenant shall fail to vacate or surrender possession of the Premises or any part thereof after expiration of the Term or earlier termination of this Lease in the condition required under this Lease, together with all damages (direct and consequential) sustained by Landlord on account thereof. Tenant shall pay such amounts on demand, and, in the absence of demand, monthly in advance. The foregoing provisions, and Landlord's acceptance of any such amounts, shall not serve as permission for Tenant to hold-over, nor serve to extend the term (although Tenant shall remain a tenant-at-sufferance bound to comply with all provisions of this Lease until Tenant properly vacates the Premises). Landlord shall have the right at any time after expiration or earlier termination of this Lease to reenter and possess the Premises and remove all property and persons therefrom, and Landlord shall have such other remedies for holdover as may be available to Landlord under other provisions of this Lease or applicable laws.

(b) Notwithstanding anything set forth in subparagraph (a) to the contrary, Tenant shall have the one-time right to extend the initial Term or the Extended Term (as applicable) for a period of up to six (6) months thereafter (the "Temporary Extension Term") by delivering written notice of the exercise of such right at least one (1) year prior to

the expiration of the initial Term or the Extended

Term, which notice shall specify the period of the Temporary Extension Term Tenant selects (which period shall be not less than one (1) month nor more than six (6) months). At Landlord's option, Tenant's exercise notice shall be ineffective, and there shall be no extension of this Lease for the Temporary Extension Term, if there exists an Event of Default by Tenant on the date Tenant delivers such notice to Landlord or on the date the Temporary Extension Term commences. The right to extend this Lease for the Temporary Extension Term is personal to the Tenant identified in the preamble of this Lease and shall not be assignable to or exercisable by any other party other than a permitted assignee pursuant to subparagraph 16(e) of this Lease. If Tenant timely exercises this right, all of the terms and conditions of this Lease shall apply during the Temporary Extension Term, except that the monthly Base Rent payable by Tenant during the Temporary Extension Term shall be equal 125%) of the monthly Base Rent applicable during the last rental period before the Temporary Extension Term, and Tenant shall have no further right to extend this Lease beyond the Temporary Extension Term.

32. Abandonment. Tenant shall not abandon the Premises or any part thereof at any time during the term hereof. Tenant understands that if Tenant should leave the Premises or any part thereof vacant, the risk of fire, other casualty, and vandalism to the Premises will be increased and that, therefore, should Tenant vacate the Premises during the Term, it must undertake all such actions as may reasonably be required by Landlord's insurer to avoid cancellation or material modification of Landlord's property insurance coverage. If Tenant shall abandon or surrender the Premises, or be dispossessed by process of law or otherwise, any personal property belonging to Tenant and left on the Premises shall be deemed to be abandoned, at the option of Landlord, and Landlord may sell or otherwise dispose of such personal property in any commercially reasonable manner.

33. Security Deposit.

(a) Tenant shall, upon execution of this Lease, deposit with Landlord the sum specified in the Basic Lease Information as the Security Deposit (the "Deposit"). The Deposit shall be held by Landlord as security for the faithful performance by Tenant of all the provisions of this Lease to be performed or observed by Tenant. If Tenant fails to pay rent or other sums due hereunder, or otherwise defaults with respect to any provision of this Lease, Landlord may use, apply or retain all or any portion of the Deposit for the payment of any rent or other sum in default or for the payment of any other sum to which Landlord may become obligated by reason of Tenant's default, or to compensate Landlord for any loss or damage which Landlord may suffer thereby. If Landlord so uses or applies all or any portion of the Deposit, Tenant shall within 10 days after demand therefor deposit cash with Landlord in an amount sufficient to restore the Deposit to the full amount thereof and Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep the Deposit separate from its general accounts, and Tenant shall not be entitled to interest on the Deposit.

(b) Provided that no Event of Default exists as of each such date, and provided further that no Monetary Event of Default shall have occurred prior to such date and that the same non-monetary Event of Default shall not have occurred more often than three (3) times in any twelve (12) month period or more than two (2) times within any succeeding twelve (12) month period, Landlord shall return to Tenant one-third of the Deposit at the end of each of the twenty-fourth (24th) and thirty-sixth (36th) months of the Term. The remaining Deposit shall be returned to Tenant within thirty (30) days following the expiration of the Term and satisfaction of all of Tenant's obligations hereunder.

34. Waiver. The waiver by either party of any agreement, condition or provision herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other agreement, condition or provision herein contained, nor shall any custom or practice which may grow up between the parties in the administration of the terms hereof be construed to waive or to lessen the right of a party to insist upon the performance by the other party in strict accordance with such terms. The subsequent acceptance of rental hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any agreement, condition or provision of this Lease, other than the failure of Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of the preceding breach at the time of acceptance of the rental.

35. Notices and Consents. All notices, consents, demands and other communications from one party to the other that are given pursuant to the terms of this Lease shall be in writing and shall be deemed to have been fully given when deposited in the United States mail, certified or registered, postage prepaid, and addressed as follows: to Tenant at the address specified in the Basic Lease Information, or to such other place as Tenant may from time to time designate in a notice to Landlord; to Landlord at the address specified in the Basic Lease Information, or to such other

place as Landlord may from time to time designate in a notice to Tenant; or, in the case of Tenant, and unless Tenant vacates

the Premises, delivered to Tenant at the Premises. Except as may be expressly set forth to the contrary in this Lease: (a) whenever consent or approval of either party is required, such party shall not unreasonably withhold, condition or delay such consent or approval; (b) whenever a party is permitted to make a judgment, form an opinion or exercise discretion in taking any action or making any determination, the party shall employ commercially reasonable standards in so doing; and (c) where performance is to be made to a party's satisfaction, an objective and reasonable standard shall be employed in regard to such performance.

36. Complete Agreement. There are no oral agreements between Landlord and Tenant affecting this Lease, and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements, letters of intent and understandings if any, between Landlord and Tenant or displayed by Landlord to Tenant with respect to the subject matter of this Lease, the Building or related facilities.

37. Corporate Authority. If Tenant signs as a corporation, each of the persons executing this Lease on behalf of Tenant warrants that Tenant is a duly authorized and existing corporation and that Tenant has and is qualified to do business in California, that the corporation has full right and authority to enter into this Lease and that each and both of the persons signing on behalf of the corporation were authorized to do so.

38. Partnership Authority. If Tenant is a partnership, joint venture, or other unincorporated association, each individual executing this Lease on behalf of Tenant warrants that this Lease is binding on Tenant and that each and both of the persons signing on behalf of Tenant were authorized to do so.

39. Limitation of Liability to Building. The liability of Landlord to Tenant for any default by Landlord under this Lease or arising in connection with Landlord's operation, management, leasing, repair, renovation, alteration, or any other matter relating to the Premises, shall be limited to the interest of Landlord in the Project, or the proceeds from any sale, exchange or other disposition of the Project. Tenant agrees to look solely to Landlord's interest in the Building (or such proceeds) for the recovery of any judgment against Landlord, and Landlord shall not be personally liable for any such judgment or deficiency after execution thereon. The limitations of liability contained in this Paragraph 39 shall apply equally and inure to the benefit of Landlord, its successors and their respective, present and future partners of all tiers, beneficiaries, officers, directors, trustees, shareholders, agents and employees, and their respective heirs, successors and assigns. Under no circumstances shall any present or future general partner of Landlord (if Landlord is a partnership) or individual trustee or beneficiary (if Landlord or any partner of Landlord is a trust) have any liability for the performance of Landlord's obligations under this Lease.

40. Brokers. Tenant confirms and represents that Tenant has no dealings with any agent or the broker in connection with this Lease, except the brokers identified in the Basic Lease Information. Landlord and Tenant shall each indemnify the other from and against any claims, expenses, fees and commissions, including reasonable attorney's fees and costs, arising out of or resulting from the indemnifying party's dealings with any party other than the brokers identified in the Basic Lease Information in connection with this Lease. Landlord shall pay a commission to Landlord's broker, and Tenant's broker shall be entitled to a share of such commission, all pursuant to a separate agreement.

41. Early Access. Provided that Tenant has paid to Landlord the Deposit and has delivered to Landlord satisfactory evidence of the insurance coverages required pursuant to Paragraph 12 of the Lease, Landlord shall permit Tenant to enter upon the Premises prior to the Term Commencement for the purposes of conducting space planning, installing fixtures, furnishings and equipment and installing internet connectivity, testing existing drops, adding wifi drops, adding hardware drops and testing fiber. Except as expressly permitted pursuant to Paragraph 42 below, Tenant shall not conduct any business from or at the Premises prior to the Term Commencement. Any such access shall be subject to all the terms and conditions of this Lease other than the obligation to pay Rent, and Tenant shall conduct the permitted activities so as to not to interfere with or delay Landlord's work pursuant to Exhibit D.

42. Early Occupancy. Commencing on the date of full execution and delivery of this Lease, Tenant shall have the right to occupy the approximately 10,000 square foot portion of the Premises on the second floor which is shown on Exhibit E attached hereto as the "Early Occupancy Premises". Tenant shall not be obligated to pay Base Rent for its use of the Early Occupancy Premises

until such time as Base Rent first becomes payable under this Lease, but shall pay to Landlord each month during the Early Occupancy period one-twelfth of the amount of the total Operating Expenses and Property Taxes for the Base Year attributable to the Early Occupancy Premises, based on percentage that the square footage of the Early Occupancy Premises bears to the total rentable square footage of the Premises. Such occupancy shall be subject to all of the terms and conditions of this Lease other than the obligation to pay Base Rent, and Tenant shall conduct any business operations in the Early Occupancy Premises so as not to interfere with or delay Landlord's work pursuant to Exhibit D. In addition to the Early Occupancy Premises, Tenant shall have access to the Building's risers, telephone and utility closets, restrooms and MPOE room, and to the Project common areas, as necessary or appropriate for Tenant to conduct business in the Early Access Premises.

43. Option to Extend.

(a) Tenant shall have the right to extend the Term for one (1) additional period of five (5) years (the "Extended Term"), on the terms and conditions below. If extended pursuant to this Paragraph 43 or Paragraph 31 (b) above, references to "Term" shall apply to the initial Term, as extended by the Extension Term and/or the Temporary Extension Term, as applicable, except as otherwise expressly provided in this Lease or reasonably required by the contract or usage. Tenant may exercise the option to extend by delivering written notice of exercise ("Option Notice") to Landlord at least twelve (12) months but no more than fifteen (15) months before the expiration of the Term. In the event Tenant fails to exercise the option in strict accordance with the foregoing, the Option shall expire and be of no further force or effect. If, on the date Tenant gives the Option Notice, an Event of Default has occurred and is continuing, then such Option Notice shall be of no force or effect. If the time period during which Tenant may exercise the Option has not expired, Tenant may cure such Event of Default and re-submit the Option Notice (if such resubmission is timely made). In addition, if an Event of Default has occurred and is continuing on the commencement date of the Extended Term, Landlord may, in its sole discretion, elect to have this Lease expire at the end of the then current Term. The Option to Extend is personal to the Tenant identified in the preamble of the Lease and shall not be assigned to or exercisable by any other party other than a permitted assignee pursuant to Paragraph 16(e) of the Lease without obtaining Landlord's prior written consent, which consent may be withheld in Landlord's sole discretion.

(b) The Base Rent during the Extended Term shall be equal to the then fair market value rent for the Premises ("Fair Market Rental") and the Base Year for the Extended Term shall be the calendar year in which the Extended Term commences. The Fair Market Rental shall take into account all relevant factors including, without limitation, the following: (1) the length of the Extended Term, (2) the contract rental rate (including periodic increases) then being charged by other landlords for similar space in comparable buildings in the area in which the Premises is located, and (3) any concessions being provided by other landlords for similar space in comparable buildings in the area in which the Premises is located. The Fair Market Rental shall include a determination of the Base Rent for the first year of the Extended Term and for each lease year thereafter during the Extended Term. In no event shall the Base Rent for the first year of the Extended Term be less than ninety percent (90%) of the Base Rent in effect for the last year of the preceding Term.

(c) After Tenant delivers the Option Notice to Landlord, Landlord and Tenant will commence negotiation of the Fair Market Rental. In the event that Landlord and Tenant are unable to agree upon the then Fair Market Rental of the Premises, then no later than one hundred twenty (120) days prior to the first day of the Extended Term, Landlord shall deliver a notice to Tenant stating Landlord's estimate of the Fair Market Rental of the Premises, which shall identify in reasonable detail the lease transactions upon which Landlord is relying in formulating its estimate. If Tenant disagrees with the estimate of Fair Market Rental of the Premises, Tenant shall deliver a notice to Landlord within ten (10) business days of receipt of Landlord's estimate and then the Fair Market Rental shall be determined as set forth below. If Landlord and Tenant fail to reach agreement on Fair Market Rental within fifteen (15) business days thereafter (the "Outside Agreement Date"), then each party shall place in a separate sealed envelope its final proposal as to Fair Market Rental and such determination shall be submitted to arbitration as set forth below.

(d) Landlord and Tenant shall meet with each other within five (5) business days of the Outside Agreement Date and exchange the sealed envelopes and then open such envelopes in each other's presence. If Landlord and Tenant do not mutually agree upon the Fair Market Rental within one (1) business day of the exchange and opening of envelopes, then, within ten (10) business days of the exchange and opening of envelopes, Landlord and Tenant shall agree upon and jointly appoint one arbitrator who shall be by profession be a real estate broker who shall have been active over the ten (10)

year period ending on the date of such appointment in the leasing of comparable commercial properties in the vicinity of the Building. Neither Landlord nor Tenant shall consult with such broker as to his or her opinion as to Fair Market Rental prior to the appointment. The determination of the arbitrator shall be limited solely to the issue of whether Landlord's or Tenant's submitted Fair Market Rental for the Premises is the closer to the actual Fair Market Rental rate for new leases of similar space and size in comparable buildings in the area in which the Premises is located. In addition, Landlord or Tenant may submit to the arbitrator with a copy to the other party within five (5) business days after the appointment of the arbitrator any data and additional information that such party deems relevant to the determination by the arbitrator ("Data") and the other party may submit a reply in writing within five (5) business days after receipt of such Data.

(e) The arbitrator shall, within thirty (30) days of his or her appointment, reach a decision as to whether the parties shall use Landlord's or Tenant's submitted Fair Market Rental and shall notify Landlord and Tenant of such determination. The decision of the arbitrator shall be binding upon Landlord and Tenant. If Landlord and Tenant fail to agree upon and appoint such arbitrator, then the appointment of the arbitrator shall be made by the American Arbitration Association. The cost of arbitration shall be shared equally by Landlord and Tenant. The arbitration proceeding and all evidence given or discovered pursuant thereto shall be maintained in confidence by all parties, except as otherwise required by law or to enforce this Lease.

44. Right of First Offer . In the event Landlord decides at any time during the Term to sell the Project, Tenant shall have a right of first offer to purchase the Project (the "ROFO"), which must be exercised, if at all, within seven (7) business days following receipt of Landlord's notice of intent to sell setting forth the proposed terms and conditions of sale. If Tenant does not accept Landlord's offer and Landlord thereafter reaches an agreement with a third-party purchaser to acquire the building for a purchase price which is more than ten percent (10%) less than the purchase price offered to Tenant, Landlord shall be obligated to re-offer the Project to Tenant on substantially the same terms as those accepted by the third party, including the reduced purchase price. Tenant shall have a period of two (2) business days to accept or reject Landlord's revised offer. In the event Tenant does not respond to or rejects Landlord's offer, Landlord shall thereafter be free to sell the Project to a third party on the same terms and conditions set forth in Landlord's revised offer. However, if Landlord does not sell the Project within 180 days after delivering a ROFO notice or revised ROFO notice to Tenant, Tenant's ROFO shall once again apply and Landlord may not sell or otherwise transfer the Project without first giving Tenant a ROFO notice. The foregoing right is personal to the Tenant named in the preamble to this Lease and may not be transferred to any other person or entity except for a permitted assignee of Tenant's interest in the Lease pursuant to Paragraph 16(e) above. The ROFO shall not apply to any sale or other transfer of less than 100% of the interests in the Project by the owners of the Project named in the preamble of this Lease, by the beneficiaries of the trusts named in the preamble or by their lineal descendants. For the avoidance of doubt, the ROFO will apply where none of the persons named in the preceding sentence would, as a result of a proposed sale, exchange or other transfer, retain an ownership interest in the Project.

45. Signage . Tenant shall have the right to maintain a listing on the Building's tenant directory and at its suite entrance. All such signage shall be installed by Landlord using standard Building graphics, at Tenant's sole cost. Tenant shall also have the exclusive right to exterior Building signage in a form reasonably approved by Landlord and in accordance with all applicable governmental requirements. Landlord is familiar with Tenant's building signage at its current headquarters office and approves in advance of building signage which is reasonably similar thereto. Tenant shall bear all costs associated with any exterior Building signage, including without limitation design, governmental approvals and permits, installation, maintenance, repair and, at the end of the Term or other termination of such right, removal and restoration of the exterior surface of the Building. The right to exterior Building signage shall be personal to the Tenant named in the preamble to this Lease and may not be transferred to any other person or entity except a permitted assignee of the Tenant's interest in the Lease pursuant to Paragraph 16 (e) above. If, at any time after the first Lease year, Tenant occupies less than sixty-six percent (66%) of the Premises, Tenant shall not be required to remove its exterior signage, but such signage rights shall no longer be exclusive. In addition, Tenant shall have the exclusive right to monument signage within the Project area, which right shall be subject to the same limitations set forth in the preceding sentence, and to shared signage on the Davis/Ralston monument sign, based on the percentage of the total rentable square footage within the One, Eleven and 20 Davis Drive properties occupied by Tenant. All costs associated with Tenant's signage on either monument sign shall be borne solely by Tenant.

46. Furniture. Simultaneously with the full execution and delivery of this Lease, Tenant shall purchase from Landlord all of the furniture currently located in the Building, other than the kitchen furniture and equipment which shall remain the property of Landlord, for the sum of One Thousand Dollars (\$1,000). All such furniture shall be sold in its "as is" condition, without representations or warranties of any kind, except that Landlord warrants that it has good title and the right to convey the furniture. Landlord shall have no obligation to remove any portion of the furniture from the Premises unless advised by Tenant in writing prior to the date hereof that Tenant desires to have any such items of furniture removed. The purchase price for the furniture shall not be subject to adjustment for any furniture not accepted by Tenant.

47. OFAC Compliance. Tenant represents and warrants to Landlord and agrees that each individual executing this Lease on behalf of Tenant is authorized to do so on behalf of Tenant and the the entity(ies) or individuals constituting Tenant or which may own or control Tenant or which may be owned or controlled by Tenant are not and at no time will be (i) in violation of any laws relating to terrorism or money laundering or (ii) among the individuals or entities identified on any list compiled pursuant to Executive Order 13224 for the purpose of identifying suspected terrorists or on the most current list published by the U.S. Treasury Department Office of Foreign Asset Control at its official website, <http://www.treasury.gov/ofac/downloads/t11sdn.pdf> or any replacement website or other replacement official publication of such list.

48. Disabilities Acts. The parties acknowledge that the Americans With Disabilities Act of 1990 (42 U.S.C. §12101 et seq.) and regulations and guidelines promulgated thereunder ("ADA"), and any similarly motivated state and local laws ("Local Barriers Acts"), as the same may be amended and supplemented from time to time (collectively referred to herein as the "Disabilities Acts") establish requirements for business operations, accessibility and barrier removal, and that such requirements may or may not apply to the Premises depending on, among other things: (i) whether Tenant's business is deemed a "public accommodation" or "commercial facility," (ii) whether such requirements are "readily achievable," and (iii) whether a given alteration affects a "primary function area" or triggers "path of travel" requirements. The parties hereby agree that: (a) Landlord shall perform any required ADA Title III and related Local Barriers Acts compliance in the Project common areas, (the cost of which may be included in Operating Expenses), (b) Tenant shall perform any required ADA Title III and related Local Barriers Acts compliance within the Premises, and (c) Landlord may perform, or require that Tenant perform, and Tenant shall be responsible for the cost of, ADA Title III and related Local Barriers Acts "path of travel" and other requirements triggered by any public accommodation or other use of the Premises or by any alterations, additions or improvements made by or for Tenant pursuant to Paragraph 8 hereof. Tenant shall be responsible for ADA Title I and related Local Barriers Acts requirements relating to Tenant's employees, and Landlord shall be responsible for ADA Title I and related Local Barriers Acts requirements relating to Landlord's employees. Tenant acknowledges that it has been advised that the Project has not undergone an inspection by a Certified Access Specialist.

49. Intentionally omitted.

50. Miscellaneous. The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. If there be more than one Tenant, the obligations hereunder imposed upon Tenant shall be joint and several. Time is of the essence of this Lease and each and all of its provisions. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for lease, and it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant. The agreements, conditions and provisions herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, executors, administrators, successors and assigns of the parties hereto. Tenant shall not, without the consent of Landlord, use the name of the Building or the Project for any purpose other than as the address of the business to be conducted by Tenant in the Premises. Upon the request of Landlord, Tenant shall provide to Landlord from time to time, at no expense to Landlord, copies of such financial statements with respect to Tenant as may have been prepared by or for Tenant; provided, however, that Tenant shall have no obligation to provide any such data while Tenant's securities are traded on a public stock exchange. Landlord's acceptance of a partial rent payment shall not constitute a waiver of any rights of Tenant or Landlord, including, without limitation, any right Landlord may have to recover possession of the Premises, in unlawful detainer, or otherwise. If any provision of this Lease shall be determined to be illegal or unenforceable, such determination shall not affect any other provision of this Lease and all such other provisions shall remain in full force and effect. This Lease shall be governed by and construed pursuant to the laws of the State of California.

51. Exhibits. The exhibit(s) and addendum, if any, specified in the Basic Lease Information are attached to this Lease and by this reference made a part hereof.

52. Acts of Landlord. Each of the persons named in this Lease as “Landlord”, and any persons or entities who succeed to their interests as owners of the Project, agree to designate a single individual (who may or may not be an owner) who is authorized to act as exclusive agent for and represent all owners in their capacity as Landlord under this Lease (the “Authorized Representative”). By their execution of this Lease, each of the persons named in the preamble of this Lease as “Landlord” designates Phillip Raiser to act as the Authorized Representative until such time as all of the then owners of the Project designate by written notice to Tenant a new natural person to act as the Authorized Representative. Tenant may rely upon the acts of the Authorized Representative as being those of “Landlord” for all purposes under this Lease, and is entitled to disregard any conflicting instructions or demands from persons other than the Authorized Representative, including without limitation those owning or claiming to own an interest in the Project. Each of the persons named in this Lease as “Landlord”, and any persons or entities who succeed to their interests as owners of the Project, hereby authorize, ratify and confirm each and all actions of the Authorized Representative, past, present and future.

53. Energy Usage Reporting. Tenant acknowledges that it has been advised that Landlord has registered the Project with the ENERGY STAR Portfolio Manager and is awaiting receipt of a Data Verification Form which it will provide to Tenant immediately upon receipt. Tenant also acknowledges that Landlord has provided to Tenant Operating Expense statements for the past five years which list energy usage costs for each such year and agrees to waive the requirement pursuant to AB 1103 to provide to Tenant a Data Verification Form prior to execution of the Lease.

IN WITNESS WHEREOF, the parties have executed this Lease on the respective dates indicated below:

TENANT:

RINGCENTRAL, INC.
a Delaware corporation

By: /s/ John H. Marlow

Its: SVP, General Counsel

By: /s/ Clyde Hosein

Its: CFO

LANDLORD:

"JHR Marital Trust"

/s/ Helen M. Raiser

Helen M. Raiser, Trustee of the JHR Marital Trust
under Trust Agreement dated October 2, 1969, as
amended

"JHR Bypass Trust"

/s/ Helen M. Raiser

Helen M. Raiser, Trustee of the JHR Bypass Trust
under Trust Agreement dated October 2, 1969, as
amended

"HEC Trust"

/s/ Harvey E. Chapman

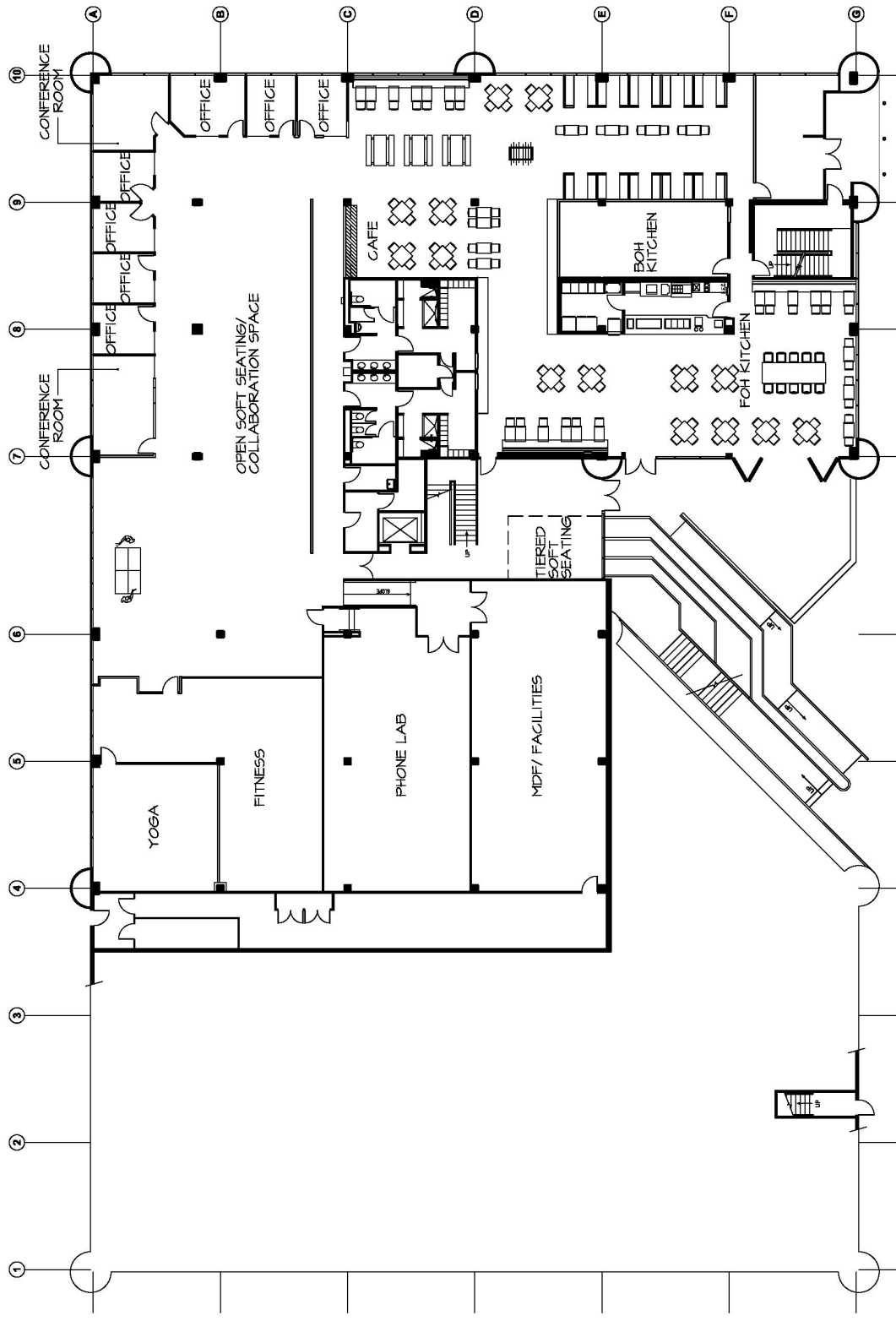
Harvey E. Chapman, Jr., Trustee of the
Harvey E. Chapman, Jr. Living Trust under Trust
Agreement dated July 17, 2006

"CCB TRUST"

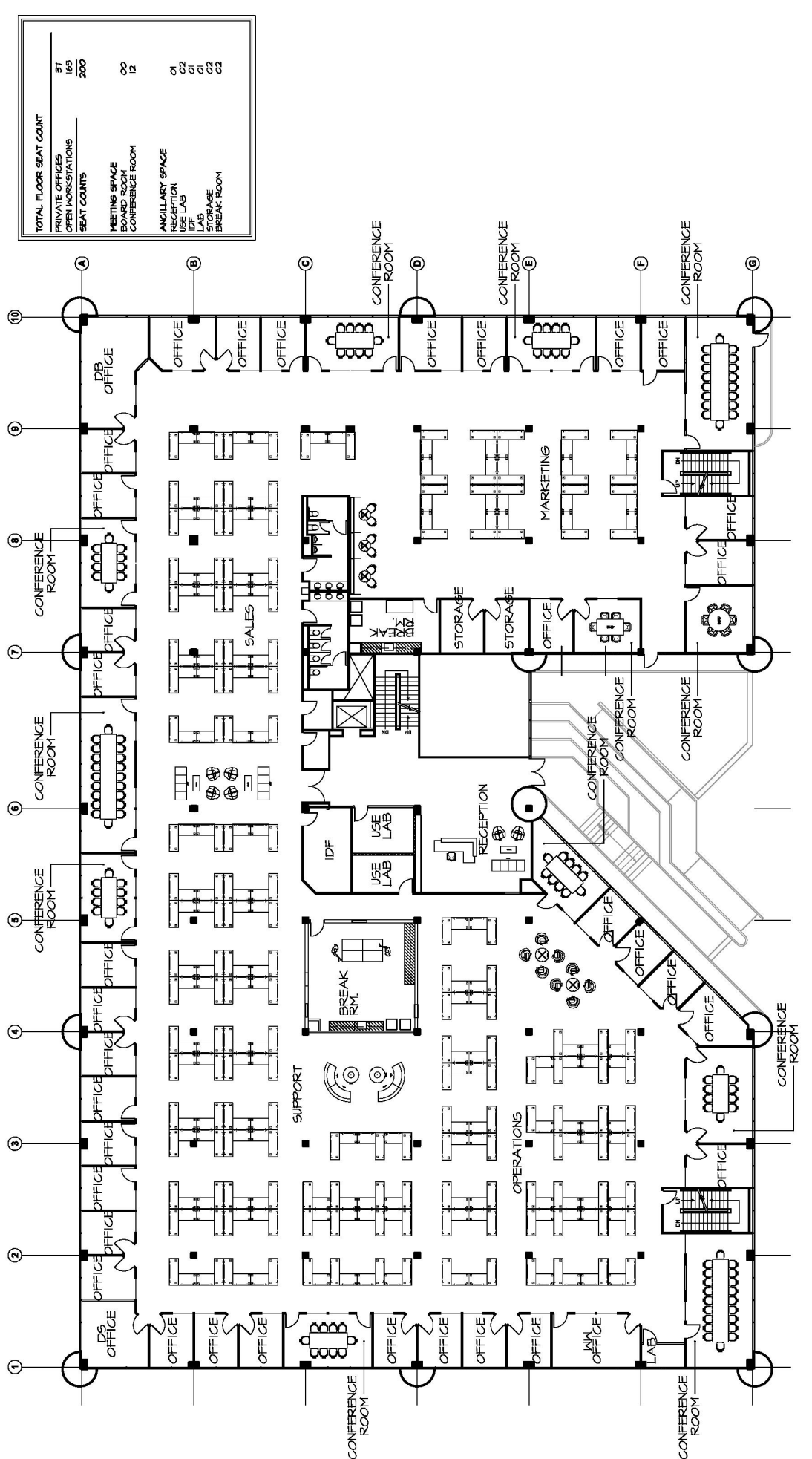
/s/ Colleen C. Badell

Colleen C. Badell, Trustee of the Colleen C. Badell
Living Trust under Trust Agreement dated July 17,
2006

EXHIBIT A
PREMISES



TOTAL FLOOR SEAT COUNT	
PRIVATE OFFICES	01
OPEN WORKSTATIONS	N/A
SEAT COUNTS	01
MEETING SPACE	
BOARD ROOM	00
CONFERENCE ROOM	02
ANCILLARY SPACE	
OPEN COLLABORATION	01
CAFE (66 SEATS)	01
KITCHEN (186 SEATS)	01
PHONE LAB	01
YOGA	01
MDP/FACILITIES	01



INTERIORS ARCHITECTURE GRAPHICS

20 Davis Drive - 2nd Floor SK-3

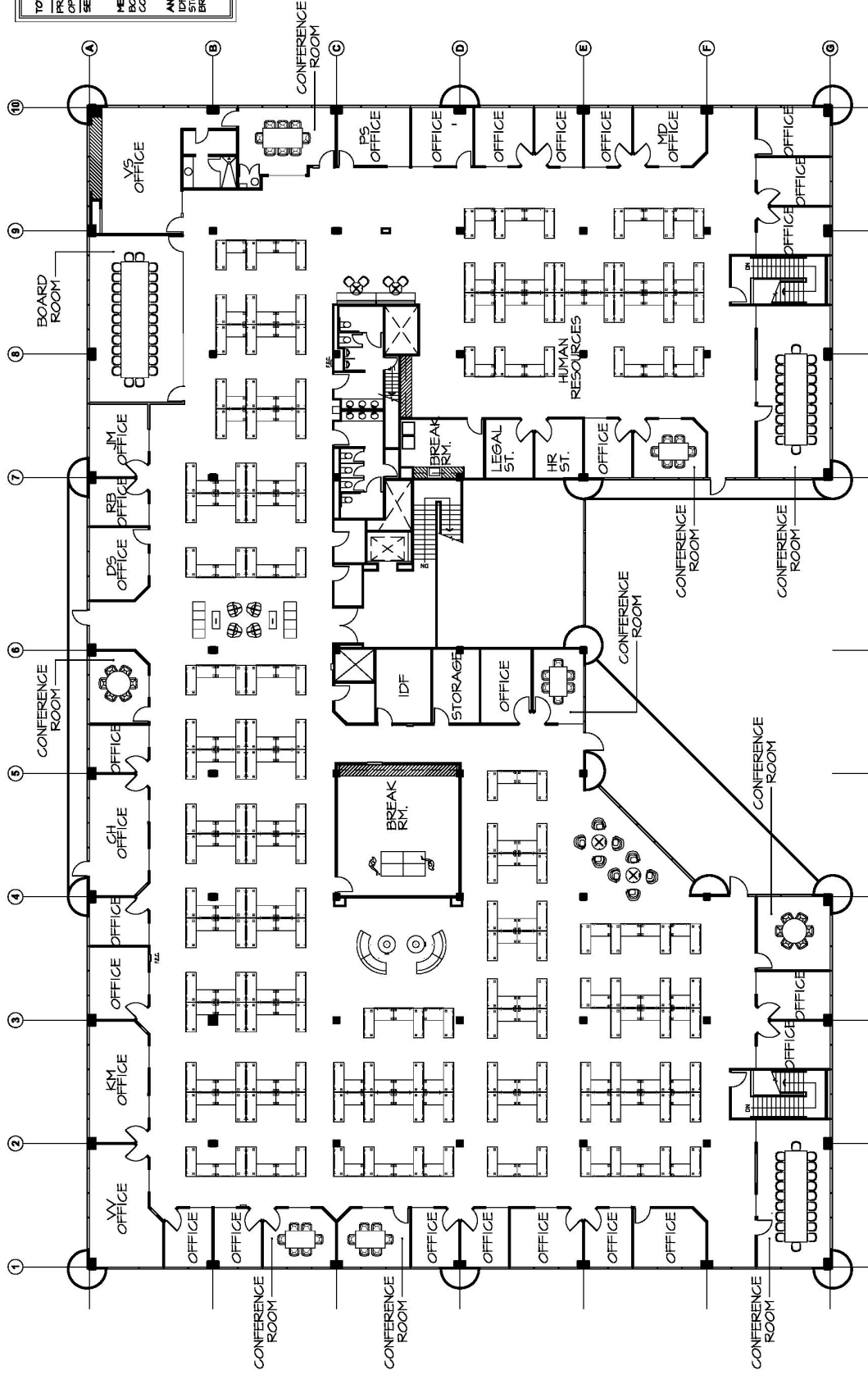
Scale: N.T.S.

Ring Central

09.12.14

A S D

TOTAL FLOOR SEAT COUNT	
PRIVATE OFFICES	30
OPEN WORKSTATIONS	161
SEAT COUNTS	191
MEETING SPACE	01
BOARD ROOM	10
CONFERENCE ROOM	01
ANCILLARY SPACE	01
IDF	02
STORAGE	02
BREAK ROOM	02



INTERIORS ARCHITECTURE GRAPHICS

20 Davis Drive - 3rd Floor SK-2B

Scale: N.T.S.

Ring Central

09.12.14

A S D

EXHIBIT B

RINGCENTRAL, INC.
20 Davis Drive in Belmont, California
Base Rental Rate Chart

		First Floor	Second Floor	Third Floor
Size (84,148 Total Square Feet)		21,817	31,832	30,499
No.	Year	Rental Rate per Square Foot		
1	2015	\$2.50	\$2.50	-
2	2016	\$2.58	\$2.58	\$3.00
3	2017	\$2.66	\$2.66	\$3.09
4	2018	\$2.74	\$2.74	\$3.18
5	2019	\$2.82	\$2.82	\$3.28
6	2020	\$2.90	\$2.90	\$3.38
7	2021	\$2.99	\$2.99	\$3.48
No.	Month / Year	Base Rent by Month		
1	February-15	Free	Free	Free
2	March-15	Free	Free	Free
3	April-15	Free	Free	Free
4	May-15	\$54,542.50	\$79,580.00	Free
5	June-15	\$54,542.50	\$79,580.00	Free
6	July-15	\$54,542.50	\$79,580.00	Free
7	August-15	\$54,542.50	\$79,580.00	Free
8	September-15	\$54,542.50	\$79,580.00	Free
9	October-15	\$54,542.50	\$79,580.00	Free
10	November-15	\$54,542.50	\$79,580.00	Free
11	December-15	\$54,542.50	\$79,580.00	Free
Subtotal - Year 1		\$436,340.00	\$636,640.00	\$0.00
12	January-16	\$56,287.86	\$82,126.56	Free
13	February-16	\$56,287.86	\$82,126.56	\$91,497.00
14	March-16	\$56,287.86	\$82,126.56	\$91,497.00
15	April-16	\$56,287.86	\$82,126.56	\$91,497.00
16	May-16	\$56,287.86	\$82,126.56	\$91,497.00
17	June-16	\$56,287.86	\$82,126.56	\$91,497.00
18	July-16	\$56,287.86	\$82,126.56	\$91,497.00
19	August-16	\$56,287.86	\$82,126.56	\$91,497.00
20	September-16	\$56,287.86	\$82,126.56	\$91,497.00
21	October-16	\$56,287.86	\$82,126.56	\$91,497.00
22	November-16	\$56,287.86	\$82,126.56	\$91,497.00

23	December-16	\$56,287.86	\$82,126.56	\$91,497.00
	Subtotal - Year 2	\$675,454.32	\$985,518.72	\$1,006,467.00
24	January-17	\$58,033.22	\$84,673.12	\$94,241.91
25	February-17	\$58,033.22	\$84,673.12	\$94,241.91
26	March-17	\$58,033.22	\$84,673.12	\$94,241.91
27	April-17	\$58,033.22	\$84,673.12	\$94,241.91
		-27-		

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28	May-17	\$58,033.22	\$84,673.12	\$94,241.91
29	June-17	\$58,033.22	\$84,673.12	\$94,241.91
30	July-17	\$58,033.22	\$84,673.12	\$94,241.91
31	August-17	\$58,033.22	\$84,673.12	\$94,241.91
32	September-17	\$58,033.22	\$84,673.12	\$94,241.91
33	October-17	\$58,033.22	\$84,673.12	\$94,241.91
34	November-17	\$58,033.22	\$84,673.12	\$94,241.91
35	December-17	\$58,033.22	\$84,673.12	\$94,241.91
	Subtotal - Year 3	\$696,398.64	\$1,016,077.44	\$1,130,902.92
36	January-18	\$59,778.58	\$87,219.68	\$96,986.82
37	February-18	\$59,778.58	\$87,219.68	\$96,986.82
38	March-18	\$59,778.58	\$87,219.68	\$96,986.82
39	April-18	\$59,778.58	\$87,219.68	\$96,986.82
40	May-18	\$59,778.58	\$87,219.68	\$96,986.82
41	June-18	\$59,778.58	\$87,219.68	\$96,986.82
42	July-18	\$59,778.58	\$87,219.68	\$96,986.82
43	August-18	\$59,778.58	\$87,219.68	\$96,986.82
44	September-18	\$59,778.58	\$87,219.68	\$96,986.82
45	October-18	\$59,778.58	\$87,219.68	\$96,986.82
46	November-18	\$59,778.58	\$87,219.68	\$96,986.82
47	December-18	\$59,778.58	\$87,219.68	\$96,986.82
	Subtotal - Year 4	\$717,342.96	\$1,046,636.16	\$1,163,841.84
48	January-19	\$61,523.94	\$89,766.24	\$100,036.72
49	February-19	\$61,523.94	\$89,766.24	\$100,036.72
50	March-19	\$61,523.94	\$89,766.24	\$100,036.72
51	April-19	\$61,523.94	\$89,766.24	\$100,036.72
52	May-19	\$61,523.94	\$89,766.24	\$100,036.72
53	June-19	\$61,523.94	\$89,766.24	\$100,036.72
54	July-19	\$61,523.94	\$89,766.24	\$100,036.72
55	August-19	\$61,523.94	\$89,766.24	\$100,036.72
56	September-19	\$61,523.94	\$89,766.24	\$100,036.72
57	October-19	\$61,523.94	\$89,766.24	\$100,036.72
58	November-19	\$61,523.94	\$89,766.24	\$100,036.72
59	December-19	\$61,523.94	\$89,766.24	\$100,036.72
	Subtotal - Year 5	\$738,287.28	\$1,077,194.88	\$1,200,440.64
60	January-20	\$63,269.30	\$92,312.80	\$103,086.62
61	February-20	\$63,269.30	\$92,312.80	\$103,086.62
62	March-20	\$63,269.30	\$92,312.80	\$103,086.62
63	April-20	\$63,269.30	\$92,312.80	\$103,086.62
64	May-20	\$63,269.30	\$92,312.80	\$103,086.62
65	June-20	\$63,269.30	\$92,312.80	\$103,086.62
66	July-20	\$63,269.30	\$92,312.80	\$103,086.62
67	August-20	\$63,269.30	\$92,312.80	\$103,086.62
68	September-20	\$63,269.30	\$92,312.80	\$103,086.62
69	October-20	\$63,269.30	\$92,312.80	\$103,086.62
70	November-20	\$63,269.30	\$92,312.80	\$103,086.62

71	December-20	\$63,269.30	\$92,312.80	\$103,086.62
	Subtotal - Year 6	\$759,231.60	\$1,107,753.60	\$1,237,039.44
72	January-21	\$65,232.83	\$95,177.68	\$106,136.52
73	February-21	\$65,232.83	\$95,177.68	\$106,136.52
74	March-21	\$65,232.83	\$95,177.68	\$106,136.52
75	April-21	\$65,232.83	\$95,177.68	\$106,136.52
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76	May-21	\$65,232.83	\$95,177.68	\$106,136.52
77	June-21	\$65,232.83	\$95,177.68	\$106,136.52
78	July-21	\$65,232.83	\$95,177.68	\$106,136.52
Subtotal - Year 7 (First Half)		\$391,396.98	\$571,066.08	\$636,819.12
TOTAL		\$4,468,994.28	\$6,520,466.88	\$6,467,007.96

EXHIBIT C**RULES AND REGULATIONS**

Tenant shall comply with the following rules and regulations (as modified or supplemented from time to time, the "Rules and Regulations"). Landlord shall not be responsible to Tenant for the nonperformance of any of the Rules and Regulations by any occupants of the Premises. In the event of any conflict between the Rules and Regulations and the other provisions of the Lease, the latter shall control.

1. The sidewalks, driveways, and entrances shall be used only as a means of ingress and egress and shall remain unobstructed at all times. The entrance and exit doors of all buildings are to be kept closed at all times except as required for orderly passage. Obstruction of any means of ingress or egress to the Project or the Building is not permitted.
2. Plumbing fixtures shall not be used for any purposes other than those for which they were constructed, and no rubbish, newspapers, trash or other inappropriate substances of any kind shall be deposited therein.
3. Walls, floors, windows, doors and ceilings shall not be defaced in any way and no one shall be permitted to mark, drive nails or screws or drill into, paint, or in any way mar any building surface, except that pictures, certificates, licenses and similar items normally used in Tenant's business may be carefully attached to the walls by Tenant in a manner to be reasonably prescribed by Landlord. Upon removal of such items by Tenant any damage to the walls or other surfaces shall be repaired by Tenant. No article may be attached to or hung from ceilings, ceiling grids or light fixtures without Landlord's prior approval, which approval shall not be unreasonably withheld, conditioned or delayed.
4. No awning, shade, sign, advertisement, notice or other article shall be inscribed, coated, painted, displayed or affixed on, in or to any window, door or wall, or any other part of the outside or inside of the Building without the prior consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. No window displays or other public displays shall be permitted without the prior consent of Landlord. Tenant shall not place anything against or near doors or windows which is unsightly from outside of the Premises.
5. The weight, size and position of all safes and other unusually densely weighted or heavy objects used or placed in the Building shall be subject to approval by Landlord (which approval shall not be unreasonably withheld, conditioned or delayed) prior to installation and shall, in all cases, be supported and braced as reasonably required by Landlord and as otherwise required by Law. The repair of any damage done to the Building or property therein by the installation, removal or maintenance of such safes or other unusually heavy objects shall be paid for by Tenant. Tenant shall bear the reasonable, out-of-pocket cost of any consultant services employed by Landlord in evaluating the placement, location or bracing of unusually heavy items.
6. No improper or unusually loud noises, vibrations or odors are permitted outside the Building. No person will be permitted to bring or keep within the Building any gasoline or diesel-powered vehicle of any kind. No person shall dispose of trash, refuse, cigarettes or other substances of any kind any place inside or outside of the Building except in the appropriate refuse containers provided therefor.
7. All re-keying of office doors and all reprogramming of Security Access Cards will be at the expense of Tenant and subject to Tenant's control. Tenant shall not re-key any exterior door without giving prompt notice to Landlord and will provide replacement keys or key cards to Landlord for access through all exterior and interior doors.
8. Tenant will not install or use any window coverings except those provided by Landlord (except that Tenant may install Meccho shades in the Premises or portions thereof, so long as the general appearance of the window coverings from the Building's exterior is reasonably uniform), nor shall Tenant use any part of the Project, other than the Premises, for storage or for any other activity that would detract from the appearance of the Building or the Project or interfere in any way with the use, or enjoyment, of the Building or Project. No storage, staging, display or placing of any material, product or equipment outside of the Premises is permitted except as may be expressly approved by Landlord (which shall not be unreasonably withheld, conditioned or delayed), except that Tenant may place patio furniture on the balconies, decks and patios.

9. Any Tenant or agent, employee or invitee thereof using the Premises after the Building has closed or on non –Business Days shall lock any entrance doors to the Building used immediately after entering or leaving the Building. No device may be employed to prop or hold open any Building entrance door without the prior consent of Landlord (which shall not be unreasonably withheld, conditioned or delayed), provided that, if a glass sliding door is installed in the café area, that door may remain open at such times as are determined by Tenant. No door or passageway may be obstructed.
10. The servicing or repairing of vehicles in the parking area is prohibited. Tenant and its employees, agents and invitees shall obey all traffic signs in the Project.
11. All equipment of any electrical or mechanical nature shall be installed and maintained so as to absorb or prevent any vibration, noise, interference or annoyance to others, and shall not overload any circuit, nor draw more power than has been previously allocated to Tenant.
12. Tenant is responsible for the proper maintenance and servicing of fire extinguishers within the Premises but this in no way diminishes Landlord’s responsibility to maintain the Building’s fire/life safety systems and equipment.
13. Tenant and its employees, agents and invitees may not dispose of any refuse or other waste material except within trash containers provided by Landlord for the Building, and then only in compliance with applicable Laws. Tenants may not place any articles within a trash enclosure other than within a trash bin or comparable container (including, without limitation, a compactor or dumpster or recycling receptacle). Tenant shall be responsible for closing and securing trash enclosure gates after Tenant or its agents, employees or invitees use the trash enclosure.
14. Tenant shall notify Landlord as promptly as reasonably practicable of any plumbing blockage, leak, electrical or equipment malfunction, broken building glass, fire or other damage to the Premises or the Building.
15. Landlord shall have the right, upon not less than thirty (30) days prior written notice, to modify these Rules and Regulations in a customary and reasonable manner, but only insofar as such modifications do not conflict with the Lease (as the same may be amended from time to time).
16. Tenant shall use reasonable efforts to protect the pavement within the Project from damage due to trucks and trailers.
17. Tenant shall not store trucks or trailers in the Project, nor park trucks or trailers in the automobile parking areas, traffic aisles, walkways or the public streets adjacent to the Project.
18. Tenant is encouraged , but not required, to participate in local recycling programs when feasible, but this in no way diminishes Landlord’s obligations under the Lease to provide janitorial services to the Premises and refuse removal services for the Project.
19. Tenant shall employ reasonable water conservation measures in connection with Tenant’s use of water.
20. Tenant shall be deemed to have read these Rules and Regulations and agrees to use reasonable efforts to cause its employees to abide by these Rules and Regulations as a covenant of its lease of the Premises. Tenant shall be responsible for the observance of all of these Rules and Regulations by Tenant’s employees, agents and invitees.

EXHIBIT D**WORK LETTER**

This Work Letter is an Exhibit to that certain Lease (the "Lease") between Helen M. Raiser, Trustee of the JHR Marital Trust under Trust Agreement dated October 2, 1969, as amended, Helen M. Raiser, Trustee of the JHR Bypass Trust under Trust Agreement dated October 2, 1969, as amended, Harvey E. Chapman, Jr., Trustee of the Harvey E. Chapman, Jr. Living Trust under Trust Agreement dated July 17, 2006, and Colleen C. Badell, Trustee of the Colleen C. Badell Living Trust under Trust Agreement dated July 17, 2006, as tenants in common ("Landlord"), and RingCentral, Inc., a Delaware corporation ("Tenant"), dated September __, 2014.

1. Dates and Allowance.

Space Plan Date: Two (2) business days after Lease execution.

Construction Drawings Date: October 15, 2014.

Allowance: One Million Four Hundred Eighty-Six Thousand Two Hundred Eighty-Five Dollars (\$1,486,285).

2. Construction Representatives, Space Planner, Architect and Engineer. Landlord's and Tenant's construction representatives for coordination of planning, construction, approval of change orders, substantial and final completion, and other such matters (unless either party changes its representative upon written notice to the other), and the other parties involved in planning the Work, are:

Landlord's Representative: Phillip Raiser

Address: The Raiser Organization

800 S. Claremont Avenue
San Mateo, CA 94402

Telephone: (650) 342-9026

Fax: (650) 344-4158

Tenant's Representative: Eric Orr

Address:

1400 Fashion Island Blvd., 7th Floor
San Mateo, CA 94404

Telephone: (650) 458-4409

Fax: (650) 458-4409

Space Planner: ASD, or an interior office space planner approved by Landlord in writing (who may be the same as the Architect herein).

Architect: ASD, or a California licensed architect approved by Landlord in writing (who may be the same as the Space Planner herein).

Engineer: One or more California licensed engineers approved or designated by Landlord in writing.

3. Plans. The term "Plans" herein shall refer to the Space Plan and Construction Drawings collectively. The term "Planner" herein shall refer to the Space Planner, Architect or Engineer, as appropriate, each of whom shall be retained by Tenant. Tenant has sole responsibility to provide all information concerning its space planning requirements to the Planner, to cause the Planner to prepare the Plans, and to obtain Landlord's final approval thereof (including all revisions) by the dates set forth above. Such dates are critical and of the essence hereof with respect to contracting out the Work, obtaining permits, and achieving substantial completion by the Commencement Date. The commencement of Base Rent and all other rent due under the Lease (collectively referred to herein as "Rent") shall not be postponed based on any delays in preparation of the Plans except to the extent expressly provided below. The Plans shall be signed or initialed by Tenant, if requested by Landlord, and shall be prepared and approved in accordance with the following provisions:

(a) Space Plan. By the Space Plan Date, Tenant shall: (1) provide Space Planner with all information concerning Tenant's requirements in order for Space Planner to prepare the Space Plan, (2) cause Space Planner to complete Tenant's Space Plan, and (3) submit the Space Plan to obtain Landlord's written approval thereof (not to be unreasonably withheld).

(b) Construction Drawings. By the Construction Drawings Date, Tenant shall: (1) provide all information concerning Tenant's requirements in order for Architect and Engineer to prepare the Construction Drawings, (2) cause Architect and Engineer to complete the Construction Drawings (which shall include at least three (3) mylar sepia's, or such other quantity as Landlord may reasonably require), and (3) submit the Construction Drawings to obtain Landlord's written approval thereof. "Construction Drawings" herein means fully dimensioned architectural construction drawings and specifications, and any required engineering drawings (including mechanical, electrical, plumbing, air-conditioning, ventilation and heating), and shall include to the extent applicable: (i) electrical outlet locations, circuits and anticipated usage therefor, (ii) reflected ceiling plan, including lighting, switching, and any special ceiling specifications, (iii) duct locations for heating, ventilating and air-conditioning equipment, (iv) details of all millwork, (v) dimensions of all equipment and cabinets to be built in, (vi) furniture plan showing details of space occupancy, (vii) keying schedule, (viii) lighting arrangement, (ix) location of print machines, equipment in lunch rooms, concentrated file and library loadings and any other equipment or systems (with brand names wherever possible) which require special consideration relative to air-conditioning, ventilation, electrical, plumbing, structural, fire protection, life-fire-safety system, or mechanical systems, (x) special heating, ventilating and air conditioning equipment and requirements, (xi) weight and location of heavy equipment, and anticipated loads for special usage rooms, (xii) demolition plan, (xiii) partition construction plan, (xiv) all requirements under the Disabilities Acts and other governmental requirements, (xv) final finish selections, (xvi) specifications for electrical vehicle charging stations, and (xvii) any other details or features reasonably required in order to obtain a final cost estimate as described in Section 4 or otherwise reasonably requested by Engineer, Landlord or Landlord's architect or contractor in order for the Construction Drawings to serve as a basis for contracting the Work.

(c) Landlord's Approval of Plans. Landlord shall either approve any Plans or material revisions to Plans submitted pursuant hereto or disapprove of the same with detailed suggestions for making the same acceptable. Landlord shall not unreasonably withhold approval if the Plans provide for a customary office layout, with finishes and materials generally conforming to the finishes and materials currently being used by Landlord at the Building, are generally compatible with the Building's shell and core construction, and if no material and unusual modifications will be required for the Building electrical, heating, air-conditioning, ventilation, plumbing, fire protection, life-fire-safety, or other systems or equipment, and will not require any structural modifications to the Building, whether required by heavy loads or otherwise. Landlord may request that Tenant approve Landlord's suggested changes in writing (such approval shall not be unreasonably withheld), or Landlord may arrange directly with the Planner for revised Plans to be prepared incorporating such suggestions (in which case, Tenant shall sign or initial the revised Plans and/or Landlord's notice concerning the suggested changes, if requested by Landlord). Landlord's approval of the Plans shall not be deemed a warranty as to the adequacy or legality of the design, and Landlord hereby disclaims any responsibility or liability for the same.

(d) Governmental Approval of Plans. The contractor selected to perform the Work pursuant to Section 4(d) below shall apply for any normal building permits required for the Work which are issued pursuant to a local building code as a ministerial matter. If the Plans must be revised in order to obtain such building permits, Landlord shall promptly notify Tenant. In such case, Tenant shall promptly arrange for the Plans to be revised to satisfy the building permit requirements and shall submit the revised Plans to Landlord for approval as a Change Order under Section 3(e). Landlord shall have no obligation to apply for any zoning, parking or sign code amendments, approvals, permits or variances, or any other governmental approval, permit or action (except normal building permits as described above). Landlord shall, however, be obligated to procure all approvals, permits or variances or any other governmental authorizations for Landlord's Work (as defined below). Any permits, approvals or variances which may be required in connection with the Work, other than normal building permits and health department approvals for the renovations to the Kitchen and Café area shall be Tenant's sole responsibility and cost. If any such other matters are required, Tenant shall promptly seek to satisfy such requirements or revise the Plans to eliminate such requirements. Delays in substantially completing the Work by the Commencement Date as a result of requirements for building permits or other governmental approvals, permits or actions shall affect the Commencement Date and commencement of Rent only to the extent

provided in Section 5.

(e) Changes After Plans Are Approved. If Tenant shall desire any changes, alterations, or additions to the Plans after they have been approved by Landlord, Tenant shall submit a detailed written request or revised Plans (the "Change Order") to Landlord for approval. If reasonable and practicable and generally consistent with the Plans theretofore approved, Landlord shall not unreasonably withhold approval, but all added costs in connection therewith, including, without limitation, construction costs, permit fees, and any additional plans, drawings and engineering reports or other studies or tests, or revisions of such existing items, shall be paid for by Tenant as a Tenant's Cost under Section 4. The cost of any corrections for errors or omissions made by any space planner, architect, engineer or contractor engaged by Tenant, including corrections for unforeseen or concealed conditions, shall be borne by Tenant.

(f) Planning Delays. If the Plans are not prepared and submitted by the dates set forth above for any reason, including revisions required by Landlord pursuant to this Section and revisions by Tenant to reduce Tenant's Cost pursuant to Section 4, the same shall constitute "Delays in Planning". The following shall constitute "Landlord Delays": (1) Landlord takes more than ten (10) days to approve or disapprove the Plans, or more than five (5) days to approve or disapprove revisions thereof, after receiving the same (or such longer time as may be reasonably required in order to obtain any additional engineering or HVAC report or due to other special or unusual features of the Work or Plans), or (2) Landlord takes more than thirty (30) days to provide Tenant with cost estimates after receiving Plans sufficiently detailed for such purposes. Each day of Landlord Delays shall reduce by one day the number of days of Delays in Planning otherwise applicable.

4. Cost of the Work, Landlord Cost and Allowance and Tenant's Cost.

(a) Cost of the Work. Except for Landlord cost items specified in subparagraph (b) below and the Allowance to be provided by Landlord hereunder, Tenant shall pay the entire cost (herein referred to as the "Cost of the Work") for or related to: (1) the Work, including, without limitation, costs of labor, hardware, equipment and materials, contractors' charges for overhead and fees, and so-called "general conditions" (including rubbish removal, utilities, freight elevators, hoisting, field supervision, building permits, occupancy certificates, inspection fees, utility connections, bonds, insurance, sales taxes, and the like), (2) the Plans, including, without limitation, all revisions thereto, and engineering reports, or other studies, reports or tests, air balancing or related work in connection therewith, and (3) Landlord's architect's fee in an amount not to exceed \$10,000 and (4) if Landlord's contractor is not performing the Work an administrative fee of three percent (3%) of all other amounts included in the Cost of the Work plus Landlord's actual out-of-pocket costs in connection with supervision of the Work. "Work" herein means: (i) the improvements and items of work shown on the final approved Plans (including changes thereto approved by Landlord), and (ii) any demolition, preparation or other work required in connection therewith, including without limitation, structural or mechanical work, additional HVAC equipment or sprinkler heads, or modifications to any building mechanical, electrical, plumbing or other systems and equipment or relocation of any existing sprinkler heads, either within or outside the Premises required as a result of the layout, design, or construction of the Work or in order to extend any mechanical distribution, fire protection or other systems from existing points of distribution or connection, or in order to obtain building permits for the work to be performed within the Premises (unless Landlord requires that the Plans be revised to eliminate the necessity for such work).

(b) Landlord Cost and Allowance. Landlord shall be responsible, at Landlord's cost (and not funded by the Allowance), for any work (the "Landlord Work") required to bring all areas of the Project other than the Premises, including without limitation all common areas of the Project and the elevators, stairwells, access and exiting areas, lobby, café and gym areas, into compliance with all applicable laws, governmental codes and regulations, including without limitation those triggered by the Work. All other code compliance requirements pertaining to the Premises shall be included in the Cost of the Work. Landlord shall make the Allowance set forth above available towards: (1) costs of permanent leasehold improvements included in the Work, including labor, hardware, equipment and materials, contractors' charges for overhead and fees, and general conditions, (2) costs of the Space Plan and Construction Drawings, limited to ten percent (10%) of the Allowance (and which shall exclude planning for furniture, fixtures and equipment), (3) costs of permits and inspections and plan check costs, (4) costs associated with Change Orders, and (5) costs of acquiring and installing up to three dual use "Chargepoint" brand 240 watt electric vehicle charging stations which shall be located adjacent to the North side of the Building. If all or any portion of the Allowance shall not be used, Tenant shall be entitled to a credit against Base Rent therefor. If Landlord terminates the Lease or Tenant's right of possession based on an Event of Default by Tenant, Tenant shall repay Landlord, as an element of the damages recoverable by Landlord under California Civil Code Section 1951.2(a)(4), the then unamortized portion of the Allowance calculated on a straight-line basis over the initial Term; provided,

however, that the foregoing shall apply only to the extent such recovery of the unamortized Allowance does not result in an inconsistent or duplicative award of damages under California Civil Code Section 1951.2 (or any successor thereto).

(c) Tenant's Cost; Estimates and Payments. Any portion of the Cost of the Work exceeding the Allowance is referred to herein as "Tenant's Cost." Landlord shall estimate Tenant's Cost in advance of the Work, or revise any such estimate in case of any Change Order. Tenant shall pay to Landlord prior to the commencement of the Work one-half of the estimated Tenant's Cost and, as the Work progresses, one-half of each progress payment to Landlord's contractor, based on the ratio that Tenant's Cost bears to the total Cost of Work. Tenant's payment of its proportionate share of each progress payment shall be a condition to Landlord's obligation to pay its share of such progress payment. If, after final completion and payment for the Work, the actual amount of Tenant's Cost exceeds the estimated amount, Tenant shall pay the difference to Landlord within twenty (20) days after Landlord so requests, which request shall be accompanied by reasonable supporting documentation establishing Tenant's Cost; provided, however, that if the difference exceeds \$100,000.00 Tenant shall have up to thirty (30) days after Landlord's request to pay such difference. If such estimated amount exceeds the actual amount of Tenant's Cost, Landlord shall provide a refund of the difference within twenty (20) days after final completion of and payment for the Work. Tenant's Cost shall be deemed "rent" under the Lease (and all remedies for the non-payment of rent shall be available to Landlord therefor), and Tenant's obligations under the Lease to keep the Premises and Building free of liens shall apply to any liens arising from any failure to pay Tenant's Cost hereunder.

(d) Tenant's Approval and Nature of Cost Estimates. Landlord shall within thirty (30) days following approval of the Construction Drawings provide Tenant with a detailed estimate of the Cost of Work, broken down by trade, and reasonable supporting documentation for such estimate. If requested by Tenant, the parties shall solicit third party bids on a competitive basis for the Work. Tenant shall have the right to request up to two separate bids from the following general contractors: San Jose Construction, Novo, BCCI and Skyline. If Tenant is not satisfied with the estimated Cost of Work as estimated by Landlord or determined through the competitive bidding process, Tenant may meet with the Planner and eliminate or substitute items in order to reduce Tenant's Cost in connection with preparing a revised version of the Plans as a Change Order pursuant to Section 3 above, but the foregoing dates to complete the Plans shall not be extended thereby. Any cost estimates based on a Space Plan will be preliminary in nature, and may not be relied on by Tenant. If any of the competitive bids obtained by Tenant are lower than the estimate of Landlord's contractor by more than five percent (5%), Landlord shall have the right, in Landlord's sole discretion, to match the competing bid or to permit the Work to be performed by the contractor selected by Tenant. The selected contractor (including Landlord's contractor) shall complete the Work on an "open book" basis. Tenant shall have the right to review and approve the contract between Landlord and the contractor for the construction of the Work.

5. Construction.

(a) Landlord to Arrange Work. Provided Tenant completes the Plans on time and there exists no Event of Default by Tenant, Landlord shall use reasonable efforts to cause Landlord's contractor or the contractor selected by Tenant, as applicable, to substantially complete the Work by the scheduled Term Commencement in the Basic Lease Information. Landlord reserves the right to substitute comparable or better materials and items for those shown in the Plans with Tenant's prior written consent, which Tenant shall not unreasonably withhold so long as the substitute materials do not materially and adversely affect the utility or appearance of the Premises. Any delay beyond five (5) days in Tenant's response to a request for approval shall constitute a Tenant Delay.

(b) Substantial Completion and Walk-Through. For the purposes hereof, the Work shall be deemed to have been "substantially completed" if Tenant lawfully may occupy the Premises and Tenant can reasonably use the Premises. When Landlord notifies Tenant that the Work has been substantially completed, either party may request a joint walk-through inspection in order for Tenant to identify any necessary final completion or other "punchlist" items. Neither party shall unreasonably withhold approval concerning such items. If Tenant fails to participate in a walk-through as provided above, or otherwise fails to object to Landlord's notice of substantial completion in writing within five (5) business days thereafter specifying in detail the items of work needed to be performed in order for substantial completion, Tenant shall be deemed conclusively to have agreed that the Work is substantially completed.

(c) Final Completion. Substantial completion shall not prejudice Tenant's rights to require full completion of any remaining items of Work, which Landlord shall use reasonable efforts to cause to be completed promptly after substantial completion has occurred. If Landlord notifies Tenant in writing that the Work is fully completed, and Tenant fails to object thereto in writing within five (5) business days thereafter specifying in detail the items of work needed to be completed and the nature of work needed to complete said items, Tenant shall be deemed conclusively to have accepted the Work as fully completed (or such portions thereof as to which Tenant has not so objected). In connection with the Work, Landlord may cause a contractor to perform air balancing tests on the Premises and adjust the HVAC system as a result thereof. The costs of such items may be charged against the Allowance, and if the Allowance shall be insufficient, Tenant shall pay Landlord for such costs as additional rent within five (5) days after billed.

(d) Construction Delays. If the Work is not substantially completed by the scheduled Term Commencement in the Basic Lease Information, and such delay is directly attributable to Tenant Delays (as defined below), then the date on which Base Rent first becomes payable under this Lease shall be advanced by one day for each day that Tenant Delays actually delay substantial completion of the Work by Landlord's contractor. For this purpose, "Tenant Delays" shall consist of: (1) Delays in Planning (as adjusted for any Landlord Delays), (2) after approval of the Construction Drawings, Tenant's requests for changes to the Work or Change Orders under Section 3, or otherwise, whether or not approved by Landlord, (3) Tenant's failure to approve reasonably substantiated estimates of Tenant's Cost or to pay Tenant's share of progress payments within five (5) days of a written request therefor, (4) any upgrades, special work or other non-building standard items, or items not customarily provided office tenants, to the extent that the same involve longer lead times, installation times, delays or difficulties in obtaining building permits, requirements for any governmental approval, permit or action beyond the issuance of normal building permits (as described in Section 3), or other delays not typically encountered in connection with standard office improvements (but the same shall constitute a Tenant Delay only to the extent Landlord gives Tenant timely notice that elements of the Work are subject to this clause (5)), (5) delays caused by the contractor performing the Work, if selected by Tenant, (6) the performance by Tenant or Tenant's Contractors, agents or employees of any work at or about the Premises or Building, or (7) any act or omission of Tenant or Tenant's Contractors, agents or employees, or any breach by Tenant of any provisions contained in the Lease, or any failure of Tenant to cooperate with Landlord or otherwise act in good faith in order to cause the Work to be designed and performed in a timely manner.

(e) Landlord's Role. The parties acknowledge that neither Landlord nor its managing agent is an architect or engineer, and that the Work will be designed by independent architects and engineers, and they do not guarantee the Plans. If Landlord's contractor is performing the Work, Landlord and its contractor shall have responsibility for construction means, methods and techniques and safety precautions in connection with the Work, and Landlord's contractor shall provide a one year warranty that the Work will be free from errors, omissions or defects and shall correct the same as soon as reasonably possible. If the contractor selected by Tenant is performing the Work, Landlord shall make all reasonable efforts to enforce any warranty provisions in the construction contract.

6. Work Performed by Tenant. Landlord shall permit Tenant and any of Tenant's space planners, architects, engineers, contractors, suppliers, employees, agents and other such parties (collectively, "Tenant's Contractors") to enter the Premises prior to completion of the Work in order to make the Premises ready for Tenant's use and occupancy, as provided in Paragraph 4 of the Lease. Such permission shall be deemed a license only and not a lease, and is conditioned upon: (a) Tenant obtaining Landlord's prior written approval of Tenant's Contractors and the work they will perform, and complying with all of the other requirements of the Lease pertaining to work performed by Tenant in the Premises, all insurance requirements under the Lease, and all other conditions reasonably imposed by Landlord for the prior submission of security, affidavits and lien waivers or otherwise in connection therewith, (b) Tenant and Tenant's Contractors working in harmony and not interfering with Landlord and Landlord's space planners, architects, engineers, contractors, suppliers, employees, agents and other such parties (collectively, "Landlord's Contractors") in doing the Work or with other tenants and occupants of the Building, and (c) Tenant paying for any utilities and services consumed in connection with such work. If at any time such entry shall cause or threaten to cause such disharmony or interference, or violate any of the other foregoing requirements, Landlord shall have the right to revoke such license upon oral or written notice to Tenant if such violation is not promptly corrected. Landlord shall not be liable in any way for any injury, loss or damage which may occur to any decorations, fixtures, personal property, installations or other improvements or items of work installed, constructed or brought upon the Premises by or for Tenant or Tenant's Contractors prior to completion of the Work, all of the same being at Tenant's sole risk, and Tenant

hereby agrees to protect, defend, indemnify and hold

Landlord and its employees, agents, and affiliates harmless from all liabilities, losses, damages, claims, demands, and expenses (including attorneys' fees) arising from early entry to the Premises pursuant hereto.

7. Miscellaneous.

(a) Application. This Exhibit shall not apply to any additional space added to the Premises at any time, whether by any options or rights under the Lease or otherwise, or to any portion of the Premises in the event of a renewal or extension of the Term of the Lease, whether by any options or rights under the Lease or otherwise, unless expressly so provided in the Lease or any amendment or supplement thereto.

(b) Lease Provisions and Modification. This Exhibit is intended to supplement and be subject to the provisions of the Lease, including, without limitation, those provisions requiring that any modification or amendment be in writing and signed by authorized representatives of both parties.

EXHIBIT E

EARLY OCCUPANCY PREMISES

1. FOR FRONT TYRE, DR. SHIRT ARMED.
2. FOR DOOR TYRE, DR. SHIRT ARMED.
3. ALL PARTS SHALL BE IN THE WHEEL.
4. PATCH AND NIPPER PLACING PLACES TO MATCH DOOR, JOINT, FINEST.
5. ANY REPAIRS TO EXISTING DOORS AND HINGERS OF FRONT CHASSIS MUST COMPLY WITH APPLICABLE REPAIR INSTRUCTIONS.

EXHIBIT F

SCHEDULE OF JANITORIAL SERVICES

SPECIFICATIONS

A. MAIN ENTRY / LOBBY AREA

1. Nightly Services – Five (5) Services per Week
 - a. Empty all waste receptacles and reline as needed.
 - b. Empty and clean waste urns.
 - c. Clean and dust all furniture, fixtures, equipment, and accessories between three to six feet.
 - d. Sweep and damp mop entrance floors.
 - e. Vacuum walk off floor mats.
 - f. Spot clean surfaces for fingerprints, smudges, and stains or other accumulations.
 - g. Spot clean all window glass and sidelight glass on the interior and exterior of the first floor.
 - h. Clean and polish door glass, door handles, hinges, threshold, and entryway.

B. COMMON AREAS AND OFFICE SUITES

1. Nightly Services – Five (5) Services per Week
 - a. Vacuum all carpets in common areas.
 - b. Empty all waste and recycle containers. Wipe exterior of containers and reline, as needed
 - c. Dust all furniture and ledges between three to six feet
 - d. Spot clean surfaces for fingerprints, smudges, and stains or other accumulations.
 - e. Spot clean partition glass.
 - f. Dust mop all hard surface flooring as per manufacturer's specification.
 - g. Damp mop spills as needed
 - h. Return all chairs and waste bins to proper position.
 - i. Close window treatments as directed
 - i. Close South Wall Blinds
 - j. Arrange chairs in office and conference rooms to their proper position.
 - k. Turn off lights and secure all doors as directed.
2. Weekly Services – Once per Week
 - a. Vacuum office suites and cubicles following a rotating schedule.
 - i. Janitor will dust around items.
 - b. Damp mop hard surface floors.
3. Monthly Services – Once per Month
 - a. Clean and polish kick plates and thresholds.
 - b. Scrub all hard surface flooring as per manufacturer's specification.
 - c. Spot clean carpets.
4. Quarterly Services – Four Times Per Year
 - a. Dust all furniture and ledges below three feet and above six feet.
 - b. Edge vacuum.
5. Annual Services – Once per Year

- a. Clean mini blinds.

C. RESTROOMS

1. Nightly Services – Five (5) Services per Week

- a. Wash and polish all mirrors, dispensers, faucets, and bright-work with disinfectant cleaner
- b. Wash and sanitize all toilets, toilet seats, flushometers, urinals, and sinks with non-abrasive disinfectant cleaner
- c. Mop all restroom floors with disinfectant germicidal solution as per manufacturer specifications.
- d. Empty and sanitize all waste and sanitary napkin receptacles
- e. Remove all restroom trash and replace liners
- f. Spot clean fingerprints, remove marks and graffiti from walls, and partitions
- g. Restock all paper dispensers, sanitary napkin and tampon machines

2. Weekly Services – Once per Week

- a. Remove stains, de-scale toilets, urinals and sinks, as required
- b. Flush drains with enzyme treatment.

3. Monthly Services – Once per Month

- a. Wash down all tile walls and metal partitions
- b. Polish all brightwork.
- c. Clean all air diffusers and return grills
- d. Scrub all hard surface flooring as per manufacturer's specification.

D. KITCHENS AND COFFEE STATIONS

1. Nightly Services – Five (5) Services per Week

- a. Dust mop all floors as per manufacturers specifications
- b. Damp mop all hard surface flooring. Remove any foreign substances as per manufacturers specifications
- c. Vacuum all carpets.
- d. Empty all waste and recycle containers and place in the holding area. Wipe exterior of containers and change liners, as needed
- e. Wipe down all countertops, tables, and sinks.
- f. Clean behind café coffeemakers.
- g. Return all chairs and waste bins to proper position
- h. Spot clean entrance doors
- i. Dust all furniture and ledges between three to six feet
- j. Remove fingerprints and smudges from all doorframes, partitions, walls, etc.
- k. Refill paper towel and soap dispensers

2. Quarterly Services – Once per Quarter

- a. Wash walls, doors, cabinets, ledges, ceiling vents, ceilings, and light fixtures.
- b. Dust all furniture and ledges below three feet and above six feet.
- c. Maintain all hard surface flooring as per manufacturer's specification.

E. ELEVATORS

1. Nightly Services – Five (5) Nights per Week
 - a. Spot clean elevator cab walls, brightwork, and interior door.
 - b. Wipe down surfaces of elevator door and frame.
 - c. Vacuum all cab floors. Edge thoroughly.
 - d. Clean thresholds and door saddles.
2. Monthly Services – Once per Month
 - a. Shampoo carpets in elevator

F. JANITORIAL CLOSETS

1. Nightly Services – Five (5) Nights per Week
 - a. Keep neat and organized
 - b. Discard outdated chemicals or debris
 - c. Sweep / mop floors
 - d. Keep updated MSDS and Emergency information

G. ADDITIONAL SERVICES – Any additional services required by Lessee are not included in these specifications. Services below are available to be directly billed to Lessee

1. Day porter
2. Carpet program
3. Refrigerator cleaning
4. Dish washing services
5. Nightly vacuuming of offices/ cubicles
6. Kitchen/ Café cleaning

**Certification of Principal Executive Officer
pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as adopted pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Vladimir Shmunis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of RingCentral, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Vladimir Shmunis

Vladimir Shmunis

Chief Executive Officer and Chairman

(Principal Executive Officer)

Date: November 3, 2014

**Certification of Principal Financial Officer
pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as adopted pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Clyde Hosein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of RingCentral, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Clyde Hosein
Clyde Hosein

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: November 3, 2014

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of RingCentral, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vladimir Shmunis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2014

/s/ Vladimir Shmunis

Vladimir Shmunis

Chief Executive Officer and Chairman

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of RingCentral, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Clyde Hosein, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2014

/s/ Clyde Hosein

Clyde Hosein

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)