

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, 2021

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: 001-39748

PUBMATIC, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

20-5863224

(I.R.S. Employer Identification Number)

Not applicable

(Address of principal executive offices)

Not applicable

(Zip Code)

Not applicable

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A common stock, \$0.0001 par value per share	PUBM	The Nasdaq Global Market

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act.

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 31, 2021, the registrant had 27,545,541 shares of Class A common stock outstanding and 23,760,497 shares of Class B common stock outstanding.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

	<u>Page</u>
Item 1.	<u>1</u>
<u>Condensed Financial Statements (Unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>3</u>
<u>Condensed Consolidated Statements of Stockholders' Equity</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
Item 2.	<u>22</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
Item 3.	<u>36</u>
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>36</u>
Item 4.	<u>37</u>
<u>Controls and Procedures</u>	<u>37</u>

PART II - OTHER INFORMATION

Item 1.	<u>38</u>
<u>Legal Proceedings</u>	<u>38</u>
Item	<u>38</u>
<u>Risk Factors</u>	<u>38</u>
1A.	
Item 2.	<u>71</u>
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>71</u>
Item 3.	<u>72</u>
<u>Defaults Upon Senior Securities</u>	<u>72</u>
Item 4.	<u>72</u>
<u>Mine Safety Disclosures</u>	<u>72</u>
Item 5.	<u>72</u>
<u>Other Information</u>	<u>72</u>
Item 6.	<u>72</u>
<u>Exhibits</u>	<u>72</u>
<u>Signatures</u>	<u>74</u>

PART I - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

PUBMATIC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par values and share data)
(Unaudited)

	September 30, 2021	December 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 89,376	\$ 81,188
Marketable securities	47,355	19,793
Accounts receivable - net	228,387	219,511
Prepaid expenses and other current assets	12,974	6,622
Total Current Assets	378,092	327,114
Property, equipment and software - net	51,927	30,044
Goodwill	6,250	6,250
Deferred income tax asset	495	762
Other assets, non-current	2,081	7,076
TOTAL ASSETS	\$ 438,845	\$ 371,246
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 195,332	\$ 176,731
Accrued liabilities	17,661	14,844
Total Current Liabilities	212,993	191,575
Deferred tax liability	2,698	1,561
Other liabilities, non-current	2,317	2,683
TOTAL LIABILITIES	218,008	195,819
Commitments and contingencies (Note 6)		
Stockholders' Equity		
Preferred stock, \$0.0001 par value per share, 10,000,000 shares authorized as of September 30, 2021 and December 31, 2020; No shares issued and outstanding as of September 30, 2021 and December 31, 2020	—	—
Common stock, par value \$0.0001 per share; 1,000,000,000 Class A shares authorized as of September 30, 2021 and December 31, 2020; 27,436,489 and 6,801,368 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively; 1,000,000,000 Class B shares authorized as of September 30, 2021 and December 31, 2020; 23,443,849 and 42,186,774 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively.	6	6
Treasury stock, at cost - 3,140,437 and 3,139,295 shares as of September 30, 2021 and December 31, 2020, respectively.	(11,486)	(11,434)
Additional paid-in capital	161,261	144,163
Accumulated other comprehensive income	—	1
Retained earnings	71,056	42,691
Total Stockholders' Equity	220,837	175,427
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 438,845	\$ 371,246

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

PUBMATIC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 58,086	\$ 37,797	\$ 151,352	\$ 92,506
Cost of revenue	16,020	10,491	41,408	29,736
Gross profit	42,066	27,306	109,944	62,770
Operating expenses:				
Technology and development	4,139	3,390	11,738	9,280
Sales and marketing	15,004	10,911	41,790	30,142
General and administration	8,875	5,214	25,593	13,799
Total operating expenses	28,018	19,515	79,121	53,221
Operating income	14,048	7,791	30,823	9,549
Interest income	79	83	208	475
Other income (expense), net	198	(22)	29	(132)
Total other income (expense), net	277	61	237	343
Income before income taxes	14,325	7,852	31,060	9,892
Provision for income taxes	799	1,621	2,695	2,104
Net income	\$ 13,526	\$ 6,231	\$ 28,365	\$ 7,788
Net income per share attributable to common stockholders:				
Basic	\$ 0.27	\$ 0.12	\$ 0.57	\$ 0.10
Diluted	\$ 0.24	\$ 0.10	\$ 0.50	\$ 0.09
Weighted-average shares used to compute net income per share attributable to common stockholders:				
Basic	50,559,636	10,335,359	49,754,449	10,178,598
Diluted	56,498,891	15,876,890	56,575,867	14,072,248

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

PUBMATIC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net income	\$ 13,526	\$ 6,231	\$ 28,365	\$ 7,788
Other comprehensive income (loss):				
Unrealized gain (loss) on marketable securities, net of tax	—	(7)	(1)	(4)
Comprehensive income	<u>\$ 13,526</u>	<u>\$ 6,224</u>	<u>\$ 28,364</u>	<u>\$ 7,784</u>

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

PUBMATIC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

	Convertible Preferred Stock		Redeemable Common Stock		Common Stock			Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Treasury Stock				
Balance — December 31, 2020	—	\$ —	—	\$ —	48,988,142	\$ 6	\$ (11,434)	\$ 144,163	\$ 1	\$ 42,691	\$ 175,427
Stock-based compensation								3,318			3,318
Exercise of stock options					278,412	—		451			451
Repurchase of treasury stock, at cost					(693)	—	(27)				(27)
Other comprehensive loss									(1)		(1)
Net income										4,918	4,918
Balance — March 31, 2021	—	\$ —	—	\$ —	49,265,861	\$ 6	\$ (11,461)	\$ 147,932	\$ —	\$ 47,609	\$ 184,086
Stock-based compensation								3,837			3,837
Exercise of stock options					800,426	—		1,627			1,627
Repurchase of treasury stock, at cost					(449)	—	(25)				(25)
Issuance of common stock related to employee stock purchase plan					155,015	—		2,635			2,635
Issuance of common stock related to RSU vesting					21,973	—		—			—
Other comprehensive loss									—		—
Net income										9,921	9,921
Balance — June 30, 2021	—	\$ —	—	\$ —	50,242,826	\$ 6	\$ (11,486)	\$ 156,031	\$ —	\$ 57,530	\$ 202,081
Stock-based compensation								3,981			3,981
Exercise of stock options					615,673	—		1,249			1,249
Issuance of common stock related to RSU vesting					21,839	—		—			—
Other comprehensive loss									—		—
Net income										13,526	13,526
Balance — September 30, 2021	—	\$ —	—	\$ —	50,880,338	\$ 6	\$ (11,486)	\$ 161,261	\$ —	\$ 71,056	\$ 220,837

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

PUBMATIC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

	Convertible Preferred Stock		Redeemable Common Stock		Common Stock			Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Treasury Stock				
Balance — December 31, 2019	33,443,969	\$ 61,216	5,901,863	\$ 19,025	5,746,216	\$ 1	\$ (11,431)	\$ 8,641	\$ 6	\$ 16,078	\$ 13,295
Stock-based compensation								503			503
Exercise of stock options					58,452	—		74			74
Other comprehensive income									20		20
Net income										904	904
Balance — March 31, 2020	33,443,969	\$ 61,216	5,901,863	\$ 19,025	5,804,668	\$ 1	\$ (11,431)	\$ 9,218	\$ 26	\$ 16,982	\$ 14,796
Stock-based compensation								505			505
Other comprehensive loss									(17)		(17)
Net income										653	653
Balance — June 30, 2020	33,443,969	\$ 61,216	5,901,863	\$ 19,025	5,804,668	\$ 1	\$ (11,431)	\$ 9,723	\$ 9	\$ 17,635	\$ 15,937
Stock-based compensation								1,451			1,451
Exercise of stock options					21,584	—		20			20
Repurchase of treasury stock, at cost					(580)	—	\$ (1)				(1)
Repayment of stockholders' notes receivable and accrued interest								4,268			4,268
Reclassification of redeemable common stock			(5,901,863)	\$ (19,025)	5,901,863	1		19,024			19,025
Other comprehensive income (loss)									(7)		(7)
Net income										6,231	6,231
Balance — September 30, 2020	33,443,969	\$ 61,216	—	\$ —	11,727,535	\$ 2	\$ (11,432)	\$ 34,486	\$ 2	\$ 23,866	\$ 46,924

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

PUBMATIC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$ 28,365	\$ 7,788
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,992	11,574
Stock-based compensation	10,508	2,439
Provision for doubtful accounts	—	319
Deferred income taxes	1,404	92
Accretion of discount on marketable securities	(46)	(135)
Other	(2)	32
Changes in operating assets and liabilities:		
Accounts receivable	(8,876)	(23,190)
Prepaid expenses and other current assets	(6,620)	(996)
Accounts payable	16,648	18,289
Accrued expenses	3,195	465
Other liabilities, non-current	(366)	(971)
Net cash provided by operating activities	<u>60,202</u>	<u>15,706</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(22,846)	(12,885)
Capitalized software development costs	(6,755)	(5,638)
Purchases of marketable securities	(53,118)	(22,313)
Proceeds from sales of marketable securities	—	2,295
Proceeds from maturities of marketable securities	25,600	26,750
Net cash used in investing activities	<u>(57,119)</u>	<u>(11,791)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock for employee stock purchase plan	2,635	—
Proceeds from repayments of stockholders' notes receivable	—	4,268
Proceeds from exercise of stock options	3,327	94
Payments for offering costs	(805)	(1,914)
Payments to acquire treasury stock	(52)	(1)
Net cash provided by financing activities	<u>5,105</u>	<u>2,447</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>8,188</u>	<u>6,362</u>
CASH AND CASH EQUIVALENTS - Beginning of period	81,188	34,250
CASH AND CASH EQUIVALENTS - End of period	<u>\$ 89,376</u>	<u>\$ 40,612</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Income taxes paid	<u>\$ 4,445</u>	<u>\$ 415</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING INFORMATION:		
Stock-based compensation capitalized as internal use software costs	<u>\$ 628</u>	<u>\$ 20</u>
Property and equipment included in accounts payable and accrued expenses	<u>\$ 2,712</u>	<u>\$ 1,624</u>
Capitalized software costs included in accounts payable and accrued expenses	<u>\$ 1,115</u>	<u>\$ 636</u>
Deferred offering costs incurred during the period included in accounts payable and accrued expenses	<u>\$ —</u>	<u>\$ 22</u>

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

PUBMATIC, INC. AND SUBSIDIARIES

Notes to condensed consolidated financial statements

(Unaudited)

Note 1 - Organization and Description of Business

PubMatic, Inc. and subsidiaries (“Company” or “PubMatic”) was founded in 2006. The Company has offices in California, New York, Europe, Asia, and Australia. The Company provides a specialized cloud infrastructure platform that enables real-time programmatic advertising transactions. The purpose-built technology and infrastructure provides superior outcomes for both publishers and advertisers leveraging an efficient design, machine learning, and data processing capabilities, with customer alignment and global omnichannel reach.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

Fiscal Year

The Company’s fiscal year ends on December 31, and its fiscal quarters end on March 31, June 30, September 30, and December 31. References to fiscal year 2021, for example, refer to the fiscal year ended December 31, 2021.

Unaudited Interim Condensed Consolidated Financial Information

The unaudited condensed consolidated financial statements include the accounts of PubMatic, Inc. and its wholly owned subsidiaries, and have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) and following the requirements of the Securities and Exchange Commission (“SEC”) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP can be condensed or omitted. These financial statements have been prepared on the same basis as the Company’s annual financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the Company’s financial information. These interim results are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2021 or for any other interim period or for any other future year. The accompanying unaudited condensed consolidated financial statements and related financial information should be read in conjunction with the audited consolidated financial statements and the related notes contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020, as filed with the SEC on March 26, 2021 (the “Annual Report”).

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with GAAP. The accompanying condensed consolidated financial statements include the accounts of PubMatic, Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Initial Public Offering

The Company’s registration statement on Form S-1 (the “IPO Registration Statement”) related to its initial public offering (“IPO”) was declared effective on December 8, 2020, and the Company’s Class A common stock began trading on the Nasdaq Global Market on December 9, 2020. On December 11, 2020, the Company completed its IPO, in which the Company sold 2,655,000 shares of Class A common stock at a price to the public of \$20.00 per share. The Company received aggregate net proceeds of \$45.0 million after deducting underwriting discounts, commissions and offering costs. In connection with the IPO, all of the shares of convertible preferred stock outstanding automatically converted into an aggregate of 33,443,969 shares of Class B common stock.

Deferred offering costs consisted primarily of accounting, legal, and other fees related to the IPO. Prior to the IPO, all deferred offering costs were capitalized in prepaid expenses and other current assets in the condensed consolidated balance sheets. Upon consummation of the IPO, the \$4.4 million of deferred offering costs were

reclassified to stockholders' equity and recorded against the proceeds from the offering. No offering costs were capitalized as of September 30, 2021.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenue and expenses.

The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances dictate. Actual results could materially differ from those estimates and assumptions. Due to the inherent uncertainty involved in making assumptions and estimates, events and changes in circumstances arising after September 30, 2021, including those resulting from the impacts of the COVID-19 pandemic, may result in actual outcomes that differ from those contemplated by the Company's assumptions and estimates.

Stock-Based Compensation

The Company recognizes and measures compensation expense for all stock-based payment awards granted to employees, directors, and nonemployees, including stock options, restricted stock units ("RSUs"), and the employee stock purchase plan (the "ESPP") based on the fair value of the awards on the date of grant. The fair value of stock options and shares of common stock to be issued under the ESPP is estimated using the Black Scholes option pricing model. The grant date fair value of RSUs is based on the closing market price of the Company's Class A common stock on the date of grant. The Black Scholes option pricing model is impacted by the fair value of the Company's common stock, as well as changes in assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected common stock price volatility over the term of the stock options, the expected term of the stock options, risk-free interest rates, and the expected dividend yield.

For additional information regarding stock-based compensation and the assumptions used for determining the fair value of stock options and ESPP awards, refer to Note 9 — "Stockholders' Equity and Stock Option Plans."

Concentration of Revenue and Accounts Receivable

The Company defines its revenue concentration based on revenue recognized from individual publishers. For the three months ended September 30, 2021 and 2020, one publisher represented 17% and 18%, respectively, and 18% and 21% for the nine months ended September 30, 2021 and 2020, respectively, of the Company's revenue. As of September 30, 2021, three buyers accounted for 28%, 20% and 10%, respectively, of accounts receivable. As of December 31, 2020, four buyers accounted for 33%, 14%, 13% and 11%, respectively, of accounts receivable.

Net Income Per Share Attributable to Common Stockholders

Basic and diluted net income per share attributable to Class A and Class B common stock is computed in conformity with the two-class method required for participating securities. The Company considers the preferred stock as participating securities. Holders of participating securities do not have a contractual obligation to share in the Company's losses. In accordance with the two-class method, earnings allocated to these participating securities and the related number of outstanding shares of the participating securities have been excluded from the computation of basic and diluted net income per share attributable to common stockholders.

Distributed and undistributed earnings allocated to participating securities are subtracted from net income in determining net income attributable to common stockholders. Basic net income per share is computed by dividing net income attributable to common stockholders by the weighted-average number of shares of the Company's Class A and Class B common stock outstanding.

The diluted net income per share attributable to common stockholders is computed by giving effect to all dilutive securities. Diluted net income per share attributable to common stockholders is computed by dividing the resulting net income attributable to common stockholders by the weighted-average number of fully diluted common

shares outstanding. During the periods when there is a net loss attributable to common stockholders, potentially dilutive common stock equivalents have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is anti-dilutive.

Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board (“FASB”) issued ASU 2019-12—Simplifying the Accounting for Income Taxes (“ASU 2019-12”). ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to general principles in Topic 740 and clarifies and amends existing guidance for clarity and consistent application. Effective on January 1, 2021, the Company adopted this standard, which did not have a material impact on the condensed consolidated financial statements and related disclosures.

Recent Accounting Pronouncements Not Yet Adopted

Under the Jumpstart Our Business Startups Act (the “JOBS Act”), the Company meets the definition of an emerging growth company (“EGC”) and can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company elected to use this extended transition period under the JOBS Act until such time the Company is no longer considered to be an EGC. The Company expects to cease being an EGC as of December 31, 2021, becoming a large accelerated filer. The adoption dates discussed below reflect the updated transition period for complying with accounting standards not yet adopted.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. The guidance offers specific accounting guidance for a lessee, lessor, and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the income statement. The guidance is effective for the Company for fiscal year 2021 and the adoption, including the impact and required disclosures will be included in its 2021 Form 10-K. The guidance requires a modified retrospective adoption. The Company expects that most of its operating lease commitments will be recognized as operating lease liabilities and right-of-use assets upon adoption of the new guidance.

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”). This update changes the accounting for recognizing impairments of financial assets, such that credit losses for certain types of financial instruments will be estimated based on expected losses. The update also modifies the impairment models for available-for-sale debt securities and for purchased financial assets with credit deterioration since their origination. ASU 2016-13 is effective for the Company in fiscal year 2021 and the adoption, including the impact and required disclosures will be included in its 2021 Form 10-K. The Company does not expect the adoption of this guidance to have a material impact on the Company’s consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other: Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”). ASU 2017-04 eliminates Step 2 from the goodwill impairment test which measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. Under ASU 2017-04, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of the reporting unit with its carrying amount, and should recognize an impairment loss for the amount by which the carrying amount exceeds the reporting unit’s fair value, with the loss not exceeding the total amount of goodwill allocated to that reporting unit. ASU 2017-04 will be effective for the Company in fiscal year 2021 and will be included in its 2021 Form 10-K. At adoption, this update will require a prospective approach. The Company does not expect the adoption of this guidance to have a material impact on the Company’s consolidated financial statements.

Note 3 – Fair Value Measurements

The following table sets forth the fair value of the Company's financial assets and liabilities measured on a recurring basis by level within the fair value hierarchy (in thousands):

	September 30, 2021			
	Level I	Level II	Level III	Total
Financial Assets				
Money market funds	\$ 65,128	\$ —	\$ —	\$ 65,128
Certificates of deposit	—	6,502	—	6,502
Cash equivalents	65,128	6,502	—	71,630
Commercial paper	—	47,355	—	47,355
Marketable securities	—	47,355	—	47,355
Total Financial Assets	\$ 65,128	\$ 53,857	\$ —	\$ 118,985
	December 31, 2020			
	Level I	Level II	Level III	Total
Financial Assets				
Money market funds ⁽¹⁾	\$ 12,462	\$ —	\$ —	\$ 12,462
Commercial paper ⁽¹⁾	—	7,199	—	7,199
Cash equivalents	12,462	7,199	—	19,661
U.S. Treasury and government debt securities	—	8,999	—	8,999
Commercial paper	—	10,794	—	10,794
Marketable securities	—	19,793	—	19,793
Total Financial Assets	\$ 12,462	\$ 26,992	\$ —	\$ 39,454

(1) The amounts were previously combined and presented as cash equivalents. Prior periods have been reclassified to conform with current period presentation.

The Company's financial assets consist of Level I and II assets. The Company had no Level III assets or liabilities for the periods presented. The Company classifies its cash equivalents and marketable securities within Level I or Level II because they are valued using either quoted market prices or inputs other than quoted prices which are directly or indirectly observable in the market, including readily-available pricing sources for the identical underlying security which may not be actively traded. The Company's fixed income available-for-sale securities consist of high quality, investment grade securities from diverse issuers. The valuation techniques used to measure the fair value of the Company's marketable securities were derived from non-binding market consensus prices that are corroborated by observable market data and quoted market prices for similar instruments.

Note 4 – Balance Sheet Components
Marketable Securities

The following table summarizes the Company's marketable securities by significant investment categories (in thousands):

	September 30, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Fair Value
Commercial paper	\$ 47,355	\$ —	\$ —	\$ 47,355
Total	\$ 47,355	\$ —	\$ —	\$ 47,355

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Fair Value
Commercial paper	\$ 10,794	\$ —	\$ —	\$ 10,794
U.S. Treasury and government debt securities	\$ 8,998	\$ 1	\$ —	\$ 8,999
Total	\$ 19,792	\$ 1	\$ —	\$ 19,793

The remaining contractual maturity of all marketable securities was within one year as of September 30, 2021 and December 31, 2020. Realized gains and losses were not material for the three and nine months ended September 30, 2021 and 2020. As of September 30, 2021 and 2020, there were no securities that were in an unrealized loss position for more than twelve months.

Property, Equipment and Software, Net

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

	September 30, 2021	December 31, 2020
Internal-use software	\$ 31,674	\$ 24,513
Network hardware, computer equipment and software	91,615	62,764
Leasehold improvements	2,098	1,249
Furniture and fixtures	620	621
Property, equipment and software, gross	126,007	89,147
Less: accumulated depreciation and amortization	(74,080)	(59,103)
Total property, equipment and software, net	\$ 51,927	\$ 30,044

Depreciation and amortization expense related to property, equipment, and software (excluding amortization of internal use software) was \$4.4 million and \$2.6 million for the three months ended September 30, 2021 and 2020, respectively, and \$10.7 million and \$7.2 million for the nine months ended September 30, 2021 and 2020, respectively.

The Company capitalized \$2.6 million and \$1.6 million in software development costs during the three months ended September 30, 2021 and 2020, respectively, and \$7.2 million and \$5.1 million for the nine months ended

September 30, 2021 and 2020, respectively. Amortization expense of internal use software was \$1.9 million and \$1.6 million during the three months ended September 30, 2021 and 2020, respectively, and \$5.3 million and \$4.4 million for the nine months ended September 30, 2021 and 2020, respectively. These costs are included within cost of revenue in the condensed consolidated statements of operations and comprehensive income.

The Company did not recognize any impairment charges on its long-lived assets during the nine months ended September 30, 2021 and 2020, respectively.

Accounts Payable

Accounts payable consists of the following (in thousands):

	September 30, 2021	December 31, 2020
Payable to publishers	\$ 185,530	\$ 168,673
Other	9,802	8,058
Total accounts payable	<u>\$ 195,332</u>	<u>\$ 176,731</u>

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	September 30, 2021	December 31, 2020
Accrued compensation	\$ 13,205	\$ 13,352
Accrued and other current liabilities	4,456	1,492
Total accrued expenses	<u>\$ 17,661</u>	<u>\$ 14,844</u>

Note 5 – Loan and Security Agreement

In June 2021, the Company amended and restated its loan and security agreement (the "Loan Agreement") with Silicon Valley Bank ("SVB"). The Loan Agreement provides a senior secured revolving credit facility of up to \$25.0 million or 80% of eligible accounts receivable less certain reserves, minus the aggregate principal amount of all outstanding advances. Interest accrues on advances under the revolving line of credit at a variable rate equal to the greater of prime rate or 3.25%. As of September 30, 2021, the applicable interest rate under the revolving line of credit was 3.25%. An unused revolver fee in the amount of 0.40% per annum of the average unused portion of the revolver line is charged and is payable quarterly in arrears in any quarter where the average closing outstanding balance is less than \$5.0 million. The maturity date of the revolving line of credit is June 6, 2024. As of September 30, 2021 there were no outstanding advances under the revolving line of credit.

The Company's obligations under the line of credit and the letters of credit (described in Note 6) with SVB are secured by substantially all of its assets excluding its intellectual property. The Loan Agreement contains affirmative covenants including financial covenants that, among other things, require the Company to maintain an adjusted quick ratio of no less than 1.0 to 1.0. The adjusted quick ratio is defined as the ratio of unrestricted cash and cash equivalents at SVB, plus billed accounts receivable to total accounts payable plus all SVB loans outstanding and outstanding letters of credit. The Loan Agreement also restricts the Company from paying dividends to stockholders without prior consent from SVB. The Company was in compliance with the financial covenants as of September 30, 2021.

Note 6 – Commitments and Contingencies**Operating Leases and Other Contractual Obligations**

The Company has commitments for future payments related to office facilities leases and other contractual obligations. The Company leases its office facilities under operating lease agreements that expire over varying time periods through the year ending December 31, 2023. Certain of these lease agreements have free or escalating rent payment provisions or fund certain leasehold improvements, which the Company accounts as lease incentives. The Company recognizes rent expense under such agreements on a straight-line basis over the lease term, with any lease incentive amortized as a reduction of rent expense over the lease term. The Company also has other contractual obligations expiring over varying time periods through the year ending December 31, 2024. Other contractual obligations primarily relate to minimum contractual payments due to data center providers.

Future annual minimum commitments as of September 30, 2021, are as follows (in thousands):

	Leases	Other Contractual Obligations
2021 (for remaining 3 months)	\$ 488	\$ 2,261
2022	1,017	9,255
2023	106	7,234
2024	—	3,877
Total future minimum commitments, net	<u>\$ 1,611</u>	<u>\$ 22,627</u>

Rent expense, net of sublease income, incurred under operating leases was \$0.5 million and \$0.6 million for three months ended September 30, 2021 and 2020, respectively, and \$1.6 million and \$1.9 million for the nine months ended September 30, 2021 and 2020, respectively. Rent expense was offset by sublease income of \$0.1 million for the three months ended September 30, 2020 and \$0.4 million for the nine months ended September 30, 2020. No rent expense was offset by sublease income for the nine months ended September 30, 2021.

Letters of Credit

As of September 30, 2021 and December 31, 2020, the Company had an irrevocable letter of credit outstanding related to non-cancelable facilities leases in the amounts of \$0.7 million, with annual automatic renewal and final expiration date in June 2022.

Legal Matters

From time to time, the Company has become involved in claims and other legal matters arising in the normal course of business. The Company investigates these claims as they arise and accrues for contingencies when the Company believes that a loss is probable and that the Company can reasonably estimate the amount of any such loss. The Company has made an assessment of the probability of incurring any such losses and whether or not those losses are estimable and although claims are inherently unpredictable the Company concluded that these losses are not material to the Company's business, financial position, results of operations, or cash flows. To the extent there is a reasonable possibility that a loss exceeding amounts already recognized may be incurred, and the amount of such additional loss would be material, the Company will either disclose the estimated additional loss or state that such an estimate cannot be made.

Indemnification

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnification. The Company's exposure under these agreements is unknown because it involves future claims that may be made against the Company but have not yet been made. To date, the Company has not paid any material claims or been required to defend any actions related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations. In addition, the Company has indemnification agreements with certain of its directors and executive officers that require it, among other things, to indemnify them against certain liabilities that may arise due to their status or service as directors or officers of the Company. The terms of such obligations may vary.

Note 7 – Convertible Preferred Stock

Upon completion of the IPO in December 11, 2020, all shares of convertible preferred stock outstanding, totaling 33,443,969 shares, were automatically converted into an equivalent number of shares of Class B common stock on a one-to-one basis and their carrying value of \$61.2 million was reclassified into stockholders' equity. As of September 30, 2021, there were no shares of convertible preferred stock issued and outstanding.

In connection with the IPO, the Company's restated certificate of incorporation became effective, which authorized the issuance of 10,000,000 shares of undesignated preferred stock with a par value of \$0.0001 with rights and preferences, including voting rights, designated from time to time by the Company's board of directors.

Note 8 – Stockholders' Notes Receivable and Redeemable Common Stock

In August 2018, the Company loaned its Chief Executive Officer and Chief Growth Officer a total of \$4.0 million under secured nonrecourse promissory notes (the "Notes"). The Notes bore interest at a rate of 2.42% per annum compounded annually and had a maturity date of August 30, 2021, with interest and principal due at maturity. The Notes were secured by pledges of 1.6 million shares of outstanding common stock of the Company owned by the two officers (the "Pledged Shares"). The Notes could be prepaid in cash at any time without penalty. At maturity and in certain events of default, the Notes could, at the option of the two officers, be repaid in cash or surrender and cancellation of the Pledged Shares at fair market value. If the Pledged Shares were insufficient to repay the entire amount due under the Notes, then the value of the Pledged Shares would be deemed to be the full amount due under the Notes.

As the Company's only recourse on the Notes and associated interest was the Pledged Shares, the Notes were accounted for as nonrecourse and recorded to stockholders' equity as of September 30, 2020. This was accounted for as though the Company repurchased the Pledged Shares and in exchange issued the Notes and granted 1.6 million fully vested stock options with an exercise price equal to the face value of Notes plus interest. No principal or interest payments were paid during the three months ended September 30, 2020. During the quarter ended September 30, 2020, all principal and interest due under the notes were prepaid.

In connection with the Notes, the Company provided the officers with a right to sell to the Company outstanding shares of common stock upon settlement of the Notes (the "Put Option"). The officers could only exercise the Put Option upon repayment of the Notes using the Pledged Shares or upon the prepayment of the Notes using proceeds from the officers' sale or disposal of the Pledged Shares at a price less than the face value of the Notes. The Put Option allowed the officers to require the Company to repurchase any or all common stock held or beneficially owned to offset their tax liabilities resulting from the settlement of the Notes via one of the above methods. As the exercisability of the Put Option and therefore redemption of the common stock was outside the control of the Company, all common stock held or beneficially owned by the officers required temporary equity classification. The Company therefore classified \$19.0 million of common stock outside of stockholders' equity as of September 30, 2020, which represented the fair value of the shares held or beneficially owned on the transaction date. The Company did not adjust the carrying value of the redeemable common stock during the three months ended September 30, 2020 since a redemption event was not probable. The Put Option expired unexercised upon the repayment of the Notes and during the Company's quarter ended September 30, 2020, the \$19.0 million of redeemable common stock was reclassified back to common stock.

Note 9 – Stockholders’ Equity and Stock Option Plans**Common Stock**

In connection with the IPO in December 2020, the Company’s restated certificate of incorporation became effective, which authorized 1,000,000,000 shares of Class A common stock, \$0.0001 par value per share, and 1,000,000,000 shares of Class B common stock, \$0.0001 par value per share. Class A and Class B common stock are referred to as common stock throughout the notes to the condensed consolidated financial statements, unless otherwise noted.

Equity Incentive Plans

Upon completion of the IPO, the Company adopted the 2020 Equity Incentive Plan (“2020 Plan”), pursuant to which the Company may grant stock options, restricted stock awards, stock appreciation rights, restricted stock units (“RSUs”), deferred stock units (“DSUs”) performance awards, and stock bonus awards. As of September 30, 2021, the Company has reserved 6,414,228 shares of Class A common stock for the issuance of awards under the 2020 Plan. These available shares will increase automatically on January 1 for each of the first ten calendar years during the term of the 2020 Plan by the number of shares equal to the lesser of five percent (5%) of the aggregate number of outstanding shares of all classes of the Company’s common stock outstanding as of the immediately preceding December 31, or a number as may be determined by the Company’s board of directors or compensation committee. To the extent outstanding awards under the 2017 Plan and the 2006 Plan are forfeited, lapse unexercised, or would otherwise have been returned to the share reserve under the Prior Plans, the shares of Class B common stock subject to such awards instead will be available for future issuance as Class A common stock under the 2020 Plan. No new awards were issued under the 2006 Plan or 2017 Plan after the effective date of the 2020 Plan.

Stock Options

A summary of stock option activity under the Company’s equity incentive plan and related information is as follows:

	Stock Options			
	Number of Shares Underlying Outstanding Options	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding — December 31, 2020	8,459,969	\$ 2.53	6.83	\$ 215,144
Options granted	660,466	36.74		
Options exercised	(1,694,511)	1.96		
Options canceled/expired	(27,094)	7.96		
Outstanding — September 30, 2021	7,398,830	\$ 5.69	7.01	\$ 159,659
Vested — September 30, 2021	4,822,778	\$ 3.12	6.13	\$ 113,146

As of September 30, 2021, unrecognized stock-based compensation of \$19.0 million related to unvested stock options will be recognized on a straight-line basis over a weighted average period of 2.91 years.

Restricted Stock Units

A summary of RSU activity under the Company’s equity incentive plan and related information is as follows:

	RSUs	
	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Unvested — December 31, 2020	—	\$ —
Granted	507,406	35.45
Vested	(43,812)	37.92
Canceled/Forfeited	(11,281)	32.70
Unvested — September 30, 2021	452,313	\$ 35.28

As of September 30, 2021, unrecognized stock-based compensation of \$14.7 million related to unvested RSUs will be recognized on a straight-line basis over a weighted average period of 3.43 years.

2020 Employee Stock Purchase Plan

In November 2020, the Company's board of directors adopted, and its stockholders approved, the 2020 Employee Stock Purchase Plan ("ESPP"), which became effective in connection with the IPO. A total of 500,000 shares of the Company's Class A common stock were initially reserved for issuance under the ESPP.

The aggregate number of shares reserved for issuance under the ESPP will increase automatically on January 1st of each of the first ten calendar years during the term of the ESPP by the number of shares equal to the lesser of (a) 1% of the total outstanding shares of all classes of the Company's common stock as of the immediately preceding December 31 and (b) such number of shares of common stock as determined by the Company's board of directors. The aggregate number of shares issued over the term of the ESPP may not exceed 7,500,000 shares of Class A common stock. As of September 30, 2021, the Company has reserved 834,866 shares of its common stock for issuance under the ESPP.

Under the ESPP, Class A common stock will be purchased for the accounts of employees participating in the ESPP on each purchase date at a price per share equal to 85% of the lesser of: (a) the fair market value on the offering date or (b) the fair market value on the purchase date. The ESPP provides for, at maximum, 27 month offering periods and each offering period may consist of one or more six-month purchase periods, beginning December 9, 2020 through May 31, 2022 with the purchase date on the last day of each purchase period. As of September 30, 2021, \$1.5 million has been withheld on behalf of employees for a future purchase under the ESPP due to the timing of payroll deductions and is included in accrued and other current liabilities. For the nine months ended September 30, 2021, 155,015 shares of our Class A common stock have been purchased under the ESPP.

As of September 30, 2021, unrecognized stock-based compensation expense related to the ESPP was \$2.4 million, which is expected to be recognized over a weighted-average period of 0.67 years.

Stock-Based Compensation

The total stock-based compensation recognized in the condensed consolidated statements of operations and comprehensive income is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of revenue	\$ 233	\$ 10	\$ 605	\$ 30
Technology and development	586	222	1,646	377
Sales and marketing	1,388	358	3,839	721
General and administrative	1,507	854	4,418	1,311
Total stock-based compensation	3,714	1,444	10,508	2,439
Tax benefit from stock-based compensation	(521)	(206)	(1,401)	(293)
Total stock-based compensation, net of tax effect	\$ 3,193	\$ 1,238	\$ 9,107	\$ 2,146

Note 10 – Net Income Per Share Attributable to Common Stockholders

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

	Three Months Ended September 30,			
	2021		2020	
	Class A	Class B	Class A	Class B
	(in thousands, except share and per share data)			
Numerator:				
Net income	\$ 7,294	\$ 6,232	\$ —	\$ 6,231
Less: Undistributed earnings allocated to participating securities	—	—	—	(5,035)
Reallocation of net income attributable to common stockholders	(1,229)	1,229	—	—
Net income attributable to common stockholders – basic	<u>\$ 6,065</u>	<u>\$ 7,461</u>	<u>\$ —</u>	<u>\$ 1,196</u>
Denominator:				
Weighted average common shares outstanding – basic	22,669,223	27,890,413	—	10,335,359
Net income per share attributable to common stockholders – basic:	<u>\$ 0.27</u>	<u>\$ 0.27</u>	<u>\$ —</u>	<u>\$ 0.12</u>
Numerator:				
Net income attributable to common stockholders - diluted	<u>\$ 5,445</u>	<u>\$ 8,081</u>	<u>\$ —</u>	<u>\$ 1,630</u>
Denominator:				
Weighted average shares outstanding – basic	22,669,223	27,890,413	—	10,335,359
Options to purchase common stock	—	5,864,634	—	5,541,531
Restricted stock	11,553	—	—	—
Employee stock purchase plan shares	63,068	—	—	—
Weighted average shares outstanding – diluted	<u>22,743,844</u>	<u>33,755,047</u>	<u>—</u>	<u>15,876,890</u>
Net income per share attributable to common stockholders – diluted	<u>\$ 0.24</u>	<u>\$ 0.24</u>	<u>\$ —</u>	<u>\$ 0.10</u>

The following weighted-average outstanding shares of common stock equivalents were excluded from the computation of diluted net income per share attributable to common stockholders for the periods presented because including them would have been anti-dilutive:

	Three Months Ended September 30,			
	2021		2020	
	Class A	Class B	Class A	Class B
Options to purchase common stock	892,639	—	—	—
Common stock issuable upon conversion of convertible preferred stock	—	—	—	33,443,969
Total excludable from net income per share attributable to common stockholders – diluted	<u>892,639</u>	<u>—</u>	<u>—</u>	<u>33,443,969</u>

	Nine months ended September 30,			
	2021		2020	
	Class A	Class B	Class A	Class B
	(in thousands, except share and per share data)			
Numerator:				
Net income	\$ 15,295	\$ 13,070	\$ —	\$ 7,788
Less: Undistributed earnings allocated to participating securities	—	—	—	(6,788)
Reallocation of net income attributable to common stockholders	(7,265)	7,265	—	—
Net income attributable to common stockholders – basic	<u>\$ 8,030</u>	<u>\$ 20,335</u>	<u>\$ —</u>	<u>\$ 1,000</u>
Denominator:				
Weighted average common shares outstanding – basic	14,087,401	35,667,048	—	10,178,598
Net income per share attributable to common stockholders – basic:	<u>\$ 0.57</u>	<u>\$ 0.57</u>	<u>\$ —</u>	<u>\$ 0.10</u>
Numerator:				
Net income attributable to common stockholders - diluted	\$ 7,146	\$ 21,219	\$ —	\$ 1,269
Denominator:				
Weighted average shares outstanding – basic	14,087,401	35,667,048	—	10,178,598
Options to purchase common stock	85,726	6,653,755	—	3,893,650
Restricted stock	23,222	—	—	—
Employee stock purchase plan shares	58,715	—	—	—
Weighted average shares outstanding – diluted	<u>14,255,064</u>	<u>42,320,803</u>	<u>—</u>	<u>14,072,248</u>
Net income per share attributable to common stockholders – diluted	<u>\$ 0.50</u>	<u>\$ 0.50</u>	<u>\$ —</u>	<u>\$ 0.09</u>

The following weighted-average outstanding shares of common stock equivalents were excluded from the computation of diluted net income per share attributable to common stockholders for the periods presented because including them would have been anti-dilutive:

	Nine months ended September 30,			
	2021		2020	
	Class A	Class B	Class A	Class B
Options to purchase common stock	668,294	—	—	1,128,642
Common stock issuable upon conversion of convertible preferred stock	—	—	—	33,443,969
Total excludable from net income per share attributable to common stockholders – diluted	<u>668,294</u>	<u>—</u>	<u>—</u>	<u>34,572,611</u>

Note 11 – Income Taxes

The Company computes its provision for income taxes by applying the estimated annual effective tax rate to pretax income and adjusts the provision for discrete tax items recorded in the period.

The Company recorded a provision for income taxes of \$0.8 million and \$1.6 million for the three months ended September 30, 2021 and 2020, respectively, and a provision for income taxes of \$2.7 million and \$2.1 million for the nine months ended September 30, 2021 and 2020, respectively.

The effective income tax rate was 9% and 21% for the nine months ended September 30, 2021 and 2020, respectively. The Company's effective tax rate for the first nine months of 2021 was lower compared to the statutory tax rate primarily due to higher tax benefits from share-based compensation and tax benefits for federal and state research credits, partially offset by nondeductible stock-based compensation, Section 162(m) limitation on compensation expense to covered employees and a higher tax rate in certain foreign countries where the Company operates.

Realization of the Company's deferred tax assets is dependent primarily on the generation of future taxable income. In considering the need for a valuation allowance, the Company considers its historical, as well as future projected, taxable income along with other objectively verifiable evidence. Objectively verifiable evidence includes the Company's realization of tax attributes, assessment of tax credits, and utilization of net operating loss carryforwards during the year.

Note 12 – Segment Information

The following table represents total revenue by geographic area based on the publisher's billing address (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
United States	\$ 36,451	\$ 24,412	\$ 93,935	\$ 60,962
EMEA	15,552	8,925	41,306	20,454
APAC	4,909	3,777	13,245	9,396
Rest of the world	1,174	683	2,866	1,694
Total	\$ 58,086	\$ 37,797	\$ 151,352	\$ 92,506

The Company's long-lived assets, net by geographic area are summarized as follows (in thousands):

	September 30, 2021	December 31, 2020
United States	\$ 43,255	\$ 24,580
Rest of the world	8,672	5,464
Total	\$ 51,927	\$ 30,044

Note 13 – 401(k) Plan

The Company has a 401(k) Savings Plan (the "401(k) Plan") that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, participating employees may elect to contribute up to 100% of their eligible compensation, subject to certain limitations. The 401(k) Plan provides for a discretionary employer matching contribution. The Company made no matching contribution to the 401(k) Plan for the nine months ended September 30, 2021 and 2020, respectively.

Note 14 – Subsequent Events

In October 2021, the Company entered into a new agreement to sublease approximately 34,229 square feet of office space located in Redwood City, California. The Company will use the space to support its general and administrative functions, sales and marketing, technology and development, engineering and customer support.

Pursuant to the sublease agreement, as amended, the lease term will commence on December 1, 2021 and will terminate on March 31, 2028. The annual lease payments during the first year are approximately \$3.4 million, escalating 3.0% annually thereafter. Rent expense will be recorded on a straight-line basis over the sublease term. The Company has provided an irrevocable letter of credit in the amount of approximately \$3.5 million, pursuant to the terms of the sublease.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements generally are identified by the words "believe," "may," "will," "potentially," "estimate," "continue," "anticipate," "intend," "could," "would," "project," "plan," "expect," and similar expressions. Examples of forward-looking statements include, but are not limited to, statements we make regarding our ability to maintain our growth and profitability, our ability to attract and retain publishers, our expectations concerning the advertising industry, and our ability to successfully navigate our business through the COVID-19 pandemic.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the forward-looking events and circumstances discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q to conform these statements to actual results or to changes in our expectations, except as required by law.

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q, and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2020 included in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC").

Overview

PubMatic fuels the endless potential of Internet content creators.

Our company provides a specialized cloud infrastructure platform that enables real-time programmatic advertising transactions. We believe that our purpose-built technology and infrastructure provides superior outcomes for both Internet content creators (publishers) and advertisers (buyers). In September 2021, our platform efficiently processed approximately 272 billion ad impressions daily, each in a fraction of a second.

Our cloud infrastructure platform provides superior monetization for publishers by increasing the value of an impression and providing incremental demand through our deep and growing relationships with buyers. We are aligned with our publisher and app developer partners by being independent. We do not own media and therefore do not have a vested interest in driving ad revenue to specific media properties. Our global platform is omnichannel, supporting a wide array of ad formats and digital device types, including mobile app, mobile web, desktop, display, video, over-the-top ("OTT"), connected television ("CTV"), and rich media. As of September 30, 2021, we served approximately 1,370 publishers and app developers representing over 97,000 individual domains and apps worldwide on our platform across a diverse group of content verticals including news, eCommerce, gaming, media, weather, fashion, technology, and more. We have demonstrated that we can retain and grow revenues from our publisher customers, as evidenced by our net dollar-based retention rate of 157% for the trailing twelve months ended September 30, 2021 and 110% for the trailing twelve months ended September 30, 2020.

We generate revenue from publishers primarily through revenue share agreements, generally one-year contracts that renew automatically for successive one-year periods, unless terminated prior to renewal. We primarily work with publishers and app developers who allow us direct access to their ad inventory, as well as select channel partners that meet our quality and scale thresholds. We refer to our publishers, app developers, and channel partners collectively as our publishers.

We enter into written service agreements with our DSP buyers that allow them to use our platform to buy ad inventory, but we earn revenue from our publishers. Our platform service agreements with DSPs generally have one-year terms that renew automatically for successive one-year periods, unless terminated prior to renewal. We also negotiate Supply Path Optimization (“SPO”) agreements with agencies and advertisers that encourage these buyers to spend a higher share of their advertising budgets on our platform by providing custom data and workflow integrations, product features, and volume-based business terms. SPO agreements typically have a one-year term and renewal terms are generally discussed one quarter prior to a new term. The effect of these SPO agreements is to increase the volume of ad spend on our platform without corresponding increases in technology costs.

Our ability to efficiently add and monetize valuable impressions on our platform has led to revenue growth, profitability, and operating cash flow. By focusing on valuable ad impressions, investing in our own specialized cloud software and hardware infrastructure, optimizing platform utilization, and implementing workflow automation, we have achieved strong gross margins. For the three months ended September 30, 2021 and the three months ended September 30, 2020, our gross margin was 72% and 72%, our net income margin (net income as a percentage of revenue) was 23% and 16%, our adjusted EBITDA margin (adjusted EBITDA as a percentage of revenue) was 42% and 35%, and operating cash flow margin (operating cash flows as a percentage of revenue) was 46% and 10%, respectively. For the nine months ended September 30, 2021 and the nine months ended September 30, 2020, our gross margin was 73% and 68%, our net income margin (net income as a percentage of revenue) was 19% and 8%, our adjusted EBITDA margin (adjusted EBITDA as a percentage of revenue) was 38% and 25%, and operating cash flow margin (operating cash flows as a percentage of revenue) was 40% and 17%, respectively.

For the three months ended September 30, 2021 and the three months ended September 30, 2020, we derived approximately 65% and 66% of our revenue from Americas-based publishers, 27% and 24% from Europe-based publishers, Middle East and Africa-based (“EMEA”) publishers, and 8% and 10% from Asia-Pacific (“APAC”)-based publishers, respectively. For the nine months ended September 30, 2021 and the nine months ended September 30, 2020, we derived approximately 64% and 68% of our revenue from Americas-based publishers, 27% and 22% from EMEA-based publishers, and 9% and 10% from APAC-based publishers, respectively. We are focused on expanding outside the United States and expect to increase our proportion of revenue from non-U.S. geographies in the future. We classify publishers by geography based on the billing address of the publisher transacting with us.

In the third quarter of 2021, mobile (including mobile video) and video (including OTT/CTV) combined comprised approximately 65% of our revenue. We anticipate mobile to continue increasing as a percentage of our total impressions and revenue in the future. We further expect video to constitute an increasingly important component of our business.

COVID-19

The COVID-19 pandemic has resulted, and is expected to continue to result, in a global slowdown of economic activity which is likely to decrease demand for a broad variety of goods and services, including those provided by certain of the advertisers on our platform. This situation could also potentially limit our ad buyers’ budgets or disrupt sales channels and advertising and marketing activities generally. The duration of these disruptive effects will continue for an unknown period of time until the virus is contained or economic activity normalizes. During the first three quarters of 2021, revenue from the majority of our advertising categories exceeded pre-COVID spending levels. Although our revenue has returned to growth, the impact of the pandemic on our future growth and our results of operations is unknown and we are unable to accurately predict the future impact. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on a variety of factors, including the duration and spread of the virus and its impact on our publishers, ad buyers, industry, and employees,

all of which are uncertain at this time and cannot be accurately predicted. See “Risk Factors” for further discussion of the adverse impacts of the COVID-19 pandemic on our business.

The table below summarizes the financial highlights of our business:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands)		(in thousands)	
Revenue	\$ 58,086	\$ 37,797	\$ 151,352	\$ 92,506
Operating income	14,048	7,791	30,823	9,549
Net income	13,526	6,231	28,365	7,788
Adjusted EBITDA ⁽¹⁾	24,264	13,391	57,352	23,430
Net cash provided by operating activities	\$ 26,439	\$ 3,685	\$ 60,202	\$ 15,706

(1) For a definition of Adjusted EBITDA, an explanation of our management’s use of this measure, and a reconciliation of Adjusted EBITDA to net income, see “Non-GAAP Financial Measure”

Key Factors Affecting Our Performance

We believe our growth and financial performance are dependent on many factors, including those described below.

Growing access to valuable ad impressions

Our recent growth has been driven by a variety of factors including increased access to mobile web (display and video) and mobile app (display and video) impressions and desktop video impressions. Our performance is affected by our ability to maintain and grow our access to valuable ad impressions from current publishers as well as through new relationships with publishers. The number of ad impressions processed on our platform was approximately 23.9 trillion and 11.8 trillion for the three months ended September 30, 2021 and 2020, respectively.

Monetizing ad impressions for publishers and buyers

We focus on monetizing digital impressions by coordinating daily over a hundred billion real-time auctions and nearly a trillion bids globally, using our specialized cloud software, machine learning algorithms, and scaled transaction infrastructure. Valuable ad impressions are transparent and data rich, viewable by humans, and verifiable. Each ad impression we auction consists of over 440 independent data parameters, which can yield valuable insights if recorded and analyzed properly. This processing of voluminous data for each ad impression must occur in less than half a second as consumers expect a seamless digital ad experience. By deploying our specialized software and hardware and continuously optimizing our machine learning algorithms, we are able to derive superior outcomes by increasing advertiser return on investment (“ROI”) and publisher revenue, while increasing the cost efficiency of our platform and our customers’ businesses. We continually assess impressions from new and existing publishers through a rigorous validation process. We add or remove impressions from our platform based on an assessment of the projected value of the impressions, which is influenced by the type of publisher and its related consumers, as well as the potential volume of monetizable impressions and ad format types, such as digital video. We continuously create and iterate algorithms that leverage vast datasets flowing through our infrastructure to improve the liquidity in our marketplace. Our ability to drive successful outcomes in the real-time auction process on behalf of our publishers and buyers will affect our operating results.

Identifying valuable ad impressions that we can profitably monetize at scale

We continuously review our available inventory from existing publishers across every format (mobile, desktop, digital video, OTT, CTV, and rich media). The factors we consider to determine which impressions we process include transparency, viewability, and whether or not the impression is human sourced. By consistently applying these criteria, we believe that the ad impressions we process will be valuable and marketable to advertisers. In addition, using a combination of proprietary analysis driven by machine learning algorithms that are continuously

updated along with specialized third-party tools, we aim to exclude low value impressions from our platform and, in some cases, may suspend certain publishers, or particular publisher sites and apps, from using our platform if they do not meet our standards. Our confidence in our ability to achieve our quality goals is backed by a fraud-free guarantee to all of our buyers which we introduced in 2017. We believe that this rigorous commitment to quality helps us maintain our reputation as a leader in the programmatic advertising ecosystem. Our financial performance depends in part on how efficiently and effectively we can conduct these activities at scale.

Increasing revenue from publishers and advertising spend from buyers

We leverage our extensive platform capabilities and the subject matter expertise of our team members to grow revenue from our publishers and increase advertising spending from our buyers. Our sales and marketing team includes customer success pods to enhance customer knowledge and implementation of best practices. Once we onboard a new customer, we seek to expand our relationship with existing publishers by establishing multiple header bidding integrations by leveraging our omnichannel capabilities to maximize our access to publishers' ad formats and devices, and expanding into the various properties that a publisher may own around the world. We may also up-sell additional products to publisher customers including our header bidding management, identity, and audience solutions. We automate workflow processes whenever feasible to drive predictable and value-added outcomes for our customers and increase productivity of our organization.

Net dollar-based retention rate is an important indicator of publisher satisfaction and usage of our platform, as well as potential revenue for future periods. We calculate our net dollar-based retention rate at the end of each quarter for a cumulative twelve months. We calculate our net dollar-based retention rate by starting with the revenue from publishers in the prior trailing twelve month period ("Prior Period Revenue"). We then calculate the revenue from these same publishers in the current trailing twelve month period ("Current Period Revenue"). Current Period Revenue includes any upsells and is net of contraction or attrition, but excludes revenue from new publishers. Our net dollar-based retention rate equals the Current Period Revenue divided by Prior Period Revenue. Our net dollar-based retention rate was 157% for the trailing twelve months ended September 30, 2021 and 110% for the trailing twelve months ended September 30, 2020. Our growth in the period ended September 30, 2021 and 2020 was primarily attributable to an increase in the number of ad impressions processed from our publishers, upselling additional products, penetration of header bidding for mobile app and digital video, and increased demand from the growth of our buyer relationships primarily through SPO agreements.

We work with DSPs to help them reduce their costs and improve advertiser ROI, which in turn makes us the specialized cloud infrastructure platform of choice for many of our buying partners. As buyers increasingly consolidate their spending with fewer larger technology platforms, we seek to bring an increased proportion of their digital ad spending to our platform through direct deals. We have entered into SPO agreements directly with buyers, advertisers and agencies through various arrangements ranging from custom data and workflow integrations, product features, and volume-based business terms. The effect of these SPO agreements is to increase the volume of ad spend on our platform without corresponding increases in technology costs.

Managing industry dynamics

We operate in the rapidly evolving digital advertising industry. Due to the scale and complexity of the digital advertising ecosystem, direct sales via manual, person-to-person processes are insufficient for delivering a real-time, personalized ad experience, creating the need for programmatic advertising. In turn, advances in programmatic technologies have enabled publishers to auction their ad inventory to more buyers, simultaneously, and in real time through a process referred to as header bidding. Header bidding has also provided advertisers with transparent access to ad impressions. As advertisers keep pace with ongoing changes in the way that consumers view and interact with digital media there will be further innovation and we anticipate that header bidding will be extended into new areas such as OTT/CTV. We believe our focus on publishers and buyers has allowed us to understand their needs and our ongoing innovation has enabled us to quickly adapt to changes in the industry, develop new solutions and do so cost effectively. Our performance depends on our ability to keep pace with industry changes such as header bidding and the evolving needs of our publishers and buyers while continuing our cost efficiency.

Expanding and managing investments

We make software and hardware infrastructure investment decisions to meet expected increases in ad impressions on both a global and regional data center level throughout the calendar year based on the projected quantity, ad format type, and associated data requirements. In parallel, we seek to continuously improve our infrastructure utilization. Our ability to identify and monetize high value impressions allows us to operate more efficiently because the cost of processing low-value impressions and high-value impressions are approximately the same. We believe that increasing utilization of our platform leads to improved outcomes for our customers and more efficient and effective operations for us. To achieve improved utilization, we leverage the data on our platform through extensive application of artificial intelligence technologies, including machine learning and natural language processing. The magnitude and timing of our investments in our software and hardware may lead to fluctuations in our operating results.

Expanding internationally

We plan to continue expanding our international presence and making additional investments in sales and marketing and infrastructure to support our long-term growth and to position ourselves for expected increases in the penetration of programmatic advertising globally. We expect programmatic advertising to grow at different rates in different geographic markets. Our publishers outside of the United States typically have smaller amounts of programmatic inventory, and as a result, our sales and marketing expenses associated with non-U.S. publishers are generally proportionally higher. We are constantly evaluating new markets with a strategy to use our existing infrastructure and adjacent sales offices, or by expanding our infrastructure footprint and placing personnel directly in those markets. Our ability to efficiently expand into new markets will affect our operating results.

Managing Seasonality

The global advertising industry experiences seasonal trends that affect the vast majority of participants in the digital advertising ecosystem. Most notably, advertisers have historically spent relatively more in the fourth quarter of the calendar year to coincide with the holiday shopping season, and relatively less in the first quarter. We expect seasonality trends to continue, and our ability to manage our resources in anticipation of these trends will affect our operating results.

Non-GAAP Financial Measure

In addition to our results determined in accordance with U.S. generally accepted accounting principles (“GAAP”), including, in particular operating income, net cash provided by operating activities, and net income, we believe that adjusted EBITDA, a non-GAAP measure, is useful in evaluating our operating performance. We define adjusted EBITDA as net income adjusted for stock-based compensation expense, depreciation and amortization, impairments of long-lived assets, interest income, and provision for income taxes.

The following table presents a reconciliation of adjusted EBITDA to net income for each of the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands)		(in thousands)	
Net income	\$ 13,526	\$ 6,231	\$ 28,365	\$ 7,788
Add back (deduct):				
Stock-based compensation	3,714	1,444	10,508	2,439
Depreciation and amortization	6,304	4,178	15,992	11,574
Interest income	(79)	(83)	(208)	(475)
Provision for income taxes	799	1,621	2,695	2,104
Adjusted EBITDA	\$ 24,264	\$ 13,391	\$ 57,352	\$ 23,430

Key Components of Our Results of Operations

Revenue

We generate revenue from publishers who use our platform. Our platform allows publishers to sell, in real time, customized ad inventory to buyers and provides automated inventory management and monetization tools to publishers across various device types and digital ad formats. We generate revenue primarily through fees charged to our publishers, which are generally a percentage of the value of the advertising impressions that publishers monetize on the platform. We report revenue on a net basis. This represents gross billings to buyers, net of amounts we pay publishers. We record our accounts receivable at the amount of gross billings to buyers, net of allowances, for the amounts we are responsible to collect, and we record our accounts payable at the net amount payable to publishers. Accordingly, both accounts receivable and accounts payable appear large in relation to revenue, which is reported on a net basis.

Our revenue recognition policies are discussed in more detail under “—Critical Accounting Policies and Estimates.”

Cost of Revenue

Cost of revenue consists of data center co-location costs, depreciation expense related to hardware supporting our platform, amortization expense related to capitalized internal use software development costs, personnel costs, and allocated facilities costs. Personnel costs include salaries, bonuses, stock-based compensation, and employee benefit costs, and are primarily attributable to our cloud operations group, which maintains our servers, and our client operations group, which is responsible for the integration of new publishers and buyers and providing customer support for existing customers. We expect cost of revenue to generally increase in absolute dollars in future periods.

Operating Expenses

Technology and Development. Technology and development expenses consist of personnel costs, including salaries, bonuses, stock-based compensation, and employee benefits costs, allocated facilities costs, and professional services. These expenses include costs incurred in the development, implementation and maintenance of internal use software, including platform and related infrastructure. We expend technology and development costs as incurred, except to the extent that such costs are associated with internal use software development that qualifies for capitalization. We expect technology and development expenses to generally increase in absolute dollars in future periods.

Sales and Marketing. Sales and marketing expenses consist of personnel costs, including salaries, bonuses, stock-based compensation, and employee benefits costs, for our employees engaged in sales, sales support, marketing, business development, and customer relationship functions. Sales and marketing expenses also include expenses related to promotional, advertising and marketing activities, allocated facilities costs, travel, and entertainment primarily related to sales activity and professional services. We expect sales and marketing expenses to increase in absolute dollars in future periods.

General and Administrative. General and administrative expenses consist of personnel costs, including salaries, bonuses, stock-based compensation, and employee benefits costs for our executive, finance, legal, human resources, information technology, and other administrative employees. General and administrative expenses also include outside consulting, legal and accounting services, allocated facilities costs, and travel and entertainment primarily related to intra-office travel and conferences.

We expect to invest in corporate infrastructure and incur additional expenses associated with the transition to and operation as a public company, including increased legal and accounting costs, increased investor relations costs, higher insurance premiums, and compliance costs associated with developing the requisite infrastructure

required for internal controls. As a result, we expect general and administrative expenses to increase in absolute dollars in future periods.

Total Other Income (expense), Net

Total other income (expense), net consists of interest income and other income (expense), net. Interest income is generated by investing excess cash into money market accounts and marketable securities. Other income (expense), net consists primarily of gains and losses from foreign currency exchange transactions.

Provision for Income Taxes

The provision for income taxes consists primarily of federal, state, and foreign income taxes. Our income tax provision may be significantly affected by changes to our estimates for tax in jurisdictions in which we operate and other estimates utilized in determining the global effective tax rate. Actual results may also differ from our estimates based on changes in economic conditions. Such changes could have a substantial impact on the income tax provision. We reevaluate the judgments surrounding our estimates and make adjustments, as appropriate, each reporting period.

Our effective tax rate differs from the U.S. federal statutory income tax rate due to state taxes, foreign tax rate differences, technology and development tax credits, and stock-based compensation.

Realization of our deferred tax assets is dependent primarily on the generation of future taxable income. In considering the need for a valuation allowance, we consider our historical, as well as future projected, taxable income along with other objectively verifiable evidence. Objectively verifiable evidence includes our realization of tax attributes, assessment of tax credits, and utilization of net operating loss carryforwards during the year.

Results of Operations

The following tables set forth our condensed consolidated results of operations data and such data as a percentage of revenue for the periods presented. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands)		(in thousands)	
Condensed Consolidated Statements of Operations:				
Revenue	\$ 58,086	\$ 37,797	\$ 151,352	\$ 92,506
Cost of revenue ⁽¹⁾	16,020	10,491	41,408	29,736
Gross profit	42,066	27,306	109,944	62,770
Operating expenses ⁽¹⁾ :				
Technology and development	4,139	3,390	11,738	9,280
Sales and marketing	15,004	10,911	41,790	30,142
General and administrative	8,875	5,214	25,593	13,799
Total operating expenses	28,018	19,515	79,121	53,221
Operating income	14,048	7,791	30,823	9,549
Total other income (expense), net	277	61	237	343
Income before income taxes	14,325	7,852	31,060	9,892
Provision for income taxes	799	1,621	2,695	2,104
Net income	\$ 13,526	\$ 6,231	\$ 28,365	\$ 7,788

(1) Amounts include stock-based compensation before tax benefit as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands)		(in thousands)	
Cost of revenue	\$ 233	\$ 10	\$ 605	\$ 30
Technology and development	586	222	1,646	377
Sales and marketing	1,388	358	3,839	721
General and administrative	1,507	854	4,418	1,311
Total stock-based compensation expense	\$ 3,714	\$ 1,444	\$ 10,508	\$ 2,439

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(as percentage of revenue)		(as percentage of revenue)	
Revenue	100 %	100 %	100 %	100 %
Cost of revenue	28	28	27	32
Gross profit	72	72	73	68
Operating expenses:				
Technology and development	7	9	8	10
Sales and marketing	26	29	28	33
General and administrative	15	14	17	15
Total operating expenses	48	52	53	58
Operating income	24	20	20	10
Total other income (expense), net	—	—	—	—
Income before income taxes	24	20	20	10
Provision for income taxes	1	4	2	2
Net income	23 %	16 %	18 %	8 %

Revenue, Cost of Revenue and Gross Profit

	Three Months Ended September 30,		\$ Change	% Change
	2021	2020		
	(dollars in thousands)			
Revenue	\$ 58,086	\$ 37,797	\$ 20,289	54 %
Cost of revenue	16,020	10,491	5,529	53 %
Gross profit	\$ 42,066	\$ 27,306	\$ 14,760	54 %
Gross profit margin	72 %	72 %		

	Nine Months Ended September 30,		\$ Change	% Change
	2021	2020		
	(dollars in thousands)			
Revenue	\$ 151,352	\$ 92,506	\$ 58,846	64 %
Cost of revenue	41,408	29,736	11,672	39 %
Gross profit	\$ 109,944	\$ 62,770	\$ 47,174	75 %
Gross profit margin	73 %	68 %		

Revenue for the three months ended September 30, 2021 increased by \$20.3 million, or 54%, compared to the three months ended September 30, 2020. Revenue for the nine months ended September 30, 2021 increased by \$58.8 million, or 64%, compared to the nine months ended September 30, 2020. The growth in these periods was driven by increased impressions processed on our platform from both existing and new publishers.

As of September 30, 2021, we served approximately 1,370 publishers and app developers worldwide on our platform, which represented over 64,000 domains and 33,000 apps in total, compared to approximately 1,100 publishers and app developers worldwide, which represented approximately 55,000 domains and 8,000 apps in total as of September 30, 2020. For purposes of our publisher count, we aggregate multiple business accounts from separate divisions, segments or subsidiaries into a single “master” publisher based on our assessment of the related nature of the group.

We expect revenue to continue to grow in 2021 primarily due to continued advertising recovery from the global pandemic and the acceleration of mobile and omnichannel video driven by the increase in open internet activity globally.

Cost of revenue increased \$5.5 million for the three months ended September 30, 2021 compared to the three months ended September 30, 2020, primarily due to a \$2.1 million increase in depreciation of data center equipment and amortization of internal use software, a \$1.6 million increase in data centers costs, a \$1.1 million increase in our facilities costs, mainly due to colocation costs and support, and a \$0.6 million increase in personnel costs as headcount increased by 31%, higher stock-based compensation costs. Overall, our cost of revenue per impression processed for the three months ended September 30, 2021 decreased by approximately 25% compared to the three months ended September 30, 2020.

Cost of revenue increased \$11.7 million for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, primarily due to a \$4.4 million increase in depreciation of data center equipment and amortization of internal use software, a \$2.6 million increase in personnel costs, a \$2.4 million increase in data centers costs and \$2.0 million increase in our facilities costs.

Our gross margin of 72% for the three months ended September 30, 2021 remained flat compared to the three months ended September 30, 2020 and 73% for the nine months ended September 30, 2021 increased compared to 68% for the nine months ended September 30, 2020 due to greater utilization of our platform offset by investments for capacity expansion.

We expect the cost of revenue to be higher in 2021 compared to 2020 in absolute dollars as we continue to expand our capacity to process impressions. Cost of revenue may fluctuate from quarter to quarter and period to period, on an absolute dollar basis and as a percentage of revenue, depending on revenue levels and the volume of transactions we process supporting those revenues, and the timing and amounts of depreciation and amortization of equipment and software.

Technology and Development

	Three Months Ended September 30,		\$ Change	% Change
	2021	2020		
	(dollars in thousands)			
Technology and development	\$ 4,139	\$ 3,390	\$ 749	22 %
Percent of revenue	7 %	9 %		
	Nine Months Ended September 30,		\$ Change	% Change
	2021	2020		
	(dollars in thousands)			
Technology and development	\$ 11,738	\$ 9,280	\$ 2,458	26 %
Percent of revenue	8 %	10 %		

The increase in technology and development costs for the three months ended September 30, 2021 was primarily due to an increase of \$1.7 million in personnel costs partially offset by \$1.0 million increase related to the capitalization of internal use software.

The increase in technology and development costs for the nine months ended September 30, 2021 was primarily due to an increase of \$4.8 million in personnel costs partially offset by \$2.1 million related to the capitalization of internal use software.

We expect technology and development expenses to continue to increase in 2021 compared to 2020 in absolute dollars, primarily due to investment in technological innovation and additional headcount.

Sales and Marketing

	Three Months Ended September 30,		\$ Change	% Change
	2021	2020		
	(dollars in thousands)			
Sales and marketing	\$ 15,004	\$ 10,911	\$ 4,093	38 %
Percent of revenue	26 %	29 %		
	Nine Months Ended September 30,			
	2021	2020	\$ Change	% Change
	(dollars in thousands)			
Sales and marketing	\$ 41,790	\$ 30,142	\$ 11,648	39 %
Percent of revenue	28 %	33 %		

Sales and marketing costs for the three months ended September 30, 2021 increased primarily due to a \$3.4 million increase in personnel costs as headcount increased by 17%, higher stock-based compensation costs and \$0.7 million increase in marketing expenses.

Sales and marketing costs for the nine months ended September 30, 2021 increased primarily due to a \$11.0 million increase in personnel costs, \$1.1 million increase in marketing expenses, partially offset by \$0.7 million decrease in travel and entertainment due to the impact of the COVID-19 pandemic.

We expect sales and marketing expenses to increase in 2021 compared to 2020 in absolute dollars primarily due to additional headcount investment and marketing programs.

General and Administrative

	Three Months Ended September 30,		\$ Change	% Change
	2021	2020		
	(dollars in thousands)			
General and administrative	\$ 8,875	\$ 5,214	\$ 3,661	70 %
Percent of revenue	15 %	14 %		
	Nine Months Ended September 30,			
	2021	2020	\$ Change	% Change
	(dollars in thousands)			
General and administrative	\$ 25,593	\$ 13,799	\$ 11,794	85 %
Percent of revenue	17 %	15 %		

General and administrative expense increased for the three months ended September 30, 2021 primarily due to a \$1.6 million increase in personnel costs associated with a 18% increase in headcount and higher stock-based

compensation costs, a \$0.8 million increase in professional services composed primarily of legal and other consulting fees, and a \$1.0 million increase mostly related to D&O insurance expenses.

General and administrative expense increased for the nine months ended September 30, 2021 primarily due to a \$6.4 million increase in personnel costs and higher stock-based compensation costs, a \$2.3 million increase in professional services composed primarily of accounting and other consulting fees, and a \$2.5 million increase for insurance expenses.

We expect general and administrative expenses to increase in 2021 compared to 2020 in absolute dollars primarily due to the additional headcount and increased costs associated with being a public company.

Total Other Income (Expense), net

	Three Months Ended September 30,		\$ Change	% Change
	2021	2020		
	(dollars in thousands)			
Total other income (expense), net	\$ 277	\$ 61	\$ 216	354 %

	Nine Months Ended September 30,		\$ Change	% Change
	2021	2020		
	(dollars in thousands)			
Total other income (expense), net	\$ 237	\$ 343	\$ (106)	(31)%

Total other income (expense), net decreased for the three months ended September 30, 2021 and for the nine months ended September 30, 2021, compared to the prior year period, as a result of movements in exchange rates for the Indian Rupee and British Pound and lower interest rates and as a result of holding a larger portion of our excess cash in lower yielding money market investments.

Provision for Income Taxes

	Three Months Ended September 30,		\$ Change	% Change
	2021	2020		
	(dollars in thousands)			
Provision for income taxes	\$ 799	\$ 1,621	\$ (822)	(51)%

	Nine Months Ended September 30,		\$ Change	% Change
	2021	2020		
	(dollars in thousands)			
Provision for income taxes	\$ 2,695	\$ 2,104	\$ 591	28 %

The federal statutory income tax rate was 21% for the 2021 and 2020 periods, respectively. The difference between the effective tax rate for the three months ended September 30, 2021 and the federal statutory income tax rate was primarily due to deductions for equity awards, foreign-sourced revenue, and tax benefit for federal and state research credits, partially offset by nondeductible stock-based compensation, and a higher tax rate in certain foreign countries where the Company operates. The difference in our effective tax rate for the three months ended September 30, 2020 was primarily due to a higher tax rate in certain foreign countries where we operate and nondeductible stock-based compensation.

The difference between the effective tax rate for the nine months ended September 30, 2021 of 9% and the federal statutory income tax rate of 21% was primarily due to nondeductible stock-based compensation, a higher tax rate in certain foreign countries where we operate, partially offset by deductions for equity awards and for foreign-

sourced revenue, and tax benefit for federal and state research credits. The effective income tax rate was 21% for the nine months ended September 30, 2020 primarily due a lower state income tax and larger federal research credits.

Liquidity and Capital Resources

We have financed our operations and capital expenditures primarily through utilization of cash generated from operations, as well as sales of equity securities and borrowings under our credit facilities. As of September 30, 2021, we had cash, cash equivalents, and marketable securities of \$136.7 million and net working capital, consisting of current assets less current liabilities, of \$165.1 million. As of September 30, 2021, we had retained earnings of \$71.1 million.

We believe our existing cash, cash equivalents, marketable securities and anticipated net cash provided by operating activities, together with available borrowings under our credit facility, will be sufficient to meet our working capital requirements for at least the next 12 months. However, if our operating performance during the next 12 months is below our expectations, our liquidity and ability to operate our business could be adversely affected. Our future capital requirements and the adequacy of available funds will depend on many factors, including the duration and severity of the COVID-19 pandemic and its impact on buyers and sellers and those set forth under “Risk Factors.”

In the future, we may attempt to raise additional capital through the sale of equity securities or through equity-linked or debt financing arrangements. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional financing by incurring additional indebtedness, we may be subject to increased fixed payment obligations and could also be subject to additional restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may result in terms that could be unfavorable to equity investors. We cannot guarantee that we will be able to raise additional capital in the future on favorable terms, or at all. Any inability to raise capital could adversely affect our ability to achieve our business objectives.

Revolving Line of Credit

In February 2011, we entered into a Loan and Security Agreement (as amended, the “Loan Agreement”), with Silicon Valley Bank (“SVB”), which was subsequently amended at various times to provide us with additional borrowing capacity and/or flexibility.

As of September 30, 2021, the amount we can borrow under the Loan Agreement was the lesser of \$25.0 million or 80% of eligible accounts receivable less certain reserves, minus the aggregate principal amount of all outstanding advances. Interest accrues on advances under the Loan Agreement at a variable rate equal to the greater of the prime rate and 3.25%. For any quarter where the average closing outstanding balance under the Loan Agreement is less than \$5.0 million, a fee for such unused capacity in the amount of 0.40% per annum of the average unused portion is charged and is payable in arrears. As of September 30, 2021, the applicable interest rate under the Loan Agreement was 3.25%. In June 2021, we amended the Loan Agreement to extend its maturity date to June 6, 2024. As of September 30, 2021, there were no outstanding borrowings under the Loan Agreement.

Our obligations under the Loan Agreement are secured by substantially all of our assets excluding our intellectual property. The Loan Agreement contains affirmative covenants including financial covenants that, among other things, require us to maintain an adjusted quick ratio of no less than 1.0 to 1.0. The adjusted quick ratio is defined as the ratio of (a) our unrestricted cash and cash equivalents at SVB, plus net billed accounts receivable to (b) our total accounts payable plus all loans outstanding and outstanding letters of credit with SVB. The Loan Agreement also restricts us from paying dividends to stockholders without prior consent from SVB. We were in compliance with the covenants as of September 30, 2021.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Nine Months Ended September 30,	
	2021	2020
	(in thousands)	
Net cash provided by operating activities	\$ 60,202	\$ 15,706
Net cash used in investing activities	(57,119)	(11,791)
Net cash provided by financing activities	5,105	2,447
Net increase in cash and cash equivalents	<u>\$ 8,188</u>	<u>\$ 6,362</u>

Operating Activities

Our cash flows from operating activities are primarily influenced by growth in our operations, increases or decreases in collections from our buyers and related payments to our publishers, as well as our investment in personnel to support the anticipated growth of our business. Cash flows from operating activities have been affected by changes in our working capital, particularly changes in accounts receivable and accounts payable. The timing of cash receipts from buyers and payments to publishers can significantly impact our cash flows from operating activities. In addition, we expect seasonality to impact quarterly cash flows from operating activities.

For the nine months ended September 30, 2021, net cash provided by operating activities of \$60.2 million resulted primarily from net income of \$28.4 million, adjustments for non-cash expenses of \$27.9 million, including \$16.0 million for depreciation and amortization and \$10.5 million for stock-based compensation, and an increase in in accounts payable of \$16.6 million, partially offset by an increase in accounts receivable of \$8.9 million.

For the nine months ended September 30, 2020, net cash provided by operating activities of \$15.7 million resulted primarily from net income of \$7.8 million, adjustments for non-cash expenses of \$14.3 million, including \$11.6 million for depreciation and amortization and \$2.4 million for stock-based compensation, and an increase in in accounts payable of \$18.3 million, offset by an accounts receivable of \$23.2 million.

Investing Activities

Our investing activities primarily included investments in marketable securities, purchases of equipment as we expanded the infrastructure in our third-party data centers, and capitalized internal-use software costs in support of enhancing our platform. Purchases of property and equipment may vary from period-to-period due to the timing of the expansion of our data centers, the addition of headcount, and the development cycles of our software development. As our business grows, we expect our capital expenditures and our investment activity to continue to increase.

For the nine months ended September 30, 2021, we used \$57.1 million of cash in investing activities, consisting of \$22.8 million in purchases of property and equipment (primarily data center infrastructure), \$6.8 million of investments in capitalized internal use software and a net increase in investments of marketable securities of \$27.5 million.

For the nine months ended September 30, 2020, we used \$11.8 million of cash in investing activities, consisting of \$12.9 million in purchases of property and equipment (primarily data center infrastructure), \$5.6 million of investments in capitalized internal use software and a net decrease in investments of marketable securities of \$6.7 million.

Financing Activities

For the nine months ended September 30, 2021, net cash provided by financing activities of \$5.1 million was primarily due to \$2.6 million proceeds from our employee stock purchase plan, \$3.3 million proceeds from exercise of stock options, partially offset by \$0.8 million from the payment of offering costs from our IPO.

For the nine months ended September 30, 2020, net cash provided by financing activities of \$2.4 million primarily due to the repayment of stockholders' notes receivable and accrued interest totaling \$4.3 million, offset by payments for deferred offering costs of \$1.9 million.

Contractual Obligations and Future Cash Requirements

Our principal contractual obligations consist of non-cancelable leases for our various facilities. In certain cases, the terms of the lease agreements provide for rental payments that increase over time.

The following table summarizes our contractual obligations, at September 30, 2021 (in thousands):

	Payments due by period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Leases	\$ 1,611	\$ 488	\$ 1,123	\$ —	\$ —
Other contractual obligations ⁽¹⁾	22,627	2,261	16,489	3,877	—
Total	\$ 24,238	\$ 2,749	\$ 17,612	\$ 3,877	\$ —

(1) Other contractual obligations consist primarily of contractual obligations to third-party data center providers.

As of September 30, 2021, we had \$3.5 million of long-term income tax liabilities, including interest, related to uncertain tax positions. Because of the high degree of uncertainty regarding the settlement of these liabilities, we are unable to estimate the years in which future cash outflows may occur.

Off-Balance Sheet Arrangements

Through September 30, 2021, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

We prepare our condensed consolidated financial statements in accordance with GAAP. The preparation of the condensed consolidated financial statements requires us to make estimates and assumptions that affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenue and expenses. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors, and adjust those estimates and assumptions when facts and circumstances dictate. Actual results could materially differ from these estimates and assumptions.

We believe estimates and assumptions associated with the evaluation of revenue recognition criteria, including the determination of revenue reporting as net versus gross in our revenue arrangements, as well as internal use software development costs, fair values of stock-based awards, and income taxes have the greatest potential impact on our condensed consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. There have been no significant changes in our accounting policies from those disclosed in our audited consolidated financial statements and notes thereto for the year ended December 31, 2020 included in our Annual Report on Form 10-K.

Our revenue recognition policy is further described below, which is consistent with the policy included in our Annual Report referenced above.

Revenue Recognition

We generate revenue through the monetization of publisher ad impressions processed on our platform. Our platform allows publishers to sell, in real time, ad impressions to buyers and provides automated inventory management and monetization tools to publishers across various device types and digital ad formats. We charge publishers a fee, which is typically a percentage of the value of the impressions monetized through our platform.

We maintain agreements with each publisher and buyer in the form of written service agreements, which set out the terms of the relationship, including payment terms (typically ninety days or less) and access to our platform.

We invoice buyers for publisher digital advertising inventory purchased through its platform. We recognize revenue when a bid is won and a buyer purchases inventory on our platform. We estimate and record reductions to revenue for volume discounts based on expected volumes during the incentive term.

The determination as to whether revenue should be reported gross of amounts billed to buyers (gross basis) or net of payments to publishers (net basis) requires significant judgment, and is based on our assessment of whether we are acting as the principal or an agent in the transaction. We have determined that we do not act as the principal in the purchase and sale of digital advertising inventory because we do not control the advertising inventory and do not set the price which is the result of an auction within the marketplace. Based on these and other factors, we report revenue on a net basis.

We generally invoice buyers at the end of each month for the full purchase price of ad impressions monetized in that month. Accounts receivable are recorded at the amount of gross billings for the amounts it is responsible to collect, and accounts payable are recorded at the net amount payable to publishers. Accordingly, both accounts receivable and accounts payable appear large in relation to revenue reported on a net basis.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, refer to Note 2 “Basis of Presentation and Summary of Significant Accounting Policies,” to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks in the ordinary course of our business. These risks primarily include:

Interest Rate Risk

We had cash and cash equivalents of \$89.4 million and marketable securities of \$47.4 million as of September 30, 2021, which consisted of bank deposits, money market accounts, commercial paper, U.S. Treasury and government debt securities. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash, cash equivalents, and marketable securities have a relatively short maturity, our portfolio’s fair value is relatively insensitive to interest rate changes. Our line of credit is at variable interest rates. We had no amounts outstanding under our credit facility as of September 30, 2021. We do not believe that an increase or decrease in interest rates of 100 basis points would have a material effect on our operating results or financial condition. In future periods, we will continue to evaluate our investment policy relative to our overall objectives.

Currency Exchange Risk

Our condensed consolidated results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Historically, the majority of our revenue contracts have been denominated in U.S. Dollars. Our expenses are generally denominated in the currencies in which our operations are located, primarily the U.S. Dollar, Indian Rupee and British Pound. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative instruments. In the event our foreign sales and expenses increase, our operating results may be more greatly affected by foreign currency exchange rate fluctuations, which can affect our operating income. A hypothetical 10% change in the U.S. Dollar to India Rupee exchange rate could result in a change of \$0.9 million in our operating income for the nine months ended September 30, 2021. A hypothetical 10% change in the U.S. Dollar to British Pound exchange rate could result in a change of \$1.0 million in our operating income for the nine months ended September 30, 2021.

Inflation Risk

We do not believe that inflation has had a material effect on our business, results of operations, or financial condition. If our costs were to become subject to significant inflationary pressures, for example in India, we might not be able to fully offset such higher costs through price increases. Our inability or failure to do so could adversely affect our business, results of operations, and financial condition.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of September 30, 2021. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during the quarter ended September 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls and Procedures

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in legal or regulatory proceedings, lawsuits and other claims arising in the ordinary course of our business. In view of the inherent difficulty of predicting the outcome of such matters, we cannot state what the eventual outcome of such matters will be. However, based on our knowledge, we are not presently a party to any legal proceedings that, in the opinion of our management, would individually or taken together have a material adverse effect on our business, operating results, financial condition, or cash flows. Regardless of outcome, litigation can have an adverse impact on us due to defense and settlement costs, diversion of management resources, negative publicity and reputational harm, and other factors. For additional information, see Note 6, "Commitments and Contingencies," to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes, before making an investment decision. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect us. If any of the following risks materializes, our business, financial condition, results of operations, and prospects could be materially harmed, which could cause the price of our Class A common stock to decline, and cause any investment in our Class A common stock to lose some or all of its value.

Summary of Risk Factors

Consistent with the foregoing, our business is subject to a number of risks and uncertainties, including those risks discussed at length below. These risks include, among others, the following, which we consider our most material risks:

Our revenue and results of operations are highly dependent on the overall demand for advertising.

- If our existing customers do not expand their usage of our platform, or if we fail to attract new publishers and buyers, our growth will suffer. Moreover, any decrease in the use of the advertising channels that we primarily depend on, or failure to expand into emerging channels, could adversely affect our business, results of operations, and financial condition.
- Our business depends on our ability to maintain and expand access to valuable ad impressions from publishers, including our largest publishers.
- Our business depends on our ability to maintain and expand access to spend from buyers, including a limited number of DSPs, agencies, and advertisers.
- If the use of digital advertising is rejected by consumers, through opt-in, opt-out or ad-blocking technologies or other means, it could have an adverse effect on our business, results of operations, and financial condition.
- If we fail to make the right investment decisions in our platform, or if we fail to innovate and develop new solutions that are adopted by publishers, we may not attract and retain publishers, which could have an adverse effect on our business, results of operations, and financial condition.
- The extent to which the ongoing COVID-19 pandemic, including the resulting global economic uncertainty, and measures taken in response to the pandemic, could adversely affect our business, results of operations, and financial condition will depend on future developments, which are highly uncertain and difficult to predict.

- Our business depends on our ability to collect, use, and disclose data to deliver advertisements. Any limitation imposed on our collection, use or disclosure of this data could significantly diminish the value of our solution and cause us to lose publishers, buyers, and revenue. Consumer tools, regulatory restrictions and technological limitations all threaten our ability to use and disclose data.
- If the use of third-party “cookies,” mobile device IDs or other tracking technologies is restricted without similar or better alternatives, our platform’s effectiveness could be diminished and our business, results of operations, and financial condition could be adversely affected.
- Our operating history makes it difficult to evaluate our business and prospects and may increase the risk associated with your investment.
- The digital advertising industry is intensely competitive, and if we do not effectively compete against current and future competitors, our business, results of operations, and financial condition could be adversely affected.
- Our sales and marketing efforts may require significant investments and, in certain cases, involve long sales cycles, and may not yield the results we seek.
- If we do not manage our growth effectively, the quality of our platform and solutions may suffer, and our business, results of operations, and financial condition may be adversely affected.
- Market pressure may reduce our revenue per impression.
- If publishers, buyers, and data providers do not obtain necessary and requisite consents from consumers for us to process their personal data, we could be subject to fines and liability.
- We are subject to laws and regulations related to data privacy, data protection, information security, and consumer protection across different markets where we conduct our business, including in the United States and Europe, and industry requirements and such laws, regulations, and industry requirements are constantly evolving and changing.
- Seasonal fluctuations or market changes in digital advertising activity could adversely affect our business, results of operations, or financial condition.
- Our efforts to offer private marketplace solutions may not be successful, or we may not be able to scale our platform to meet this demand in a timely manner, and, as a result, we may not realize a return from our investments in that area.
- We are subject to payment-related risks if DSPs dispute or do not pay their invoices, and any decreases in payments or in our overall take rate could have a material adverse effect on our business, results of operations, and financial condition. These risks may be heightened as a result of the COVID-19 pandemic and resulting economic downturn.
- Our use and reliance upon technology and development resources in India may expose us to unanticipated costs and liabilities, which could affect our ability to realize cost savings from our technology operations in India.
- If mobile devices or their operating systems and Internet browsers develop in ways that prevent advertisements from being delivered to consumers, our business, results of operations, and financial condition may be adversely affected.
- If CTV develops in ways that prevent advertisements from being delivered to consumers, our business, results of operations, and financial condition may be adversely affected.

- Our continued business success depends upon our ability to offer high-quality inventory with appropriate viewability capabilities, and if our inventory quality declines or if we are unable to offer functionality that addresses quality concerns of both advertisers and publishers, our business, results of operations, and financial condition could be adversely affected.
- We rely on publishers, buyers, and partners to abide by contractual requirements and relevant laws, rules, and regulations when using our platform, and legal claims or enforcement actions resulting from their actions could expose us to liabilities, damage our reputation, and be costly to defend.
- We may be subject to intellectual property rights claims by third parties, which are costly to defend, could require us to pay significant damages and could limit our ability to use technology or intellectual property.
- Insiders have substantial control over our company, including as a result of the dual class structure of our common stock, which could limit or preclude your ability to influence corporate matters, including the election of directors and the approval of any change of control transaction.
- Sales of substantial amounts of our Class A common stock in the public markets, or the perception that they might occur, could cause the market price of our Class A common stock to decline.
- Our charter documents and Delaware law could discourage takeover attempts and other corporate governance changes.

Risks Related to Our Business and Our Industry

Our revenue and results of operations are highly dependent on the overall demand for advertising. Factors that affect the amount of advertising spending, such as economic downturns and the COVID-19 pandemic, can make it difficult to predict our revenue and could adversely affect our business, results of operations, and financial condition.

Our business depends on the overall demand for advertising and on the economic health of our current and prospective publishers and buyers. For example, due to the COVID-19 pandemic and the recession in the United States and global economy in the second quarter of 2020, advertising demand on our platform decreased and did not recover to pre-COVID-19 levels for two months. Various macroeconomic factors could cause advertisers to reduce their advertising budgets, including adverse economic conditions and general uncertainty about economic recovery or growth, particularly in North America, Europe, and Asia, where we do most of our business; instability in political or market conditions generally; and any changes in tax treatment of advertising expenses and the deductibility thereof. Reductions in overall advertising spending as a result of these factors could make it difficult to predict our revenue and could adversely affect our business, results of operations, and financial condition.

If our existing customers do not expand their usage of our platform, or if we fail to attract new publishers and buyers, our growth will suffer. Moreover, any decrease in the use of the advertising channels that we primarily depend on, or failure to expand into emerging channels, could adversely affect our business, results of operations, and financial condition.

We depend upon our buyer and publisher relationships to continue to grow the usage of our platform. In doing so, we compete for both supply and demand with larger, well-established companies that may have technological advantages stemming from their experience in the market. We must continue to adapt and improve our technology to compete effectively, and customers have not always embraced our offering due to various factors, including switching costs from moving away from pre-existing technology integrations, such as already implemented header bidding wrappers, and lack of awareness of our omnichannel offerings. Although we believe we provide superior transparency and accountability to such competitors, certain customers may place technological or financial demands that we are unable to meet. These and other factors may make it difficult for us to increase our business with our publishers and buyers, cause some buyers to reduce their spending with us, or increase our costs of doing business, which could adversely affect our business, results of operations, and financial condition.

Historically, our buyers have predominantly used our platform to purchase mobile, display, and video advertising inventory from our publishers. We expect that these will continue to be significant channels used by our customers for digital advertising in the future. We also believe that our revenue growth may depend on our ability to expand within mobile, video, and in particular, CTV, and we have been, and are continuing to, enhance such channels. We may not be able to accurately predict changes in overall advertiser demand for the channels in which we operate and cannot assure you that our investment in formats will correspond to any such changes. Any decrease in the use of mobile, display, and video advertising, whether due to customers losing confidence in the value or effectiveness of such channels, regulatory restrictions or other causes, or any inability to further penetrate CTV or enter new and emerging advertising channels, could adversely affect our business, results of operations, and financial condition.

Our business depends on our ability to maintain and expand access to valuable ad impressions from publishers, including our largest publishers.

Our business depends on our access to valuable ad impressions. We depend upon publishers, including channel partners, which aggregate large numbers of smaller publishers, to provide advertising space which we can offer to prospective buyers. A relatively small number of premium publishers have historically accounted for a significant portion of the ad impressions sold on our platform, as well as a significant portion of our revenue from publishers, including a relatively small number of channel partners. In particular, for the three months ended September 30, 2021 and 2020, 17% and 18%, respectively, of our revenue was derived from ad impressions sold on our platform from our largest publisher, Yahoo (formerly Verizon Media Group). Our agreement with Verizon Media Group, signed in 2015, automatically renews each year for successive one-year terms unless either party provides 30 days' prior written notice. Either party may also terminate for convenience immediately upon written notice. We expect to depend upon a relatively small number of premium publishers and channel partners for the foreseeable future. To support our continued growth, we will seek to add additional publishers to our platform, and to expand current utilization with our existing publishers.

We have no minimum commitments from publishers, so the amount, quality, and cost of ad impressions available to us can change at any time, and we cannot assure you that we will have access to a consistent volume or quality of ad impressions at a reasonable cost, or at all. For example, in January 2020, MoPub disabled all access to traffic from Grindr due to a European consumer advocacy group filing a complaints against it for alleged violations of the GDPR, which resulted in a pause of all monetization on Grindr for nearly two months and reduced the number of ad impressions available on our platform. Any disruptions in our relationships with premium publishers or largest channel partners could adversely affect our business, results of operations, and financial condition. If we cannot retain or add individual publishers with valuable ad impressions, or if such publishers decide not to make their valuable ad impressions available to us, then our buyers may be less inclined to use our platform, which could adversely affect our business, results of operations, and financial condition.

Our business depends on our ability to maintain and expand access to spend from buyers, including a limited number of DSPs, agencies, and advertisers.

Our business depends on our ability to maintain and expand our access to ad campaigns and spending from buyers such as DSPs, as well as agencies and advertisers (which execute their purchases through DSPs), to purchase advertising impressions from our publishers. A limited number of large DSPs – The Trade Desk and Google DV360 in particular – account for a significant portion of the ad impressions purchased on our platform. Our agreements with each of The Trade Desk and Google LLC, originally signed in 2011 and 2012, respectively, automatically renew each year for successive one-year terms unless, in the case of our agreement with Google LLC, either party provides at least 60 days' prior written notice. In addition, either party may terminate for convenience upon providing at least 30 days' prior written notice. We expect to depend upon these DSPs for a large percentage of impressions purchased for the foreseeable future. Any disruptions in our relationships with DSPs, agencies or advertisers could adversely affect our business, results of operations, and financial condition.

We have no minimum commitments from buyers to spend on our platform, so the amount of demand available to us can change at any time, and we cannot assure you that we will have access to a consistent volume or quality of ad campaigns or demand for our ad impressions at a reasonable price, or at all. If a buyer or group of buyers

representing a significant portion of the demand in our marketplace decides to materially reduce use of our platform, it could cause an immediate and significant decline in our revenue and profitability and adversely affect our business, results of operations, and financial condition.

If the use of digital advertising is rejected by consumers, through opt-in, opt-out or ad-blocking technologies or other means, it could have an adverse effect on our business, results of operations, and financial condition.

Consumers can, with increasing ease, implement technologies that limit our ability to collect and use data to deliver advertisements, or otherwise limit the effectiveness of our platform. Cookies may be deleted or blocked by consumers. The most commonly used Internet browsers allow consumers to modify their browser settings to block first-party cookies (placed directly by the publisher or website owner that the consumer intends to interact with) or third-party cookies (placed by parties, like us, that have no direct relationship with the consumer), and some browsers block third-party cookies by default. For example, Apple recently announced its intention to move to “opt-in” privacy models, requiring users to voluntarily choose to receive targeted ads, which may reduce the value of ad impressions on its iOS mobile application platform. Many applications and other devices allow consumers to avoid receiving advertisements by paying for subscriptions or other downloads. Mobile devices using Android and iOS operating systems limit the ability of cookies to track consumers while they are using applications other than their web browser on the device. As a consequence, fewer of our cookies or publishers’ cookies may be set in browsers or be accessible in mobile devices, which adversely affects our business.

Some consumers also download free or paid “ad blocking” software on their computers or mobile devices, not only for privacy reasons, but also to counteract the adverse effect advertisements can have on the consumer experience, including increased load times, data consumption, and screen overcrowding. Ad-blocking technologies and other global privacy controls may prevent some third-party cookies, or other tracking technologies, from being stored on a consumer’s computer or mobile device. If more consumers adopt these measures, our business, results of operations, and financial condition could be adversely affected. Ad-blocking technologies could have an adverse effect on our business, results of operations, and financial condition if they reduce the volume or effectiveness and value of advertising. In addition, some ad blocking technologies block only ads that are targeted through use of third-party data, while allowing ads based on first-party data (i.e., data owned by the publisher). These ad blockers could place us at a disadvantage because we rely on third-party data, while some large competitors have troves of first-party data they use to direct advertising. Other technologies allow ads that are deemed “acceptable,” which could be defined in ways that place us or our publishers at a disadvantage, particularly if such technologies are controlled or influenced by our competitors. Even if ad blockers do not ultimately have an adverse effect on our business, investor concerns about ad blockers could cause our stock price to decline.

Our results of operations may fluctuate significantly and may not meet our expectations or those of securities analysts and investors.

Our results of operations have fluctuated in the past, and future results of operations are likely to fluctuate as well. In addition, because our business is evolving, our historical results of operations may be of limited utility in assessing our future prospects. Factors that can cause our results of operations to fluctuate include:

- changes in demand and pricing for ad impressions sold on our platform;
- changes in our access to valuable ad impressions from publishers;
- addition or loss of publishers on our platform, and costs associated with adding or attempting to retain them;
- seasonality in our business;
- changes in the structure of the buying and selling of ad impressions;
- changes in the pricing policies of publishers and competitors;
- changes in costs of third-party services;

- changes and uncertainty in our legislative, regulatory, and industry environment, particularly in the areas of data protection and consumer privacy;
- introduction of new technologies or solutions;
- unilateral actions taken by DSPs, agencies, advertisers, or publishers; and
- changes in our capital expenditures as we acquire hardware, technologies, and other assets for our business.

Any one or more of the factors above may result in significant fluctuations in our results of operations. You should not rely on our past results as an indicator of our future performance.

Because many of our expenses are based upon forecasted demand and may be difficult to reduce in the short term, volatility in quarterly revenue could cause significant variations in quarterly results of operations. We may not forecast our revenue or expenses accurately, causing our results of operations to diverge from our estimates or the expectations of securities analysts, and investors. If we fail to meet or exceed such expectations for these or any other reasons, the trading price of our Class A common stock could fall, and we could face costly litigation, including securities class action lawsuits.

If we fail to make the right investment decisions in our platform, or if we fail to innovate and develop new solutions that are adopted by publishers, we may not attract and retain publishers, which could have an adverse effect on our business, results of operations, and financial condition.

We face intense competition in the marketplace and are confronted by rapidly changing technology, evolving industry standards, and consumer preferences, regulatory changes, and the frequent introduction of new solutions by our competitors that we must adapt and respond to. We need to continuously update our platform and the technology we invest in and develop, including our machine learning and other proprietary algorithms, in order to attract publishers and buyers and keep ahead of changes in technology, evolving industry standards and regulatory requirements. Our platform is complex and new solutions can require a significant investment of time and resources to develop, test, introduce, and enhance. These activities can take longer than we expect. Moreover, we may not make the right decisions regarding these investments. New formats and channels, such as mobile header bidding and CTV, present unique challenges that we must address in order to succeed. Our success in new formats and channels depends upon our ability to integrate our platform with these new formats and channels. If our mobile and video solutions or our new CTV solutions are not widely adopted by publishers, we may not retain publishers. In addition, new demands from publishers and buyers, superior offerings by competitors, changes in technology, or new industry standards or regulatory requirements could render our platform or our existing solutions less effective and require us to make unanticipated changes to our platform or business model. Our failure to adapt to a rapidly changing market, anticipate publisher and buyer demand, or attract and retain publishers would cause our revenue or revenue growth rate to decline, and adversely affect our business, results of operations, and financial condition.

The extent to which the ongoing COVID-19 pandemic, including the resulting global economic uncertainty, and measures taken in response to the pandemic, could adversely affect our business, results of operations, and financial condition will depend on future developments, which are highly uncertain and difficult to predict.

In March 2020, the World Health Organization characterized COVID-19 as a pandemic. Since then, the COVID-19 pandemic has disrupted the flow of the economy and put unprecedented strains on governments, health care systems, educational institutions, businesses, and individuals around the world and resulted in regional quarantines, labor shortages or stoppages, changes in consumer purchasing patterns, disruptions to service providers to deliver data on a timely basis, or at all, and overall economic instability. The impact on the global population and the duration of the COVID-19 pandemic is difficult to assess or predict. It is even more difficult to predict the impact on the global economic market, which will be highly dependent upon the actions of governments, businesses, and other enterprises in response to the pandemic and the effectiveness of those actions. The pandemic has already caused, and is likely to result in further, significant disruption of global financial markets and economic uncertainty. Although the advertising market and our business have generally recovered from the economic effects of the COVID-19 pandemic, it did initially adversely impact our sales and operations. We continue to monitor our

operations, the operations of publishers, DSPs, and agencies, as well as government recommendations as the pandemic continues to impact the U.S. and global economy.

In light of the uncertain and rapidly evolving situation relating to the spread of COVID-19, we have taken temporary precautionary measures intended to help minimize the risk of the virus to our employees, our customers, and the communities in which we participate, which could adversely affect our business, results of operations, or financial condition. As a company with employees, customers, partners, and investors across the globe, we believe in upholding our company value of being good people by doing our part to help slow the spread of the virus. To this end, most of our employees have been working remotely since the start of the pandemic. Although we continue to monitor the situation and may adjust our policies as more information and guidance become available, such policies could negatively impact our marketing efforts, lengthen sales cycles and result in an increase in certain prospective and current customers seeking lower prices or other more favorable contract terms, slow down our recruiting efforts, or create operational or other challenges due to a fully-remote workforce, any of which could adversely affect our business, results of operations, and financial condition.

A recession, depression, or other sustained adverse market events resulting from the spread of COVID-19 could adversely affect our business, results of operations, and financial condition, as well as the value of our common stock. Our customers or potential customers, particularly in industries most impacted by the COVID-19 pandemic including transportation, travel and hospitality, retail, and energy, may reduce their advertising spending or delay their advertising initiatives, which could adversely affect our business, results of operations, and financial condition. We may also experience curtailed customer demand, reduced customer spend or contract duration, delayed collections, lengthened payment terms, and increased competition due to changes in terms and conditions and pricing of our competitors' products and services.

Our business depends on our ability to collect, use, and disclose data to deliver advertisements. Any limitation imposed on our collection, use or disclosure of this data could significantly diminish the value of our solution and cause us to lose publishers, buyers, and revenue. Consumer tools, regulatory restrictions and technological limitations all threaten our ability to use and disclose data.

As we process transactions through our platform, we collect large amounts of data about advertisements and where they are placed, such as advertiser and publisher preferences for media and advertising content. We also collect data on ad specifications such as placement, size and format, ad pricing, and auction activity such as price floors, bid response behavior, and clearing prices. Further, we collect data on consumers that does not identify the individual, including browser, device location and characteristics, online browsing behavior, exposure to and interaction with advertisements, and inferential data about purchase intentions, and preferences. We collect this data through various means, including from our own systems, pixels that publishers allow us to place on their websites to track consumer visits, software development kits installed in mobile applications, cookies, and other tracking technologies. Our publishers, buyers, and data providers may choose to provide us with their proprietary data about consumers.

We aggregate this data and analyze it in order to enhance our services, including the pricing, placement, and scheduling of advertisements. As part of our real-time analytics service offering we also share the data, or analyses based on it, with our publishers and buyers. Our ability to collect, use and share data about advertising transactions and consumer behavior is critical to the value of our services. There are many technical challenges relating to our ability to collect, aggregate and associate the data, and we cannot assure you that we will be able to do so effectively. Evolving regulatory standards could place restrictions on the collection, management, aggregation and use of information, which could result in a material increase in the cost of collecting or otherwise obtaining certain kinds of data and could limit the ways in which we may use or disclose information. Internet users can, with increasing ease, implement practices or technologies that may limit our ability to collect and use data to deliver advertisements, or otherwise inhibit the effectiveness of our platform. Although our publishers and buyers generally permit us to aggregate and use data from advertising placements, subject to certain restrictions, publishers or buyers might decide to restrict our collection or use of their data.

Any limitations on this ability could impair our ability to deliver effective solutions, which could adversely affect our business, results of operations, and financial condition.

If the use of third-party “cookies,” mobile device IDs or other tracking technologies is restricted without similar or better alternatives, our platform’s effectiveness could be diminished and our business, results of operations, and financial condition could be adversely affected.

We use “cookies,” or small text files placed on consumer devices when an Internet browser is used, as well as mobile device identifiers, to gather data that enables our platform to be more effective. Our cookies and mobile device IDs do not identify consumers directly, but record information such as when a consumer views or clicks on an advertisement, when a consumer uses a mobile app, the consumer’s location, and browser or other device information. Publishers and partners may also choose to share their information about consumers’ interests or give us permission to use their cookies and mobile device IDs. We use data from cookies, mobile device IDs, and other tracking technologies to help advertisers decide whether to bid on, and how to price, an ad impression in a certain location, at a given time, for a particular consumer. Without cookies, mobile device IDs, and other tracking technology data, transactions processed through our platform would be executed with less insight into consumer activity, reducing the precision of advertisers’ decisions about which impressions to purchase for an advertising campaign. This could make placement of advertising through our platform less valuable, and harm our revenue. If our ability to use cookies, mobile device IDs or other tracking technologies is limited, we may be required to develop or obtain additional applications and technologies to compensate for the lack of cookies, mobile device IDs and other tracking technology data, which could be time consuming or costly to develop, less effective, and subject to additional regulation.

Our operating history makes it difficult to evaluate our business and prospects and may increase the risk associated with your investment.

We operate in an evolving industry with ever-changing customer needs, and, as a result, our business has evolved over time such that our operating history makes it difficult to evaluate our business and future prospects. Although we have experienced substantial revenue growth, we may not be able to sustain this growth rate, current revenue levels or profitability. We expect to face challenges, risks, and difficulties frequently experienced by growing companies in rapidly developing industries, including those relating to:

- recruiting, integrating, and retaining qualified and motivated employees, particularly engineers;
- developing, maintaining, and expanding relationships with publishers, DSPs, agencies, and advertisers;
- innovating and developing new solutions that are adopted by and meet the needs of publishers, DSPs, agencies, and advertisers;
- competing against companies with a larger customer base or greater financial or technical resources;
- global economic disruption and technological changes driven by the COVID-19 pandemic;
- further expanding our business internationally;
- managing expenses as we invest in our infrastructure and platform technology to scale our business and operate as a public company; and
- responding to evolving industry standards and government regulations that impact our business, particularly in the areas of data protection and consumer privacy.

If we are not successful in addressing these and other issues, our business may suffer, our revenue may decline and we may not be able to achieve further growth or sustain profitability.

The digital advertising industry is intensely competitive, and if we do not effectively compete against current and future competitors, our business, results of operations, and financial condition could be adversely affected.

The digital advertising ecosystem is competitive and complex due to a variety of factors. While programmatic header bidding has enabled the purchasing and selling of vast amounts of digital advertising inventory, there now exist significant challenges related to proliferation of media across platforms, transaction speed, increased costs,

transparency, and regulatory requirements. To address these issues at scale for both buyers and sellers, we provide specialized software and hardware infrastructure to optimally power technology-driven transactions. To successfully grow our business, we compete with SSPs like Magnite, Inc., smaller private SSPs in markets around the world, as well as divisions of larger companies like Google.

Some of our competitors have longer operating histories, greater name recognition, and greater financial, technical, sales, and marketing resources than we have. In addition, some competitors, particularly those with greater scale or a more diversified revenue base and a broader offering, have greater flexibility than we do to compete aggressively on the basis of price and other contract terms, or to compete with us by including in their product offerings services that we may not provide. Some competitors are able or willing to agree to contract terms that expose them to risks that might be more appropriately allocated to publishers or buyers of advertising (including inventory risk and the risk of having to pay publishers for unsold advertising impressions), and in order to compete effectively we might need to accommodate risks that could be difficult to manage or insure against. Some existing and potential buyers have their own relationships with publishers or are seeking to establish such relationships, and many publishers are investing in capabilities that enable them to connect more effectively directly with buyers. Our business suffers to the extent that publishers and buyers purchase and sell advertising inventory directly from one another or through other intermediaries other than us, reducing the amount of advertising spend on our platform. If we are unable to compete effectively for publishers' ad impressions and buyer's advertising spend, we may experience less demand for the ad impressions processed on our platform, which could adversely affect our business, results of operations, and financial condition.

There has also been rapid evolution and consolidation in the advertising technology industry, and we expect these trends to continue, thereby increasing the capabilities and competitive posture of larger companies, particularly those that are already dominant in various ways, and enabling new or stronger competitors to emerge. Many publishers and buyers are large consolidated organizations that may need to acquire other companies in order to grow. Smaller publishers and buyers may need to consolidate in order to compete effectively. There is a finite number of large publishers and buyers in our target markets, and any consolidation of publishers or buyers may give the resulting enterprises greater bargaining power or result in the loss of publishers and buyers that use our platform, reducing our potential base of publishers and buyers, each of which would lead to erosion of our revenue.

Some of our competitors may also choose to sell products or services competitive to ours at lower prices by accepting lower margins and profitability, or may be able to sell products or services competitive to ours at lower prices given proprietary ownership of data, technical superiority, or economies of scale. Such introduction of competent, competitive products, pricing strategies, or other technologies by our competitors that are superior to or that achieve greater market acceptance than our products and services could adversely affect our business. In such event, we could experience a decline in market share and revenues and be forced to reduce our prices, resulting in lower profit margins for us. Loss of existing or future market share to new competitors and increased price competition could substantially harm our business, results of operations, and financial condition.

Our sales and marketing efforts may require significant investments and, in certain cases, involve long sales cycles, and may not yield the results we seek.

Our sales and marketing teams educate prospective publishers and buyers about the use, technical capabilities, and benefits of our platform. Our sales cycle, from initial contact to contract execution and implementation, can take significant time with certain buyers, including agencies. We are often required to explain how our platform can optimize the value of a premium publisher's ad impressions or how a DSP can discover valuable ad impressions. We may spend substantial time and resources prospecting for new business or responding to requests for proposals from potential publishers and buyers, and it may not result in revenue. Following contract execution and implementation, ongoing sales cycles and account management can take significant time. We are often required to explain how an additional platform integration can enhance incremental demand or engage multiple trading teams within an advertising agency to source ad campaigns and create additional demand. We may not succeed in attracting new publishers despite our significant investment in our business development, sales and marketing organizations, and it is difficult to predict when new publishers will begin generating revenue through our platform, and the extent of that revenue. We may not succeed in expanding relationships with existing publishers and buyers, despite our significant

investment in our sales, account management, and marketing organizations, and it is difficult to predict when additional products will generate revenue through our platform, and the extent of that revenue.

If we do not manage our growth effectively, the quality of our platform and solutions may suffer, and our business, results of operations, and financial condition could be adversely affected.

The continued growth in our business may place demands on our infrastructure and our operational, managerial, administrative, and financial resources. Our success will depend on our ability to manage growth effectively. Among other things, this will require us at various times to:

- strategically invest in the development and enhancement of our platform and data center infrastructure;
- improve coordination among our engineering, product, operations, and other support organizations;
- manage multiple relationships with various partners, customers, and other third parties;
- manage international operations;
- develop our operating, administrative, legal, financial, and accounting systems and controls; and
- recruit, hire, train, and retain personnel.

If we do not manage our growth well, the efficacy and performance of our platform may suffer, which could harm our reputation and reduce demand for our platform and solutions. Failure to manage future growth effectively could adversely affect our business, results of operations, and financial condition.

Market pressure may reduce our revenue per impression.

Our revenue may be affected by market changes, new demands by publishers and buyers, new solutions, and competitive pressure. Our solutions may be priced too high or too low, either of which may carry adverse consequences. We may receive requests from publishers for discounts, fee revisions, rebates, and refunds, or from DSPs, agencies and advertisers for volume discounts, fee revisions, and rebates. Any of these developments could adversely affect our business, results of operations, and financial condition.

In addition, although header bidding is well-established, some of our other, newer products such as OpenWrap and Audience Encore utilize different pricing approaches, and we do not know whether our current or potential customers or the market in general will continue to accept such approaches going forward. Any failure for our pricing approaches to gain acceptance could adversely affect our business, results of operations, and financial condition.

We must scale our platform infrastructure to support anticipated growth and transaction volume. If we fail to do so, we may limit our ability to process ad impressions, and we may lose revenue.

Our business depends on processing ad impressions in milliseconds, and we must handle an increasingly large volume of such transactions. The addition of new solutions, such as header bidding in mobile and the CTV and OTT formats, support of evolving advertising formats, handling, and use of increasing amounts of data, and the overall growth in impressions place growing demands upon our platform infrastructure. If we are unable to grow our platform to support substantial increases in the number of transactions and in the amount of data we process, on a high-performance, cost-effective basis, our business, results of operations, and financial condition could be adversely affected. We expect to continue to invest in our platform in order to meet these requirements, and that investment could adversely affect our business, results of operations, and financial condition. Additionally, if we overestimate future usage of our platform, we may incur additional expenses in adding infrastructure without a commensurate increase in revenue, which could adversely affect our business, results of operations, and financial condition.

If we fail to detect or prevent fraud on our platform, or malware intrusion into the systems or devices of our publishers and their consumers, publishers could lose confidence in our platform, and we could face legal claims that could adversely affect our business, results of operations, and financial condition.

We may be subject to fraudulent or malicious activities undertaken by persons seeking to use our platform for improper purposes. For example, someone may attempt to divert or artificially inflate advertiser purchases through our platform, or to disrupt or divert the operation of the systems, and devices of our publishers, and their consumers in order to misappropriate information, generate fraudulent billings or stage cyberattacks, or for other illicit purposes. For example, sophisticated bot-nets and other complex forms of click fraud might be used to generate fraudulent impressions and divert advertising revenue from legitimate websites of publishers. Those activities could also introduce malware through our platform in order to commandeer or gain access to information on consumers' computers. We use third-party tools and proprietary technology to identify non-human traffic and malware, and we may reduce or terminate relationships with publishers that we find to be engaging in such activities. For example, in May 2020, we terminated a publisher for sending traffic that was part of the Icebucket spoofing scheme, where cybercriminals sent traffic mimicking connected TVs to fraudulently take CTV advertising dollars. During the investigative phase, we terminated the publisher which was reportedly a major vector for this particular spoofing attack. Although we continuously assess the quality and performance of advertising on publishers' digital media properties, it may be difficult to detect fraudulent or malicious activity, and we rely on proprietary and third-party tools, as well as the controls of publishers. Further, perpetrators of fraudulent impressions and malware frequently change their tactics and may become more sophisticated over time, requiring both us and third parties to improve processes for assessing the quality of publisher inventory and controlling fraudulent activity. If we fail to detect or prevent fraudulent or malicious activity of this sort, our reputation could be damaged, publishers may contest payment, demand refunds, or fail to give us future business, or we could face legal claims from publishers. Even if we are not directly involved in fraud or malicious activity, any sustained failures of others in our industry to adequately detect and prevent fraud could generate the perception that programmatic trading is unsafe and lead our publishers to avoid programmatic advertising.

If publishers, buyers, and data providers do not obtain necessary and requisite consents from consumers for us to process their personal data, we could be subject to fines and liability.

Because we do not have direct relationships with consumers, we rely on publishers, buyers, and data providers, as applicable, to obtain the consent of the consumer on our behalf to process their data and deliver interest-based advertisements, and to implement any notice or choice mechanisms required under applicable laws, but if publishers, buyers, or data providers do not follow this process (and in any event as the legal requirements in this area continue to evolve and develop), we could be subject to fines and liability. We may not have adequate insurance or contractual indemnity arrangements to protect us against any such claims and losses.

Prominent technology companies have announced plans to replace cookies with alternative mechanisms, and if cookies are discontinued in favor of proprietary tracking mechanisms, our costs to develop alternatives could increase.

Some prominent technology companies, including Google, have announced intentions to discontinue the use of cookies, and to develop alternative methods and mechanisms for tracking consumers. For example, in June 2021, Google announced its intention to phase out the use of third-party cookies starting in mid-2023 in its Chrome web browser. As companies replace cookies, it is possible that such companies may rely on proprietary algorithms or statistical methods to track consumers without cookies, or may utilize log-in credentials entered by consumers into other web properties owned by these companies, such as their email services, to track web usage, including usage across multiple devices. Alternatively, such companies may build different and potentially proprietary consumer tracking methods into their widely-used web browsers. For example, in March 2021, Google announced its intention to limit the use of alternate user-level identifiers and browsing history in its own ad platforms and products. Although we believe our platform is well-positioned to adapt and continue to provide key data insights to our publishers without cookies, this transition could be more disruptive, slower, or more expensive than we currently anticipate, and could materially affect our ability to serve our customers, and our business, results of operations, and financial condition could be adversely affected.

We are subject to laws and regulations related to data privacy, data protection, and information security, and consumer protection across different markets where we conduct our business, including in the United States and Europe and industry requirements and such laws, regulations, and industry requirements are constantly evolving and changing. Our actual or perceived failure to comply with such obligations could have an adverse effect on our business, results of operations, and financial condition.

We receive, store, and process data about or related to consumers in addition to our customers, employees, and services providers. Our handling of this data is subject to a variety of federal, state, and foreign laws and regulations and is subject to regulation by various government authorities. Our data handling also is subject to contractual obligations and may be deemed to be subject to industry standards.

The U.S. federal and various state and foreign governments have adopted or proposed limitations on the collection, distribution, use, and storage of data relating to individuals, including the use of contact information and other data for marketing, advertising and other communications with individuals and businesses. In the United States, various laws and regulations apply to the collection, processing, disclosure, and security of certain types of data. Additionally, the U.S. Federal Trade Commission and many state attorneys general are interpreting federal and state consumer protection laws as imposing standards for the online collection, use, dissemination, and security of data. If we fail to comply with any such laws or regulations, we may be subject to enforcement actions that may not only expose us to litigation, fines, and civil and/or criminal penalties, but also require us to change our business practices as well as have an adverse effect on our business, results of operations, and financial condition.

The regulatory framework for data privacy issues worldwide is currently evolving and is likely to remain uncertain for the foreseeable future. The occurrence of unanticipated events often rapidly drives the adoption of legislation or regulation affecting the use, collection, or other processing of data and manners in which we conduct our business. Restrictions could be placed upon the collection, management, aggregation, and use of information, which could result in a material increase in the cost of collecting or otherwise obtaining certain kinds of data and could limit the ways in which we may use or disclose information. In particular, interest-based advertising, or the use of data to draw inferences about a user's interests and deliver relevant advertising to that user, and similar or related practices (sometimes referred to as behavioral advertising or personalized advertising), such as cross-device data collection and aggregation, steps taken to de-identify personal data, and to use and distribute the resulting data, including for purposes of personalization and the targeting of advertisements, have come under increasing scrutiny by legislative, regulatory, and self-regulatory bodies in the United States and abroad that focus on consumer protection or data privacy. Much of this scrutiny has focused on the use of cookies and other technology to collect information about Internet users' online browsing activity on web browsers, mobile devices, and other devices, to associate such data with user or device identifiers or de-identified identities across devices and channels. In addition, providers of Internet browsers have engaged in, or announced plans to continue or expand, efforts to provide increased visibility into, and certain controls over, cookies and similar technologies and the data collected using such technologies. For example, in January 2020, Google announced that at some point in the following 24 months the Chrome browser will block third-party cookies. Because we, and our customers, rely upon large volumes of such data collected primarily through cookies and similar technologies, it is possible that these efforts may have a substantial impact on our ability to collect and use data from Internet users, and it is essential that we monitor developments in this area domestically and globally, and engage in responsible privacy practices, including providing consumers with notice of the types of data we collect and how we use that data to provide our services.

In the United States, the U.S. Congress and state legislatures, along with federal regulatory authorities have recently increased their attention on matters concerning the collection and use of consumer data. In the United States, non-sensitive consumer data generally may be used under current rules and regulations, subject to certain restrictions, so long as the person does not affirmatively "opt-out" of the collection or use of such data. If an "opt-in" model or other more restrictive regulations were to be adopted in the United States, less data would be available, and the cost of data would be higher.

California recently enacted legislation, the California Consumer Privacy Act (the "CCPA") that became operative on January 1, 2020 and became enforceable by the California Attorney General on July 1, 2020, along with related regulations which came into force on August 14, 2020. The CCPA creates individual privacy rights for California residents and increases the privacy and security obligations of businesses handling personal data. The

CCPA is enforceable by the California Attorney General and there is also a private right of action relating to certain data security incidents. The CCPA generally requires covered businesses to, among other things, provide new disclosures to California consumers and afford California consumers new abilities to opt-out of certain sales of personal information, a concept that is defined broadly, and although formal guidance has not been issued, behavioral advertising is believed to be a sale under CCPA by us, consumer advocacy groups and in some cases our larger competitors. We cannot yet fully predict the impact of the CCPA or subsequent guidance on our business or operations, but it may require us to further modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. Decreased availability and increased costs of information could adversely affect our ability to meet our customers' requirements and could have an adverse effect on our business, results of operations, and financial condition.

Additionally, a recent California ballot initiative, the California Privacy Rights Act (the "CPRA"), imposes additional data protection obligations on companies doing business in California, including additional consumer rights processes and opt-outs for certain uses of sensitive data and sharing of personal data starting in January 2023. As voted into law by California residents in November 2020, the CPRA could have an adverse effect on our business, results of operations, and financial condition. The effects of the CCPA and CPRA are potentially significant and may require us to modify our data collection or processing practices and policies and to incur substantial costs and expenses in an effort to comply and increase our potential exposure to regulatory enforcement and/or litigation.

The CCPA has encouraged "copycat" laws and in other states across the country, such as in Nevada, New Hampshire, Illinois, and Nebraska. In March 2020, Virginia passed the Consumer Data Protection Act (the "CDPA") which takes effect in January 2023. The CDPA is enforceable by the Virginia Attorney General and creates individual privacy rights for Virginia residents and increases the privacy obligations of businesses handling sensitive personal data. In July 2021, Colorado passed the Colorado Privacy Act (the "CPA") which takes effect in July 2023. The CPA is enforceable by the Colorado Attorney General and also creates individual privacy rights for Colorado residents and increases the privacy obligations of business handling personal data. We cannot yet fully predict the impact of the CDPA, the CPA, or subsequent guidance on our business or operations, but it may require us to further modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. Other proposed legislation may add additional complexity, variation in requirements, restrictions, and potential legal risk, require additional investment in resources to compliance programs, and could impact strategies and availability of previously useful data and could result in increased compliance costs and/or changes in business practices and policies.

In Europe, the GDPR took effect on May 25, 2018 and applies to products and services that we provide in Europe, as well as the processing of personal data of EU citizens, wherever that processing occurs. The GDPR includes operational requirements for companies that receive or process personal data of residents of the European Union that are different than those that were in place in the European Union. For example, we have been required to offer new controls to data subjects in Europe before processing data for certain aspects of our service. Failure to comply with GDPR may result in significant penalties for non-compliance of up to the greater of €20 million or 4% of an enterprise's global annual revenue. In addition to the foregoing, a breach of the GDPR could result in regulatory investigations, reputational damage, orders to cease/ change our processing of our data, enforcement notices, and/ or assessment notices (for a compulsory audit). We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm.

Further, in the European Union, regulators are increasingly focusing on compliance with requirements in the online behavioral advertising ecosystem, and current national laws that implement the ePrivacy Directive will be replaced by an EU Regulation, known as the ePrivacy Regulation, which will significantly increase fines for non-compliance and impose burdensome requirements around obtaining consent. While the text of the ePrivacy Regulation is still under development, a recent European court decision and regulators' recent guidance are driving increased attention to cookies and tracking technologies. As regulators start to enforce the strict approach (which has already begun to occur in Germany, where data protection authorities have initiated a probe on third-party cookies), this could lead to substantial costs, require significant systems changes, limit the effectiveness of our marketing

activities, divert the attention of our technology personnel, adversely affect our margins, increase costs, and subject us to additional liabilities. In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our services, including Brazil's General Data Protection law and Thailand's Personal Data Protection Act. Any failure to achieve required data protection standards (which are not currently clear when applied to the online advertising ecosystem) may result in lawsuits, regulatory fines, or other actions or liability, all of which may harm our results of operations. Because the interpretation and application of privacy and data protection laws such as the CCPA and GDPR, and the related regulations and standards, are uncertain, it is possible that these laws, regulations and standards may be interpreted and applied in manners that are, or are asserted to be, inconsistent with our data management practices or the technological features of our solutions.

We are also subject to laws and regulations that dictate whether, how, and under what circumstances we can transfer, process and/or receive certain data that is critical to our operations, including data shared between countries or regions in which we operate and data shared among our products and services.

In addition to government regulation, privacy advocacy and industry groups may propose new and different self-regulatory standards that either legally or contractually apply to us or our customers. We are members of self-regulatory bodies that impose additional requirements related to the collection, use, and disclosure of consumer data. Under the requirements of these self-regulatory bodies, in addition to other compliance obligations, we are obligated to provide consumers with notice about our use of cookies and other technologies to collect consumer data and of our collection and use of consumer data for certain purposes, and to provide consumers with certain choices relating to the use of consumer data. Some of these self-regulatory bodies have the ability to discipline members or participants, which could result in fines, penalties, and/or public censure (which could in turn cause reputational harm). Additionally, some of these self-regulatory bodies might refer violations of their requirements to the U.S. Federal Trade Commission or other regulatory bodies. If we were to be found responsible for such a violation, it could adversely affect our reputation, as well as our business, results of operations, and financial condition.

Our success depends on our ability to retain key members of our management team, and on our ability to hire, train, retain, and motivate new employees.

Our success depends upon the continued service of members of our senior management team and other key employees. Our Co-Founder and Chief Executive Officer, Rajeev K. Goel, is critical to our overall management, as well as the continued development of our platform and relationships with publishers, DSPs, and agencies, and our strategic direction. We do not maintain key-person insurance on any of our employees. Some of our key employees may receive significant proceeds from sales of our common stock, which may reduce their motivation to continue to work for us. As a result, we may be unable to retain them, which could make it difficult to operate our business, cause us to lose expertise or know-how, and increase our recruitment and training costs.

Our success also depends on our ability to hire, train, retain, and motivate new employees. Competition for employees in our industry can be intense, and we compete for experienced personnel with many companies that have greater resources than we have. The market for talent in our key areas of operations, especially in engineering, and competition for qualified personnel is particularly intense in the San Francisco Bay Area, Pune, India, and New York, where we maintain offices.

Seasonal fluctuations or market changes in digital advertising activity could adversely affect our business, results of operations, or financial condition.

We generate all of our revenue directly or indirectly from the purchase and sale of digital ad impressions processed on our platform. Our revenue, net cash provided by operating activities, results of operations, and other key operating and performance metrics may vary from quarter to quarter due to the seasonal nature of digital advertising spending. For example, digital advertisers tend to devote a large portion of their budgets to campaigns in the fourth quarter of the year, to coincide with consumer holiday spending, and then have a significantly smaller advertising budget in the first calendar quarter. Pricing of digital ad impressions in the fourth quarter is likely to be higher due to increased demand. In addition, adverse economic conditions or economic uncertainty may cause advertisers to decrease purchases of digital ad impressions, adversely affecting our revenue and results of operations.

For example, if the walled gardens of Google and Facebook become the preferred destinations for advertisers, lower demand for ad impressions processed on our platform could cause publishers to reduce their use of our platform or to cease using it altogether. A decline in the market for programmatic advertising or the failure of that market to grow as expected could also adversely affect our business, results of operations, and financial condition. Any decline in the volume or perceived quality of the ad impressions available on our platform could further reduce demand. Any such developments could have a material adverse effect on our business, results of operations, and financial condition.

Our efforts to offer private marketplace solutions may not be successful, or we may not be able to scale our platform to meet this demand in a timely manner, and, as a result, we may not realize a return from our investments in that area.

We believe there is significant and growing demand for private marketplace solutions (“PMPs”), and we are making significant investments to meet that demand and grow our market share of PMPs. PMPs may involve lower fees than we can charge for our real-time bidding services, which may not be fully offset by anticipated higher pricing. In some cases, we have experienced fee pressure as we have built out our PMP offering, and we expect this fee pressure to increase as more competitors, including new entrants as well as publishers themselves, build their own technology and infrastructure to enter this business. Even if the market for these solutions develops as we anticipate, publishers and buyers might not embrace our offerings to the degree we expect due to various factors such as inertia from moving off of existing implementations of competitive products. Additionally, even if publishers and buyers embrace our offerings, the positive effect of our PMP offerings on our results of operations may be offset or negated if PMPs cannibalize our open marketplace transaction volumes, by similar offerings from our competitors, or other adverse developments.

We are subject to payment-related risks if DSPs dispute or do not pay their invoices, and any decreases in payments or in our overall take rate could have a material adverse effect on our business, results of operations, and financial condition. These risks may be heightened as a result of the COVID-19 pandemic and resulting economic downturn.

We generate revenue primarily through revenue share agreements with our publishers. We invoice DSPs and collect the full purchase price for the digital ad impressions they purchase, retain our fees, and remit the balance to the publisher. However, in some cases, we are required to pay publishers for digital ad impressions delivered even if we are unable to collect from the buyer that purchased the digital ad impressions. In the past, certain buyers have sought to slow their payments to us or been forced into filing for bankruptcy protection, resulting in us not receiving payment. These challenges have been exacerbated by the COVID-19 pandemic and resulting economic impact, as many of our buyers are experiencing financial difficulties and liquidity constraints. In certain cases, buyers have been unable to timely make payments and we have suffered losses. For example, in early 2019, the advertising company Sizmek declared bankruptcy, which led us to lose approximately \$6 million in contracted spending on our platform. While our contracts generally do not contain such exposure, there are certain agreements under which we may be responsible for the whole amount of contracted spending, whether or not ultimately paid by the buyer.

In addition, a prolonged economic downturn, as a result of the COVID-19 pandemic or otherwise, may lead additional buyers to slow or default on payments or in some cases seek bankruptcy protection. We cannot assure you that we will not experience bad debt in the future, and write-offs for bad debt could have an adverse effect on our business, results of operations, or financial condition in the periods in which the write-offs occur. If our cash collections are significantly diminished as a result of these dynamics, our revenue and/or cash flow could be adversely affected, and we may need to use working capital to fund our accounts payable pending collection from the buyers. This may result in additional costs and cause us to forgo or defer other more productive uses of that working capital.

Moreover, a majority of our advertising spend comes from buyers purchasing advertising inventory programmatically on our platform through their DSPs. We experience requests from publishers and buyers for discounts, fee concessions or revisions, rebates, or other forms of consideration, refunds, and greater levels of pricing transparency and specificity, in some cases as a condition to maintain the relationship or to increase the amount of advertising spend that the buyer sends to our platform. In addition, we charge fees to publishers for use of

our platform, and we may decide to offer discounts or other pricing concessions in order to attract more inventory or demand, or to compete effectively with other providers that have different or lower pricing structures and may be able to undercut our pricing due to greater scale or other factors. Our revenue, take rate, the value of our business, and the price of our Class A common stock could be adversely affected if we cannot maintain and grow our revenue and profitability through volume increases that compensate for any price reductions, or if we are forced to make significant fee concessions, rebates, or refunds, or if buyers reduce spending with us, or publishers reduce inventory available through our exchange due to fee disputes or pricing issues.

Our international operations subject us to additional costs and risks, and may not yield returns, and our continued international expansion may not be successful.

We have entered into several international markets and we expect to continue to expand our international operations. Further expansion may require significant management attention and financial resources and may place burdens on our management, administrative, operational, legal, and financial infrastructure. The costs and risks inherent in conducting business internationally include:

- difficulty and cost associated with maintaining effective controls at foreign locations;
- adapting our platform and solutions to non-U.S. publishers' preferences and customs;
- difficulties in staffing and managing foreign operations;
- difficulties in enforcing our intellectual property rights;
- new and different sources of competition;
- regulatory and other delays and difficulties in setting up foreign operations;
- compliance with anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Anti-Bribery Act 2010, by us, our employees, and our business partners;
- compliance with export and import control and economic sanctions, laws and regulations, such as those administered by the U.S. Office of Foreign Assets Control;
- compliance with foreign data privacy laws, such as the EU ePrivacy Directive and GDPR;
- restrictions on the transfers of funds;
- currency exchange rate fluctuations and foreign exchange controls;
- economic and political instability in some countries;
- health or similar issues, such as a pandemic or epidemic;
- compliance with the laws of numerous taxing jurisdictions where we conduct business, potential double taxation of our international earnings, and potentially adverse tax consequences due to changes in applicable U.S. and foreign tax laws; and
- the complexity and potential adverse consequences of U.S. tax laws as they relate to our international operations.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these risks. These factors and others could harm our ability to increase international revenues and, consequently, could adversely affect our business, results of operations, and financial condition. The expansion of our existing international operations and entry into additional international markets will require significant management attention and financial resources. Our failure to manage these risks successfully could adversely affect our business, results of operations, and financial condition.

Our use and reliance upon technology and development resources in India may expose us to unanticipated costs and liabilities, which could affect our ability to realize cost savings from our technology operations in India.

Most of our technology and development work is conducted in Pune, India. We cannot assure you that our reliance upon development resources in India will enable us to achieve meaningful cost reductions or greater resource efficiency. Further, our development efforts and other operations in India involve significant risks, including:

- difficulty hiring and retaining engineering and management resources due to intense competition for such resources and resulting wage inflation;
- heightened exposure to changes in economic, security, and political conditions in India;
- the effects of the COVID-19 pandemic on general health and economic conditions in India; and
- fluctuations in currency exchange rates and tax compliance in India.

In addition, enforcement of intellectual property rights and confidentiality protections in India may not be as effective as in the United States or other countries. Policing unauthorized use of proprietary technology is difficult and expensive, and we might need to resort to litigation to protect our trade secrets and confidential information. The experience and capabilities of Indian courts in handling intellectual property litigation vary, and outcomes are unpredictable. Further, such litigation may require significant expenditure of cash and management efforts and could harm our business, financial condition, and results of operations. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, results of operations, and financial condition.

We expect to continue to rely on significant cost savings obtained by concentrating our technology and development and engineering work in India, rather than in the United States, but difficulties resulting from the factors noted above and other risks related to our operations in India could increase our expenses and harm our competitive position. The historical rate of wage inflation has been higher in India than in the United States. In addition, if the Rupee strengthens against the U.S. Dollar, our costs would increase. If the cost of technology and development work in India significantly increases or the labor environment in India changes unfavorably, our cost savings may be diminished. Any such developments could adversely affect our business, results of operations, and financial condition.

We must provide value to both publishers and buyers of advertising without being perceived as favoring one over the other or being perceived as competing with them through our service offerings.

We provide a platform that intermediates between publishers seeking to sell advertising space and buyers seeking to purchase that space. Although only the publishers are our direct customers and represent nearly all of our revenue, we believe we have strong relationships with the DSPs, agencies, and advertisers that purchase advertisements through our programmatic bidding and other solutions. Our ability to provide quality impressions with price transparency and competitive pricing to both publishers and buyers is critical to our ability to succeed, and if we were to be perceived as favoring one side of the transaction to the detriment of the other, or presenting a competitive challenge to their own businesses, demand for our platform from publishers or buyers would decrease and our business, results of operations, and financial condition would be adversely affected.

We depend on third-party data centers, the disruption of which could adversely affect our business, results of operations, and financial condition.

We host our company-owned infrastructure at third-party data centers. Any damage to or failure of our systems generally would prevent us from operating our business. We rely on the Internet and, accordingly, depend upon the continuous, reliable, and secure operation of Internet servers, related hardware and software, and network infrastructure. While we control and have access to our servers and all of the components of our network that are located in our external data centers, we do not control the operation of these facilities. The owners of our data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, or if one of our data center operators is

acquired, we may be required to transfer our servers and other infrastructure to new data center facilities, and we may incur significant costs and possible service interruption in connection with doing so.

Problems faced by our third-party data center operations, with the telecommunications network providers with whom we or they contract, or with the systems by which our telecommunications providers allocate capacity among their customers, including us, could adversely affect the experience of publishers. Additionally, improving our platform's infrastructure and expanding its capacity in anticipation of growth in new channels and formats, as well as implementing technological enhancements to our platform to improve its efficiency and cost-effectiveness are key components of our business strategy, and if our data centers are unable to keep up with our growing needs for capacity, this could have an adverse effect on our business. Any changes in third-party service levels at our data centers or any errors, defects, disruptions, or other performance problems could adversely affect our reputation, expose us to liability, cause us to lose customers, or otherwise adversely affect our business, results of operations, and financial condition. Service interruptions might reduce our revenue, trigger refunds to publishers, subject us to potential liability, or adversely affect our business, results of operations, and financial condition.

The ongoing effects of the COVID-19 pandemic, or the occurrence of a natural disaster, an act of terrorism, vandalism or sabotage, or other unanticipated problems at these facilities could result in interruptions in the availability of our platform. While we have disaster recovery arrangements in place, they have not been tested under actual disasters or similar events and may not effectively permit us to continue to provide our products and services in the event of any problems with respect to our data centers. Moreover, because we do not currently have full redundancy with respect to the services at each data center, if one of our data centers shuts down there may be a period of time that our products or services, or some of our products or services, will be unavailable to publishers served by that data center. If any of these events were to occur to our business, our business, results of operations, or financial condition could be adversely affected.

Platform outages or disruptions, including any interruptions due to cyberattacks or to our failure to maintain adequate security and supporting infrastructure as we scale, could damage our reputation and our business, results of operations, and financial condition.

As we grow our business, we expect to continue to invest in our platform infrastructure, including hardware and software solutions, network services and database technologies, as well as potentially increase our reliance on open source software. Without these improvements, our operations might suffer from unanticipated system disruptions, slow transaction processing, unreliable service levels, impaired quality or delays in reporting accurate information regarding transactions in our platform, any of which could negatively affect our reputation and ability to attract and retain publishers. The steps we take to enhance the reliability, integrity and security of our platform as it scales are expensive and complex, and poor execution could result in operational failures. In addition, cyberattack techniques are constantly evolving and becoming increasingly diverse growing increasingly more sophisticated and could involve denial-of-service attacks or other maneuvers that have the effect of disrupting the availability of services on our platform, which could seriously harm our reputation and business. Other types of cyberattacks could harm us even if our platform operations are left undisturbed. For example, attacks may be designed to deceive employees into releasing control of their systems to a hacker, while others may aim to introduce computer viruses or malware into our systems with a view to stealing confidential or proprietary data. We are also vulnerable to unintentional errors or malicious actions by persons with authorized access to our systems that exceed the scope of their access rights, distribute data erroneously, or, unintentionally or intentionally, interfere with the intended operations of our platform. Incidents like this can give rise to a variety of losses and costs, including legal exposure, and regulatory fines, damages to deputation, amongst others. Although we maintain insurance coverage, it may be insufficient to protect us against all losses and costs stemming from security breaches, cyberattacks and other types of unlawful activity, or any resulting disruptions from such events. Outages and disruptions of our platform, including any caused by cyberattacks, may harm our reputation and our business, results of operations, and financial condition.

Maintaining the security and availability of our platform, network, and internal IT systems and the security of information we hold on behalf of our customers is a critical issue for us and our customers. Attacks on our customers and our own network are frequent and take a variety of forms, including DDoS attacks, infrastructure attacks, botnets, malicious file attacks, cross-site scripting, credential abuse, ransomware, bugs, viruses, worms, and malicious software programs.

Our software platform could be susceptible to errors, defects, or unintended performance problems that could adversely affect our business, results of operations, and financial condition.

We depend upon the sustained and uninterrupted performance of our platform to operate our business. Software bugs, faulty algorithms, technical or infrastructure problems, or system updates could lead to an inability to process data to place advertisements or price inventory effectively, or cause advertisements to display improperly or be placed in proximity to inappropriate content, which could adversely affect our business, results of operations, and financial condition. These risks are compounded by the complexity of our technology and the large amounts of data we utilize. Because our software is complex, undetected material defects, errors and failures may occur. Despite testing, errors, or bugs in our software may not be found until the software is in our live operating environment. For example, changes to our solution have in the past caused errors in the measurements of transactions conducted through our platform, resulting in disputes raised by publishers. Errors or failures in our solution, even if caused by the implementation of changes by publishers or partners to their systems, could also result in negative publicity, damage to our reputation, loss of or delay in market acceptance of our solution, increased costs or loss of revenue, or loss of competitive position. In such an event, we may be required or choose to expend additional resources to help mitigate any problems resulting from defects, errors and failures in our software. As a result, defects or errors in our products or services could harm our reputation, result in significant costs to us, impair the ability of publishers to sell and for buyers to purchase inventory and impair our ability to fulfill obligations with publishers and partners. Any significant interruptions could adversely affect our business, results of operations, and financial condition.

Legal uncertainty and industry unpreparedness for new regulations may mean substantial disruption and inefficiency, demand constraints, and reduced inventory supply and value.

Some of our publishers may be unprepared to comply with evolving regulatory guidance under the CCPA, CPRA, GDPR, CDPA or other new regulations, and may therefore remove personal data from their inventory before passing it into the bid stream, at least temporarily. This may lower their inventory, resulting in loss of ad spend and revenue for us. Further, since do not have direct relationships with end users, we rely on publishers to obtain such consents as required. While we can and do provide training and guidance on compliance, the nature of the ecosystem and technology does not support 100% verification that consent from end users has been obtained, when required, and we may pass on unknowingly pass on consumer personal information when we should not be. This exposes us to potential regulatory scrutiny, investigations, fines, penalties, and other legal and financial exposure. Additionally, privacy and data protection laws are evolving, and it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our safeguards and practices that could result in fines, lawsuits and other penalties, and significant changes to our publishers business practices and inventory. Even well-prepared publishers and buyers may be confronted with difficult choices and administrative and technical hurdles as they implement their compliance programs and integrate with multiple other parties in the ecosystem. Privacy and data protection laws are evolving, and it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our safeguards and practices that could result in fines, lawsuits and other penalties, and significant changes to our publisher's business practices. Further, compliance program design and implementation will be an ongoing process as understanding of the CCPA, GDPR, or other new regulations increase and industry compliance standards evolve. The resulting process friction could result in substantial inefficiency and loss of inventory and demand, as well as increased burdens upon our organization as we seek to assist customers and adapt our own technology and processes as necessary to comply with the law and adapt to industry practice. The uncertain regulatory environment caused by the CCPA, GDPR, or other new regulations may disadvantage us in comparison to large, integrated competitors such as Google and Facebook, which have greater compliance resources and can take advantage of their direct relationships with end users to secure consents from end users. Changes in the business practices of such large integrated competitors could impose additional requirements with respect to the retention and security of our handling or ability to handle customer and end user data, could limit our marketing and core business activities, and have an adverse effect on our business, results of operations, and financial condition.

Recent rulings from the Court of Justice of the European Union invalidated the EU-US Privacy Shield as a lawful means for transferring personal data from the European Union to the United States; this introduces

increased uncertainty and may require us to change our EU data practices and/or rely on an alternative legally sufficient compliance measure.

The GDPR generally prohibits the transfer of personal data of EU subjects outside of the European Union, unless a lawful data transfer solution has been implemented or a data transfer derogation applies. On July 16, 2020, in a case known as Schrems II, the Court of Justice of the European Union (the “CJEU”) ruled on the validity of two of the primary data transfer solutions. The first method, EU-US Privacy Shield operated by the U.S. Department of Commerce, was declared invalid as a legal mechanism to transfer data from Europe to the United States. As a result, despite the fact that we have certified our compliance to the EU-US Privacy Shield, our customers may no longer rely on this mechanism as a lawful means to transfer European data to us in the United States. For the time being, however, the Department of Commerce continues to operate the EU-US Privacy Shield, and if we fail to comply with the Privacy Shield requirements, we risk investigation and sanction by U.S. regulatory authorities, including the Federal Trade Commission. Such investigation could cost us significant time and resources, and could potentially result in fines, criminal prosecution, or other penalties. While the United States and the European Union are in discussions regarding a replacement to Privacy Shield, we cannot predict if we it will happen or if it does, what impact it will have on our business and industry.

The second mechanism, Standard Contractual Clauses (“SCCs”), an alternative transfer measure that we also offer to our EU customers for extra-EU data transfers, was upheld as a valid legal mechanism for transnational data transfer. However, the ruling requires that European organizations seeking to rely on the SCCs to export data out of the European Union ensure the data is protected to a standard that is “essentially equivalent” to that in the European Union including, where necessary, by taking “supplementary measures” to protect the data. It remains unclear what “supplementary measures” must be taken to allow the lawful transfer of personal data to the United States, and it is possible that EU data protection authorities may determine that there are no supplementary measures that can legitimize EU-US data transfers. For the time being, we will rely on SCCs for EU-US transfers of EU personal data and explore what “supplementary measures” can implemented to protect EU personal data that is transferred to us in the United States. SCCs also contemplate data received from a third party, but may not cover data that is collected directly on behalf of a third party. In June 2021, the European Commission issued updated Standard Contractual Clauses (“New SCCs”) that require additional information for transnational data transfers. New agreements must incorporate the New SCCs effective September 27, 2021 and existing agreements must incorporate the New SCCs by December 27, 2022. It remains unclear whether SCCs or New SCCs can cover our use of cookies and other tracking technologies placed directly on consumer’s browsers or devices through our publishers or buyers’ websites.

We may also need to restructure our data export practices as a result of Brexit. European Union law may cease to apply to the United Kingdom. This means that data may not be able to flow freely between the European Union and the United Kingdom, and our United Kingdom subsidiaries may need to enter into SCCs and adopt “supplementary measures” both with customers and other group entities or enter into New SCCs, in order to ensure the continuing flow of data to and from the United Kingdom subsidiary. We would likely need to restructure our transfers of European data via another European subsidiary and have such entity enter into the SCCs or New SCCs with other group entities and implement “supplementary measures” to ensure the continuing flow of data from the European Union to the United States. In the event that use of the SCCs or New SCCs is subsequently invalidated as a solution for data transfers to the United States, or there are additional changes to the data protection regime in the European Union resulting in any inability to transfer personal data from the European Union to the United States in compliance with data protection laws, European customers may be more inclined to work with businesses that do not rely on such compliance mechanisms to ensure legal and regulatory compliance, such as EU-based companies or other competitors that do not need to transfer personal data to the United States in order to avoid the above-identified risks and legal issues. Such changes could cause us to incur penalties under GDPR and could increase the cost and complexity of operating our business.

If mobile devices or their operating systems and Internet browsers develop in ways that prevent advertisements from being delivered to consumers, our header bidding business, as well as our business, results of operations, and financial condition generally, will be adversely affected.

Our success in the mobile channel depends upon the ability of our platform to provide advertising for mobile connected devices, the major operating systems or Internet browsers that run on them, and the thousands of

applications that are downloaded onto them. The design of mobile devices and operating systems or browsers is controlled by third parties that may also introduce new devices and operating systems or modify existing ones, and network carriers may affect our ability to access specified content on mobile devices. For example, Apple recently announced its intent to eliminate the Identifier for Advertisers, which we and other advertising firms have used to deliver targeted advertisements to consumers. While the effects of this development are uncertain and would not prevent us from operating our header bidding technology on Apple products, it could reduce the value of the ad impressions we offer. If our platform cannot operate effectively with popular devices, operating systems, or Internet browsers, including Apple devices and iOS, our business, results of operations, and financial condition would be adversely affected.

Our platform utilizes header bidding, a nascent technology solution for mobile advertising, by which impressions that would have previously been exposed to different potential sources of demand in a sequence dictated by ad server priorities are instead available for concurrent competitive bidding by demand sources. This can help publishers increase revenue by exposing their inventory to more bidders, thereby allocating more inventory to demand sources that value it most highly. Header bidding allows us to compete with demand sources that would previously have been above us in publishers' ad server sequences.

We sell advertisement inventory directly through mobile application publishers, as well as through software development kits such as our OpenWrap SDK, and other proprietary technology of third parties, such as aggregators. From time to time our relationships with these third parties are terminated, the scale of these third parties' business with application providers is reduced, these third parties develop their own solutions that render ours obsolete, and the third parties' customers begin transacting directly between each other rather than through the third party, which causes the amount of mobile inventory available through our platform to decline. Any rapid or significant decline in mobile inventory would adversely affect our business, results of operations, and financial condition.

If CTV develops in ways that prevent advertisements from being delivered to consumers, our business, results of operations, and financial condition may be adversely affected.

As online video advertising has continued to scale and evolve, the amount of online video advertising being bought and sold programmatically has increased dramatically; this market continues to grow with the increased popularity of CTV and OTT media. However, despite the opportunities created by programmatic advertising, programmatic solutions for CTV and OTT publishers are still nascent compared to desktop and mobile video solutions. Many CTV publishers have backgrounds in cable or broadcast television and have limited experience with digital advertising, and in particular programmatic advertising. For these publishers, it is extremely important to protect the quality of the viewer experience to maintain brand goodwill and ensure that online advertising efforts do not create sales channel conflicts or otherwise detract from their direct sales force. In this regard, programmatic advertising presents a number of potential challenges, including the ability to ensure that ads are brand safe, comply with business rules around competitive separation, are not overly repetitive, are played at the appropriate volume, and do not cause delays in load-time of content. We believe that our platform is well-positioned to allow publishers the opportunity to achieve these goals and also reliably achieve "ad potting," or the placement of the desired number of advertisements in commercial breaks. In fact, our OpenWrap OTT platform was designed to address these challenges and we have invested significant time and resources cultivating relationships with CTV publishers to establish best practices and evangelize the benefits of programmatic CTV. While we believe that programmatic advertising will continue to grow as a percentage of overall CTV advertising, there can be no assurance that CTV publishers will adopt programmatic solutions such as ours, or the rate at which they may adopt such solutions, which could adversely affect our business, results of operations, and financial condition.

Failure to comply with industry self-regulation could adversely affect our business, results of operations, and financial condition.

In addition to complying with government regulations, we participate in trade associations and industry self-regulatory groups that promote best practices or codes of conduct addressing privacy. For example, we have undertaken to comply with industry codes of conduct in the United States and Europe. On our website, we offer consumers the ability to opt out of receiving advertisements based on cookies or other technologies. If we encounter

difficulties implementing such guidelines, or our opt-out mechanisms fail to work as designed, we may experience negative publicity and be the subject of investigations or litigation. Any representations that we make regarding our adherence to self-regulatory standards could result in regulatory action if we fail to meet them. Any such action against us could be costly and time consuming, require us to change our business practices, cause us to divert management's attention and our resources, and be damaging to our reputation and our business. New self-regulatory guidelines that are inconsistent with our practices or in conflict with applicable laws and regulations in the United States and other countries where we do business could arise. If we fail to abide by or are perceived as not operating in accordance with applicable laws and regulations and industry best practices or any industry guidelines or codes with regard to privacy or the provision of Internet advertising, our reputation may suffer and we could lose relationships with our publishers or others.

In addition to government regulation, privacy advocates, and industry groups may propose new and different self-regulatory standards that may apply to us, and are constantly evolving in the United States, European Union, and other countries. Because the interpretation and application of privacy and data protection laws, regulations, rules, and other standards are still uncertain, it is possible that these laws, rules, regulations, and other actual or alleged legal obligations, such as contractual or self-regulatory obligations, may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the functionality of our platform. If so, in addition to the possibility of fines, lawsuits, and other claims, we could be required to fundamentally change our business activities and practices or modify our software, which could have an adverse effect on our business, results of operations, and financial condition.

We generally do not have a direct relationship with consumers who view advertisements placed through our platform, so we may not be able to disclaim liabilities from such consumers through terms of use on our platform.

Advertisements on websites, applications and other digital media properties of publishers purchased through our platform are viewed by consumers visiting the publishers' digital media properties. Those publishers often have terms of use in place with their consumers that disclaim or limit their potential liabilities to consumers, or pursuant to which consumers waive rights to bring class actions against the publishers. We generally do not have terms of use in place with such consumers, so we cannot disclaim or limit potential liabilities to them through terms of use, which may expose us to greater liabilities than certain of our competitors.

Our continued business success depends upon our ability to offer high-quality inventory with appropriate viewability capabilities, and if our inventory quality declines or if we are unable to offer functionality that addresses quality concerns of both advertisers and publishers, our business, results of operations, and financial condition could be adversely affected.

We must address quality concerns of both advertisers and publishers. Publishers require ad quality tools that enable granular control over the characteristics of the ads that run on their ad impressions, including those relating to the advertiser, industry and content for a particular ad. We must also provide automatic or ad hoc blocking of ads that contain malware or other ads the publisher deems undesirable. Our inventory quality tools must continue to help publishers demonstrate the value and quality of their ad impressions to DSPs, advertisers, and agencies with automated fraud detection and viewability reporting. Maintaining and upgrading our capabilities associated with ad quality and inventory quality is complex and costly. If we fail to maintain high quality controls for our publishers and partners, our business, results of operations, and financial condition could be adversely affected.

In addition, the viewability of ad impressions is important to certain advertisers, because it enables them to assess the value of particular ad impressions as a means to reach a target audience. However, there is no consensus regarding the definition of viewability or the minimum standard viewability thresholds and metrics that should apply for different ad formats. We cannot predict whether consensus views will emerge, or what they will be. Incorporating accepted viewability approaches fully into our business as they evolve will require us to incur additional costs to integrate relevant technologies and process additional information through our platform. In addition, ad impressions that are well differentiated on the basis of viewability will also typically be differentiated on the basis of value, with those that are less viewable valued lower. In this context, if we are not able to effectively transact ad impressions with higher viewability and to incorporate appropriate viewability capabilities into our

platform, we could be competitively disadvantaged and our business, results of operations, and financial condition could be adversely affected.

Future acquisitions or strategic investments could be difficult to identify and integrate, divert the attention of management, and could disrupt our business, dilute stockholder value and adversely affect our business, results of operations, and financial condition.

As part of our growth strategy, we may acquire or invest in other businesses, assets or technologies that are complementary to and fit within our strategic goals. Any acquisition or investment may divert the attention of management and require us to use significant amounts of cash, issue dilutive equity securities or incur debt. We have limited experience in acquiring other businesses. In addition, the anticipated benefits of any acquisition or investment may not be realized, and we may be exposed to unknown risks, any of which could adversely affect our business, results of operations, and financial condition, including risks arising from:

- difficulties in integrating the operations, technologies, product or service offerings, administrative systems, and personnel of acquired businesses, especially if those businesses operate outside of our core competency or geographies in which we currently operate;
- ineffectiveness or incompatibility of acquired technologies or solutions;
- potential loss of key employees of the acquired business;
- inability to maintain key business relationships and reputation of the acquired business;
- diversion of management attention from other business concerns;
- litigation arising from the acquisition or the activities of the acquired business, including claims from terminated employees, customers, former stockholders or other third parties;
- assumption of contractual obligations that contain terms that are not beneficial to us, require us to license or waive intellectual property rights, or increase our risk of liability;
- complications in the integration of acquired businesses or diminished prospects, including as a result of the COVID-19 pandemic and its global economic effects;
- failure to generate the expected financial results related to an acquisition on a timely manner or at all;
- failure to accurately forecast the impact of an acquisition transaction; and
- implementation or remediation of effective controls, procedures, and policies for acquired businesses.

To fund future acquisitions, we may pay cash or issue additional shares of our Class A common stock, which could dilute our stockholders or diminish our cash reserves. Borrowing to fund an acquisition would result in increased fixed obligations and could also subject us to covenants or other restrictions that could limit our ability to effectively run our business.

We rely on publishers, buyers, and partners to abide by contractual requirements and relevant laws, rules, and regulations when using our platform, and legal claims or enforcement actions resulting from their actions could expose us to liabilities, damage our reputation, and be costly to defend.

The publishers, buyers, and partners engaging in transactions through our platform impose various requirements upon each other, and they and the underlying advertisers are subject to regulatory requirements by governments and standards bodies applicable to their activities. We may assume responsibility for satisfying or facilitating the satisfaction of some of these requirements through the contracts we enter into with publishers, buyers, and partners. In addition, we may have responsibility for some acts or omissions of publishers, buyers, or partners transacting business through our platform under applicable laws or regulations or as a result of common law duties, even if we have not assumed responsibility contractually. These responsibilities could expose us to significant liabilities, perhaps without the ability to impose effective mitigating controls upon, or to recover from, publishers and buyers.

Moreover, for those third parties who are both publishers and buyers on our platform, it is feasible that they could use our platform to buy and sell advertisements in an effort to inflate their own revenue. We could be subject to litigation as a result of such actions, and, if we were sued, we would incur legal costs in our defense and cannot guarantee that a court would not attribute some liability to us.

We contractually require our publishers, buyers, data providers, and partners to abide by relevant laws, rules and regulations, and restrictions by their counterparties, when transacting on our platform, and we generally attempt to obtain representations from buyers that the advertising they place through our platform complies with applicable laws and regulations and does not violate third-party intellectual property rights, and from publishers about the quality and characteristics of the impressions they provide. We also generally receive representations from publishers, buyers, and data providers about their privacy practices and compliance with applicable laws and regulations, including their maintenance of adequate privacy policies that disclose and permit our data collection practices. Nonetheless, there are many circumstances in which it is difficult or impossible for us to monitor or evaluate their compliance. For example, we cannot control the content of publisher's media properties, and we are often unable to determine exactly what information a partner collects after an ad has been placed, and how the buyer uses any such collected information. Moreover, we are unable to prevent DSPs from aggregating bid requests from publishers and directing it to their own buying platforms or even reselling such bid data to advertisers or third parties.

If publishers, buyers, data providers, or partners fail to abide by relevant laws, rules and regulations, or contract requirements, when transacting over our platform, or after such a transaction is completed, we could potentially face liability to consumers for such misuse. Potential sources of liability to consumers include malicious activities, such as the introduction of malware into consumers' computers through advertisements served through our platform, and code that redirects consumers to sites other than the ones consumers sought to visit, potentially resulting in malware downloads or use charges from the redirect site. Publishers often have terms of use in place with their consumers that disclaim or limit their potential liabilities to such consumers, or pursuant to which consumers waive rights to bring class-action lawsuits against the publishers related to advertisements. Similarly, if such misconduct results in enforcement action by a regulatory body or other governmental authority, we could become involved in a potentially time-consuming and costly investigation or we could be subject to some form of sanction or penalty. We may not have adequate indemnity to protect us against, and our policies of insurance may not cover, such claims and losses.

We are subject to anti-bribery, anti-corruption, and similar laws and non-compliance with such laws can subject us to criminal penalties or significant fines and harm our business and reputation.

We are subject to anti-bribery and similar laws, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the USA PATRIOT Act, U.S. Travel Act, the U.K. Bribery Act 2010 and Proceeds of Crime Act 2002, and possibly other anti-corruption, anti-bribery, and anti-money laundering laws in countries in which we conduct activities. Anti-corruption laws have been enforced with great rigor in recent years and are interpreted broadly and prohibit companies and their employees and their agents from making or offering improper payments or other benefits to government officials and others in the private sector. The FCPA or other applicable anti-corruption laws may also hold us liable for acts of corruption or bribery committed by our third-party business partners, representatives, and agents, even if we do not authorize such activities. As we increase our international sales and business, and increase our use of third parties, our risks under these laws will increase. As a public company, the FCPA separately requires that we keep accurate books and records and maintain internal accounting controls sufficient to assure management's control, authority, and responsibility over our assets. We have adopted policies and procedures and conduct training designed to prevent improper payments and other corrupt practices prohibited by applicable laws, but cannot guarantee that improprieties will not occur. Noncompliance with these laws could subject us to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension and/or debarment from contracting with specified persons, the loss of export privileges, reputational harm, adverse media coverage, and other collateral consequences. Any investigations, actions, and/or sanctions could have an adverse effect on our business, results of operations, and financial condition.

We are subject to governmental economic sanctions requirements and export and import controls that could impair our ability to compete in international markets or subject us to liability if we are not in compliance with applicable laws.

We are subject to various U.S. export control and trade and economic sanctions laws and regulations, including the U.S. Export Administration Regulations and the various sanctions programs administered by the U.S. Department of the Treasury's Office of Foreign Assets Control (collectively, "Trade Controls"). U.S. Trade Controls may prohibit the shipment of specified products and services to certain countries, governments, and persons. Although we endeavor to conduct our business in compliance with Trade Controls, our failure to successfully comply may expose us to negative legal and business consequences, including civil or criminal penalties, governmental investigations, and reputational harm.

Furthermore, if we export our technology or software, the exports may require authorizations, including a license, a license exception, or other appropriate government authorization or regulatory requirements. Complying with Trade Controls may be time-consuming and may result in the delay or loss of opportunities.

In addition, various countries regulate the import of encryption technology, including the imposition of import permitting and licensing requirements, and have enacted laws that could limit our ability to offer our platform or could limit our customers' ability to use our platform in those countries. Changes in our platform or future changes in export and import regulations may create delays in the introduction of our platform in international markets or prevent our customers with international operations from deploying our platform globally. Any change in export or import regulations, economic sanctions or related legislation, or change in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased use of our platform by, or in our decreased ability to export our technology and services to, existing or potential customers with international operations. Any decreased use of our platform or limitation on our ability to export our platform would likely adversely affect our business, results of operations, and financial condition.

Our corporate culture has contributed to our success, and if we cannot maintain it as we grow, we could lose the innovation, creativity, and teamwork fostered by our culture, and our business may be harmed.

We believe our corporate culture has been a critical component of our success as we believe it fosters innovation, creativity, and teamwork across our business, helping to drive our success. We intend to expand our overall headcount and operations both domestically and internationally, with no assurance that we will be able to do so while effectively maintaining our corporate culture. As we expand and change, in particular across multiple geographies or following acquisitions, it may be difficult to preserve our corporate culture, which could reduce our ability to innovate, create, and operate effectively. In turn, the failure to preserve our culture could adversely affect our business, results of operations, and financial condition by negatively affecting our ability to attract, recruit, integrate and retain employees, continue to perform at current levels, and effectively execute our business strategy.

Our intellectual property rights may be difficult to enforce and protect, which could enable others to copy or use aspects of our technology without compensating us, thereby eroding our competitive advantages and having an adverse effect on our business, results of operations, and financial condition.

We rely upon a combination of trade secrets, third-party confidentiality and non-disclosure agreements, additional contractual restrictions on disclosure and use, and trademark, copyright, patent, and other intellectual property laws to establish and protect our proprietary technology and intellectual property rights. We currently own trademark registrations and applications for the "PubMatic" name and variants thereof and other product-related marks in the United States and certain foreign countries. We have also registered numerous Internet domain names related to our business. We also rely on copyright laws to protect computer programs related to our platform and our proprietary technologies, although to date we have not registered for statutory copyright protection. In order to bring a copyright infringement lawsuit in the United States, the copyright must be registered. Accordingly, the remedies and damages available to us for unauthorized use of our software may be limited. Historically, we have prioritized keeping our technology architecture, trade secrets, and engineering roadmap private, and as a general matter, have not patented our proprietary technology. As a result, we cannot look to patent enforcement rights to protect much of our proprietary technology. Furthermore, our patent strategy is still in its early stages. We may not be able to obtain

any further patents, and our pending application may not result in the issuance of a patent. Any issued patents may be challenged, invalidated, or circumvented, and any rights granted under these patents may not actually provide adequate defensive protection or competitive advantages to us. Additionally, the process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner.

While it is our policy to protect and defend our rights to our intellectual property, we cannot predict whether steps taken by us to protect our intellectual property will be adequate to prevent infringement, misappropriation, dilution, or other violations of our intellectual property rights. Third parties may knowingly or unknowingly infringe our intellectual property rights, third parties may challenge intellectual property rights held by us, and pending and future trademark and patent applications may not be approved. These claims may result in restrictions on our use of our intellectual property or the conduct of our business. In any of these cases, we may be required to expend significant time and expense to prevent infringement or to enforce our rights. We also cannot guarantee that others will not independently develop technology with the same or similar functions to any proprietary technology we rely on to conduct our business and differentiate ourselves from our competitors. Unauthorized parties may also attempt to copy or obtain and use our technology to develop applications with the same functionality as our solutions, and policing unauthorized use of our technology and intellectual property rights is difficult and may not be effective. In addition, the laws of some foreign countries may not be as protective of intellectual property rights as those of the United States, and mechanisms for enforcement of our intellectual property rights in such countries may be inadequate. If we are unable to protect our intellectual property rights (including in particular, the proprietary aspects of our platform) we may find ourselves at a competitive disadvantage to others who have not incurred the same level of expense, time and effort to create, and protect their intellectual property.

Our customer agreements generally restrict the use of our confidential information solely to such customer's use in connection with its use of our services. In spite of such limitations, reverse engineering our software or the theft or misuse of our confidential information could occur by customers or other third parties who have access to our technology.

We also endeavor to enter into agreements with our employees and contractors in order to limit access to and disclosure of our confidential information, as well as to clarify rights to intellectual property and technology associated with our business. These agreements may not effectively grant all necessary rights to any inventions that may have been developed by the employees or consultants party thereto. In addition, these agreements may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, intellectual property, or technology. Furthermore, protecting our intellectual property is particularly challenging after our employees or our contractors end their relationship with us, and, in some cases, decide to work for our competitors. Enforceability of the non-compete agreements that we have in place is not guaranteed, and contractual restrictions could be breached without discovery or adequate remedies.

We rely on licenses to use the intellectual property rights of third parties to conduct our business.

We rely on products, technologies, and intellectual property that we license from third parties, for use in operating our business. We cannot assure you that these third-party licenses, or support for such licensed products and technologies, will continue to be available to us on commercially reasonable terms, if at all. We cannot be certain that our licensors are not infringing the intellectual property rights of others or that our suppliers and licensors have sufficient rights to the technology in all jurisdictions in which we may operate. Some of our license agreements may be terminated by our licensors for convenience. If we are unable to obtain or maintain rights to any of this technology because of intellectual property infringement claims brought by third parties against our suppliers and licensors or against us, or if we are unable to continue to obtain the technology or enter into new agreements on commercially reasonable terms, our ability to operate and expand our business could be harmed.

If publishers or buyers do not have sufficient rights to the content, technology, data, or other material that they provide or make available to us, our business and reputation may be harmed.

If publishers or buyers do not have sufficient rights to the content, technology, data, or other material associated with an ad impression that they provide, or if it infringes or is alleged to infringe the intellectual property rights of third parties, we could be subject to claims from those third parties, which could adversely affect our business, results of operations, and financial condition. For example, channel partners may aggregate ad impressions across several publishers, and we may not be able to verify that these aggregators own or have rights to all of their digital ad impressions. As a result, we may face potential liability for copyright, patent, trademark or other intellectual property infringement, or other claims. Litigation to defend these claims could be costly and have an adverse effect on our business, results of operations, and financial condition. We cannot assure you that we are adequately insured to cover claims of these types or adequately indemnified for all liability that may be imposed on us as a result of these claims.

We may be subject to intellectual property rights claims by third parties, which are costly to defend, could require us to pay significant damages and could limit our ability to use technology or intellectual property.

We operate in an industry with extensive intellectual property litigation. There is a risk that our business, platform, and services may infringe or be alleged to infringe the trademarks, copyrights, patents, and other intellectual property rights of third parties, including patents held by our competitors or by non-practicing entities. We may also face allegations that our employees have misappropriated or divulged the intellectual property of their former employers or other third parties. Regardless of whether claims that we are infringing patents or other intellectual property rights have any merit, the claims are time consuming, divert management attention and financial resources and are costly to evaluate and defend. Some of our competitors have substantially greater resources than we do and are able to sustain the cost of complex intellectual property litigation to a greater extent and for longer periods of time than we could. Results of these litigation matters are difficult to predict and may require us to stop offering some features, purchase licenses, which may not be available on favorable terms or at all, or modify our technology or our platform while we develop non-infringing substitutes, or incur significant settlement costs. Any of these events could have an adverse effect on our business, results of operations, and financial condition.

Our platform relies on third-party open source software components. Failure to comply with the terms of the underlying open source software licenses could expose us to liabilities, and the combination of open source software with code that we develop could compromise the proprietary nature of our platform.

Our platform utilizes software licensed to us by third-party authors under “open source” licenses and we expect to continue to utilize open source software in the future. The use of open source software may entail greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. To the extent that our platform depends upon the successful operation of the open source software we use, any undetected errors or defects in this open source software could prevent the deployment or impair the functionality of our platform, delay new solutions introductions, result in a failure of our platform, and injure our reputation. For example, undetected errors or defects in open source software could render it vulnerable to breaches or security attacks, and, in conjunction, make our systems more vulnerable to data breaches. Furthermore, some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a specific manner, we could, under some open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar solutions with lower development effort and time and ultimately put us at a competitive disadvantage.

Although we monitor our use of open source software to avoid subjecting our platform to conditions we do not intend, we cannot assure you that our processes for controlling our use of open source software in our platform will be effective. If we are held to have breached the terms of an open source software license, we could be required to seek licenses from third parties to continue operating using our solution on terms that are not economically feasible,

to re-engineer our solution or the supporting computational infrastructure to discontinue use of code, or to make generally available, in source code form, portions of our proprietary code.

Our business is subject to the risk of catastrophic events such as pandemics, earthquakes, flooding, fire, and power outages, and to interruption by man-made problems such as terrorism.

Our business is vulnerable to damage or interruption from pandemics, earthquakes, flooding, fire, power outages, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins, and similar events. In particular, the COVID-19 pandemic, including the reactions of governments, markets, and the general public, may result in a number of adverse consequences for our business, results of operations, and financial condition, many of which are beyond our control. A significant natural disaster could have a material adverse effect on our business, results of operations, and financial condition, and our insurance coverage may be insufficient to compensate us for losses that may occur. We have one office and one data center facility in California, a state known for seismic activity. Significant portions of our development and advertising operations work is located in Pune, India, which is susceptible to earthquakes and flooding. In addition, acts of terrorism, which may be targeted at metropolitan areas that have higher population density than rural areas, could cause disruptions in our or publishers' and partners' businesses or the economy as a whole. Our servers may also be vulnerable to computer viruses, break-ins, denial-of-service attacks, and similar disruptions from unauthorized tampering with our computer systems, which could lead to interruptions, delays, loss of critical data. We may not have sufficient protection or recovery plans in some circumstances, such as natural disasters affecting California, New York, Virginia, or Pune, India. As we rely heavily on our data center facilities, computer and communications systems and the Internet to conduct our business and provide high-quality customer service, these disruptions could negatively impact our ability to run our business and either directly or indirectly disrupt publishers' and partners' businesses, which could have an adverse effect on our business, results of operations, and financial condition.

We are an emerging growth company subject to reduced disclosure requirements, and there is a risk that availing ourselves of such reduced disclosure requirements will make our Class A common stock less attractive to investors.

We are currently an "emerging growth company," as defined in the JOBS Act; however, we will no longer be an emerging growth company at the conclusion of this fiscal year ending December 31, 2021. For as long as we remain an emerging growth company, we are permitted and intend to take advantage of exemptions from various reporting requirements such as, but not limited to, not being required to obtain auditor attestation of our reporting on internal control over financial reporting, having reduced disclosure obligations about our executive compensation in our periodic reports and proxy statements, and not being required to hold advisory stockholder votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. 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.

If we fail to establish and maintain effective internal controls, our ability to produce accurate financial statements and other disclosures on a timely basis could be impaired.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is accumulated and communicated to our principal executive and financial officers. We are also continuing to expand our internal controls over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs, and significant management oversight. If any of these new or improved controls and systems do not perform as expected, we may experience material weaknesses in our controls. In addition to our results determined in accordance with GAAP, we believe certain non-GAAP measures and key metrics may be useful in evaluating our operating performance. We present certain non-GAAP financial measures and key metrics

in this report and intend to continue to present certain non-GAAP financial measures and key metrics in future filings with the SEC and other public statements. Any failure to accurately report and present our non-GAAP financial measures and key metrics could cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our consolidated financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the Nasdaq Global Market. We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. As a public company, we will be required to provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second annual report on Form 10-K.

Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting until after we are no longer an “emerging growth company” as defined in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating. Because we will no longer qualify as an emerging growth company at the conclusion of this fiscal year ended December 31, 2021, we will be required to include in our Annual Report on Form 10-K for the year ended December 31, 2021, an attestation report as to the effectiveness of our internal control over financial reporting that is issued by our independent registered public accounting firm. Any failure to maintain effective disclosure controls and internal control over financial reporting could adversely affect our business, results of operations, and financial condition and could cause a decline in the price of our Class A common stock.

Our management team has limited experience managing a public company and we will incur significantly increased costs and devote substantial management time as a result of operating as a public company.

Most members of our management team have limited experience managing a publicly traded company, interacting with public company investors, and complying with the increasingly complex laws, rules, and regulations that govern public companies. As a public company, we are subject to significant obligations relating to reporting, procedures and internal controls, and our management team may not successfully or efficiently manage such obligations. These obligations and scrutiny will require significant attention from our management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, results of operations, and financial condition. We expect that compliance with these requirements will increase our compliance costs. We will need to hire additional accounting, financial, and legal staff with appropriate public company experience and technical accounting knowledge and will need to establish an internal audit function. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of these costs.

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

Our loan agreement contains operating and financial covenants that may restrict our business and financing activities.

As of September 30, 2021, we had no outstanding borrowings under our loan and security agreement with Silicon Valley Bank (“SVB”). Borrowings under this agreement are secured by substantially all of our assets, excluding our intellectual property. This loan and security agreement also restricts our ability, without SVB’s written consent, to, among other things:

- dispose of or sell our assets;
- make material changes in our business or management;
- consolidate or merge with other entities;
- incur additional indebtedness;
- create liens on our assets;
- pay dividends;
- make investments;
- enter into transactions with affiliates; and
- pay off or redeem subordinated indebtedness.

In addition, our loan and security agreement with SVB contains covenants requiring us to comply with minimum monthly liquidity requirements.

The operating and financial restrictions and covenants in the loan and security agreement, as well as any future financing arrangements that we may enter into, may restrict our ability to finance our operations, engage in, expand, or otherwise pursue our business activities and strategies. Our ability to comply with these or other covenants may be affected by events beyond our control, and future breaches of these or other covenants could result in a default under the loan and security agreements. If not waived, future defaults could cause all of the outstanding indebtedness under our loan and security agreement to become immediately due and payable and terminate all commitments to extend further credit.

If we do not have or are unable to generate sufficient cash to repay our debt obligations when they become due and payable, either upon maturity or in the event of a default, we may not be able to obtain additional debt or equity financing on favorable terms, if at all, which may negatively impact our ability to operate and continue our business as a going concern.

We are subject to regulation with respect to political advertising, which lacks clarity and uniformity.

We are subject to regulation with respect to political advertising activities, which are governed by various federal and state laws in the United States, and national and provincial laws worldwide. Online political advertising laws are rapidly evolving and our publishers may impose restrictions on receiving political advertising. The lack of uniformity and increasing compliance requirements around political advertising may adversely impact the amount of political advertising spent through our platform, increase our operating and compliance costs, and subject us to potential liability from regulatory agencies.

We may need additional capital in the future to meet our financial obligations and to pursue our business objectives. Additional capital may not be available on favorable terms, or at all, which could compromise our ability to meet our financial obligations and grow our business.

We may need to raise additional capital to fund operations in the future or to finance acquisitions or other business objectives. Additional capital may not be available on favorable terms or at all. Lack of sufficient capital resources could significantly limit our ability to meet our financial obligations or to take advantage of business and

strategic opportunities. Any additional capital raised through the sale of equity or convertible debt securities would dilute your stock ownership, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our Class A common stock. Any debt financing we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, we may be required to delay, reduce the scope of, or eliminate material parts of our business strategy, including potential additional acquisitions or development of new technologies and geographic expansion.

Our tax liabilities may be greater than anticipated.

The U.S. and non-U.S. tax laws applicable to our business activities are subject to interpretation and are changing. We are subject to audit by the Internal Revenue Service and by taxing authorities of the state, local and foreign jurisdictions in which we operate. Our tax obligations are based in part on our corporate operating structure, including the manner in which we develop, value, use and hold our intellectual property, the jurisdictions in which we operate, how tax authorities assess revenue-based taxes such as sales and use taxes, the scope of our international operations, and the value we ascribe to our intercompany transactions. Taxing authorities may challenge, and have challenged, our tax positions and methodologies for valuing developed technology or intercompany arrangements, positions regarding the collection of sales and use taxes, and the jurisdictions in which we are subject to taxes, which could expose us to additional taxes. Any adverse outcomes of such challenges to our tax positions could result in additional taxes for prior periods, interest and penalties, as well as higher future taxes. In addition, our future tax expense could increase as a result of changes in tax laws, regulations or accounting principles, or as a result of earning income in jurisdictions that have higher tax rates. For example, the European Commission has proposed, and various jurisdictions have enacted or are considering enacting laws that impose separate taxes on specified digital services, which may increase our tax obligations in such jurisdictions. Any increase in our tax expense could have a negative effect on our financial condition and results of operations. Moreover, the determination of our provision for income taxes and other tax liabilities requires significant estimates and judgment by management, and the tax treatment of certain transactions is uncertain. Given uncertainty with respect to the impact of the COVID-19 pandemic on our operations, the income tax benefit/expense we record may vary significantly in future periods. Any changes, ambiguity, or uncertainty in taxing jurisdictions' administrative interpretations, decisions, policies and positions, including the position of taxing authorities with respect to revenue generated by reference to certain digital services, could also materially impact our income tax liabilities. Although we believe we will make reasonable estimates and judgments, the ultimate outcome of any particular issue may differ from the amounts previously recorded in our financial statements and any such occurrence could adversely affect our business, results of operations, and financial condition.

Risks Related to Ownership of Our Class A Common Stock

The trading price of the shares of our Class A common stock has been and may continue to be volatile and could subject us to litigation.

Technology stocks historically have experienced high levels of volatility. The trading price of our Class A common stock has fluctuated substantially and may continue to do so. These fluctuations could cause you to incur substantial losses, including all of your investment in our Class A common stock. Factors that could cause fluctuations in the trading price of our Class A common stock, some of which are beyond our control and may not be relating to our operational or financial performance, include the following:

- significant volatility in the market price and trading volume of technology companies in general and of companies in the digital advertising industry in particular;
- announcements of new solutions or technologies, commercial relationships, acquisitions, or other events by us or our competitors;
- price and volume fluctuations in the overall stock market from time to time;
- changes in how customers perceive the benefits of our platform and future offerings;

- the public’s reaction to our press releases, other public announcements, and filings with the SEC;
- fluctuations in the trading volume of our shares or the size of our public float;
- sales of large blocks of our common stock;
- actual or anticipated changes or fluctuations in our results of operations or financial projections;
- changes in actual or future expectations of investors or securities analysts;
- litigation involving us, our industry, or both;
- governmental or regulatory actions or audits;
- regulatory developments applicable to our business, including those related to privacy in the United States or globally;
- general economic conditions and trends;
- major catastrophic events in our domestic and foreign markets; and
- departures of key employees.

In addition, if the market for technology stocks, the stock of digital advertising companies or the stock market, in general, experiences a loss of investor confidence, the trading price of our Class A common stock could decline for reasons unrelated to our business, results of operations, or financial condition. The trading price of our Class A common stock might also decline in reaction to events that affect other companies in the digital advertising industry even if these events do not directly affect us. In the past, following periods of volatility in the market price of a company’s securities, securities class action litigation has often been brought against that company. If litigation is instituted against us, it could subject us to substantial costs, divert management’s attention and resources, and adversely affect our business.

Insiders have substantial control over our company, including as a result of the dual class structure of our common stock, which could limit or preclude your ability to influence corporate matters, including the election of directors and the approval of any change of control transaction.

Our Class B common stock has ten votes per share, and our Class A common stock has one vote per share. As of September 30, 2021, our directors, officers, and holders of more than 5% of our total common stock outstanding, and their respective affiliates, beneficially owned in the aggregate approximately 89% of the voting power of our capital 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 and therefore be able to control all matters submitted to our stockholders for approval until the date that is ten years from the closing of this offering. This concentrated control will limit or preclude your ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. The interests of this group of stockholders may not coincide with our interests or the interests of other stockholders. This concentration of ownership may also have the effect of deterring, delaying or preventing a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock. Having a dual-class common stock structure may make our Class A common stock less attractive to some investors, such as funds and investment companies that attempt to track the performance of any indexes that prohibit or limit the inclusion of companies with such structures.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock 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. As a result, it is possible

that one or more of the persons or entities holding our Class B common stock could gain significant voting control as other holders of Class B common stock sell or otherwise convert their shares into Class A common stock.

Sales of substantial amounts of our Class A common stock in the public markets, or the perception that they might occur, could cause the market price of our Class A common stock to decline.

Sales of a substantial number of shares of our Class A common stock into the public market, particularly sales by our directors, executive officers, and principal stockholders, or the perception that these sales might occur, could cause the market price of our Class A common stock to decline and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

Our directors, executive officers and employees hold options and restricted stock units under our equity incentive plans, and the common stock issuable upon the exercise of such options or vesting of such restricted stock units has been registered for public resale under the Securities Act. Accordingly, these shares of common stock will be able to be freely sold in the public market upon issuance subject to certain legal and contractual requirements.

Additionally, certain holders of our Class B common stock have rights, subject to some conditions, to require us to file registration statements for the public resale of the Class A common stock issuable upon conversion of such shares or to include such shares in registration statements that we may file for us or other stockholders. If we were to register these shares for resale, they could be freely sold in the public market. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

Our charter documents and Delaware law could discourage takeover attempts and other corporate governance changes.

Our restated certificate of incorporation and restated bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for stockholders to elect directors who are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include:

- that our board of directors will be classified into three classes of directors with staggered three-year terms at such time as the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, which could delay the ability of stockholders to change the membership of our board;
- the ability of our board to issue shares of preferred stock without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- a prohibition on stockholder action by written consent effective upon such time as the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock;
- the requirement that a special meeting of stockholders may be called only by the chairman of the board, our chief executive officer, our lead director, or a majority of our board;
- the requirement for the affirmative vote of holders of at least 66-2/3% of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend provisions of our restated certificate of incorporation or our restated bylaws;
- the ability of our board to amend the bylaws, which may allow it to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer;
- the requirement that stockholders submitting notice of a nomination or proposal to be considered at an annual meeting of our stockholders must have continuously beneficially owned at least 1% of our outstanding common stock for a period of one year before giving such notice;

- advance notice procedures with which stockholders must comply to nominate candidates to our board or to propose matters to be acted upon at a stockholders' meeting; and
- the dual class common stock structure in which holders of our Class B common stock have the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets.

In addition, our restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the exclusive forum for derivative actions, actions asserting a breach of fiduciary duty, actions asserting a claim against us arising pursuant to the Delaware General Corporation Law, our restated certificate of incorporation or restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provision contained in our restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business, results of operations, and financial condition.

In addition, because we are incorporated in Delaware, we are governed by the provisions of the anti-takeover provisions of the Delaware General Corporation Law, which may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. Although we believe these provisions collectively provide for an opportunity to obtain greater value for stockholders by requiring potential acquirers to negotiate with our board, they would apply even if an offer rejected by our board was considered beneficial by some stockholders. In addition, 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, which is responsible for appointing the members of our management.

Because we do not anticipate paying any cash dividends on our common stock in the foreseeable future, capital appreciation, if any, will be your sole source of gains.

We have never declared or paid any dividends on our common stock. We currently intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. In addition, the terms of our existing debt arrangements preclude us from paying dividends and our future debt agreements, if any, may contain similar restrictions. As a result, you may only receive a return on your investment in our Class A common stock if the market price of our Class A common stock increases.

General Risk Factors

If securities or industry analysts do not publish research or publish unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our Class A common stock will, to some extent, depend on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us should downgrade our shares, change their opinion of our business prospects or publish inaccurate or unfavorable research about our business, our share price may decline. If one or more of these analysts who cover us ceases coverage of our company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

As reported in the Company's Current Report on Form 8-K filed on October 25, 2021, in October 2021, the Company entered into a new agreement (the "Sublease Agreement") to sublease approximately 34,229 square feet of office space located in Redwood City, California. The term of the lease was to commence on the date that was sixty (60) days following the landlord's execution of a consent to the Sublease Agreement. On November 8, 2021, the Company entered into a first amendment to the Sublease Agreement to amend the commencement date of the lease to December 1, 2021.

ITEM 6. EXHIBITS

Exhibit Number	Description of Document	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.1†	Sublease Agreement, dated as of October 20, 2021, by and between PubMatic, Inc. and Chan Zuckerberg Initiative, LLC.					X
10.2	First Amendment to Sublease Agreement, dated as of November 8, 2021, by and between PubMatic, Inc. and Chan Zuckerberg Initiative, LLC.					X
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document — the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

† Registrant has omitted portions of the exhibit as permitted under Item 601(b)(10) of Regulation S-K.

* The information in this exhibit is furnished and deemed not filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and is not to be incorporated by reference into any filing of PubMatic, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: November 9, 2021

PUBMATIC, INC.

By: /s/ Steven Pantelick
Steven Pantelick
Chief Financial Officer
(Principal Financial Officer)

Certain information marked by [***] has been excluded from this Exhibit because it is both not material and is the type that the Registrant treats as private or confidential.

SUBLEASE AGREEMENT

This SUBLEASE AGREEMENT dated as of October 20, 2021 (this “Sublease”) is by and between CHAN ZUCKERBERG INITIATIVE, LLC, a Delaware limited liability company (“Sublandlord”) and PUBMATIC, INC., a Delaware corporation (“Subtenant”), with regard to the following facts.

RECITALS

A. Sublandlord is the Tenant under that certain 601 Marshall Street Lease Agreement dated as of May 19, 2017 (“Master Lease”) between 601 Marshall Street Owner, LLC, a Delaware limited liability company (“Master Landlord”), and Sublandlord, a redacted copy of which is attached hereto as Exhibit C and incorporated herein by this reference. All initial- capitalized terms used but not defined herein have the meanings given to such terms in the Master Lease.

B. Pursuant to the Master Lease, Sublandlord leases approximately 34,229 rentable square feet of space in the building located at 601 Marshall Street, Redwood City, California (the “Building”), constituting the entire 4th floor of the Building (including outdoor terrace) and the commercial space on the Ground Floor of the Building (the “Master Lease Premises”).

C. Sublandlord and Subtenant desire to enter into this Sublease for the sublease by Sublandlord to Subtenant of the entire Master Lease Premises, as depicted on Exhibit A attached hereto and incorporated herein by this reference (the “Sublease Premises”).

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublandlord and Subtenant agree as follows:

1. Sublease. Sublandlord hereby subleases and demises to Subtenant, and Subtenant hereby subleases from Sublandlord, the Sublease Premises. Sublandlord and Subtenant agree and stipulate that the rentable area of the Sublease Premises is 34,229 rentable square feet as set forth in the Master Lease, and that such rentable area shall not be subject to re-measurement.

2. Sublease Term. The term of this Sublease (“Sublease Term”) shall commence on the date that is sixty (60) days following Master Landlord’s execution of a written consent to this Sublease (the “Sublease Commencement Date”) and, unless earlier terminated as provided herein or in the Master Lease, shall expire on March 31, 2028 (the “Sublease Expiration Date”). For purposes of this Sublease, the first “Sublease Year” shall be the period commencing on the Sublease Commencement Date and ending on the day preceding the first anniversary of the Sublease Commencement Date, provided that if the Sublease Commencement Date does not occur on the first day of a calendar month, then the first Sublease Year shall expire on the last day of the calendar month during which the first anniversary of the Sublease Commencement Date occurs. The second and each succeeding Sublease Year shall be each successive twelve (12) month period after the first Sublease Year. The rights of Subtenant shall in no event include or be deemed to include any right to renew, extend, expand, exercise a right of first refusal or first offer, exercise full or partial termination rights or hold over, unless such right is specifically conferred on Subtenant hereunder.

3. Base Rent. Subtenant shall pay base rent (“Base Rent”) during the Sublease Term in the following amounts:

<u>Sublease Year</u>	<u>Base Rent per Rentable Square Foot Per Month</u>	<u>Monthly Base Rent</u>
1	\$8.25	\$282,389.25
2	\$8.50	\$290,860.93
3	\$8.75	\$299,586.76
4	\$9.01	\$308,574.36
5	\$9.29	\$317,831.59
6	\$9.56	\$327,336.54
7	\$9.85	\$337,187.53

The Base Rent under this Sublease shall be payable monthly in advance on the first day of each calendar month during the Sublease Term. The Base Rent for any partial calendar month shall be prorated based on the number of days in such partial month as compared to the total number of days in such full calendar month. Concurrent with Subtenant’s execution of this Sublease, Subtenant shall deliver to Sublandlord an amount equal to one (1) month’s Base Rent in the amount of \$282,389.25 as prepaid rental for the first month of the Sublease Term.

4. Additional Charges for Expenses and Taxes. In addition to paying the Base Rent specified in Section 3 of this Sublease, commencing on the Sublease Commencement Date and continuing during the remaining Sublease Term, Subtenant shall pay to Sublandlord the following amounts: (i) 100% of Tenant’s Share of each installment of Real Estate Taxes under the Master Lease, (ii) 100% of Tenant’s Share of Expenses under the Master Lease and (iii) any other Additional Rent (as defined in the Master Lease) payable under the Master Lease. Subtenant shall pay the foregoing charges to Sublandlord in accordance with the same procedure as set forth in Section 3 of the Master Lease. The amounts payable under this Section 4 and any and all other amounts payable by Subtenant under this Sublease are collectively referred to as “Rent.” All amounts due under this Section 4 shall be payable for the same periods and in the same manner as the Base Rent. All Rent shall be due and payable without any deduction, offset, abatement, counterclaim, or defense. For avoidance of doubt, it is the intent of the parties that this will be a so-called “triple net” sublease.

5. Sublease Premises.

a. Subtenant has inspected the Sublease Premises and accepts the Sublease Premises in its existing “AS-IS” condition and state of repair, “WITH ALL FAULTS” and specifically and expressly without any warranties, representations, guarantees or obligations, either express or implied, of any kind, nature, or type whatsoever from or on behalf of Sublandlord, except that Sublandlord shall deliver the Sublease Premises in a professionally cleaned manner and with all Chan Zuckerberg Initiative (CZI) name branding (including, but not limited to, the removal of all Sublandlord Exterior Building Signage pursuant to Section 38(a) of the Master Lease), all personal property and furniture (except for the Furniture pursuant to Paragraph 7 below) removed. Subtenant further acknowledges and agrees that, with respect to the Sublease Premises, Sublandlord has not,

does not and will not make any warranties or representations, express or implied, or arising by operation of law, including, but in no way limited to, any warranty of condition, merchantability, habitability or fitness for a particular use, and Sublandlord shall in no event whatsoever be liable for any latent defects in the Sublease Premises or the equipment contained therein. On or before the expiration or earlier termination of this Sublease, Subtenant shall restore the Sublease Premises to the condition existing as of the Sublease Commencement Date, ordinary wear and tear, casualty and condemnation excepted. With respect to any improvements and alterations existing on the Sublease Commencement Date, in no event shall Subtenant be responsible for Sublandlord's restoration obligations under the Master Lease. The obligations of Subtenant hereunder shall survive the expiration or earlier termination of this Sublease.

b. Notwithstanding any other provision of this Sublease, Sublandlord shall have no obligation, liability, or responsibility whatsoever to Subtenant to: (a) furnish or provide, or cause to be furnished or provided, any repairs, restoration, alterations, maintenance or other work, or electricity, heating, ventilation, air-conditioning, water, elevator, cleaning, or other utilities or services; (b) comply with or perform or to cause the compliance with or performance of, any of the terms and conditions required to be performed or observed by Master Landlord under the terms of the Master Lease; (c) comply with any laws or requirements of public authorities which relate to the Sublease Premises or the Building; or (d) repair or restore the Sublease Premises or the Building in the event of condemnation or damage or destruction by fire or other casualty. Subtenant hereby agrees that Master Landlord is solely responsible for the performance of the foregoing obligations.

6. Use. Subtenant covenants and agrees to use the Sublease Premises in accordance with the provisions of the Master Lease and for no other purpose, and otherwise in accordance with the terms and conditions of the Master Lease and this Sublease.

7. Furniture. During the Sublease Term, Subtenant shall have the right to use the furniture, fixtures, equipment, audio visuals, IT and security equipment listed on Exhibit B to this Sublease (the "Furniture") at no additional Rent payable to Sublandlord. Subtenant shall use the Furniture in its "as-is" condition and Sublandlord makes no representations or warranties, express or implied, with regard to the condition or any other aspect of the Furniture. Subtenant shall maintain and repair the Furniture in as good of condition and repair as of the Sublease Commencement Date at its sole cost and expense, reasonable wear and tear and damage from casualty excepted. Sublandlord shall have no obligations or liabilities with respect to the Furniture. Upon expiration or earlier termination of this Sublease, Sublandlord shall execute a Bill of Sale (the "Bill of Sale"), attached hereto as Exhibit D, to Subtenant for consideration of \$1.00 from Subtenant for the Furniture, and Subtenant shall remove all such Furniture and other personal property belonging to Subtenant from the Sublease Premises, including any wiring located in the Sublease Premises as more particularly set forth on Schedule I, and repair any damage caused by such removal; provided, that, in the event of an early termination of this Sublease as a result of a Default by Subtenant, Sublandlord shall have no obligation to deliver the Bill of Sale.

8. Letter of Credit; Reduction of Letter of Credit; Increase in Letter of Credit.

a. Letter of Credit. On or prior to the Sublease Commencement Date, Subtenant shall deliver to Sublandlord an unconditional, irrevocable, transferable letter of credit in the form of Exhibit E attached hereto (the "Letter of Credit"), in an amount equal to \$3,453,706 ("Letter of Credit Amount") satisfying the requirements set forth in Section 32 of the Master Lease. Subtenant's Letter of Credit shall be maintained by Subtenant during the Sublease Term and sixty (60) days thereafter. Notwithstanding any contrary provision hereof (including without limitation, Section 32 of the Master Lease), the amount of the Letter of Credit shall not be substituted by a guaranty.

b. Reduction in Letter of Credit Amount. Provided that, as of month thirty- nine (39) of the Sublease Term, (i) Subtenant is not then in Default; and (ii) on or prior to the thirty-ninth (39th) month of the Sublease Term, Subtenant tenders to Sublandlord a replacement Letter of Credit or a certificate of amendment to the existing Letter of Credit, in the amount of \$1,726,853 (the “Reduced LOC Amount”) (the “Reduction Conditions”), then the Letter of Credit Amount shall be reduced to the Reduced LOC Amount. In the event the Letter of Credit Amount is reduced pursuant to the foregoing, and simultaneously with Subtenant’s tender of the replacement or amended Letter of Credit to Sublandlord in the form required herein, Sublandlord shall exchange the Letter of Credit then held by Sublandlord for the replacement or amended Letter of Credit tendered by Subtenant. If Subtenant fails to tender to Sublandlord a replacement Letter of Credit or a certificate of amendment to the existing Letter of Credit on or prior to month thirty-nine (39) of the Sublease Term, but Subtenant subsequently delivers a replacement Letter of Credit or a certificate of amendment to the existing Letter of Credit to Sublandlord and as of the date of such delivery Subtenant otherwise satisfies the Reduction Conditions, then any reductions that were suspended will re-commence as of the date of such delivery.

c. Restoration of Letter of Credit Amount. If, following satisfaction of the Reduction Conditions and reduction of the Letter of Credit to the Reduced LOC Amount, Subtenant fails to maintain an average market capitalization of at least One Billion Dollars (\$1,000,000,000) (the “Market Cap Threshold”) for a period of two (2) consecutive calendar year quarters (the “Market Cap Trigger Event”) or a Default by Subtenant occurs, then Sublandlord may provide written notice to Subtenant of such occurrence, and within thirty (30) days of Subtenant’s receipt of such written notice, (i) the Letter of Credit Amount shall be increased to \$3,453,706, (ii) Subtenant shall tender to Sublandlord a replacement Letter of Credit or a certificate of amendment to the existing Letter of Credit, in the amount of \$3,453,706, and (iii) simultaneously with Subtenant’s tender of the replacement or amended Letter of Credit to Sublandlord in the form required herein, Sublandlord shall exchange the Letter of Credit then held by Sublandlord for the replacement or amended Letter of Credit tendered by Subtenant.

d. Additional Reduction of Letter of Credit Amount. If a Market Cap Trigger Event has occurred and the Letter of Credit Amount has been increased pursuant to Section 8(c) above, then the Letter of Credit Amount shall be reduced to the Reduced LOC Amount if the following conditions are satisfied: (i) Subtenant is not then in Default, (ii) Subtenant maintains an average market capitalization of at least the Market Cap Threshold for a period of two (2) consecutive calendar year quarters, (iii) Subtenant provides written notice to Sublandlord of such occurrence, and (iv) Subtenant tenders to Sublandlord a replacement Letter of Credit or a certificate of amendment to the existing Letter of Credit, in the amount of Reduced LOC Amount. Simultaneously with Subtenant’s tender of the replacement or amended Letter of Credit to Sublandlord in the form required herein, Sublandlord shall exchange the Letter of Credit then held by Sublandlord for the replacement or amended Letter of Credit tendered by Subtenant; provided, however, if a Default by Subtenant occurs following such reduction pursuant to this Section 8(d), then the Letter of Credit Amount shall be increased to \$3,453,706 in accordance with Section 8(c) above.

e. Draw Events. At any time after a Draw Event (as defined below) occurs, Sublandlord may present its written demand for payment under the Letter of Credit. Sublandlord may retain such funds to the extent required to compensate Sublandlord for damages incurred, or to reimburse Sublandlord as provided herein, in connection with any such default or other Draw Event. A “Draw Event” shall mean any of the following: (A) a Default by Subtenant occurs; (B) an event has occurred which, with the passage of time or giving of notice or both, would constitute a Default by Subtenant, where Sublandlord is prevented from, or delayed in, giving such notice because of an Insolvency Proceeding; (C) Subtenant is the subject of an Insolvency Proceeding; (D) this Lease is

terminated by Sublandlord due to a Default by Subtenant; (E) the Letter of Credit is not replaced with a Letter of Credit from a different financial institution if and when required by Section 32(b) of the Master Lease as incorporated herein; and (F) the Letter of Credit is not extended by the date which is sixty (60) days prior to its expiration. With respect to the Draw Events specified in clauses (A) and (B) above, Sublandlord may draw upon the Letter of Credit in the amount required to compensate Sublandlord for damages incurred or to reimburse Sublandlord as provided herein, and Sublandlord may retain the funds so drawn, with subsequent demands at Sublandlord's sole election as Sublandlord incurs further damages; and with respect to the Draw Events specified in clauses (C), (D), (E), and (F) above, Sublandlord may draw upon the Letter of Credit in the full amount thereof, with the proceeds of such draw to be held by Sublandlord and applied as provided for in Section 32 of the Master Lease as incorporated herein.

9. Alterations. Except for any Permitted Alterations in accordance with the Master Lease, Subtenant may not make any alterations, additions, improvements or changes to the Sublease Premises, including to any mechanical, plumbing, electrical, HVAC, security or other utility facilities or systems serving the Sublease Premises ("Alterations"), without the prior written consent of Master Landlord and Sublandlord, which consent may be withheld by Sublandlord in its reasonable discretion. Any such Alterations shall be subject to and performed in accordance with all of the terms and conditions of the Master Lease.

10. Assignment and Sublease.

a. Subtenant shall not directly or indirectly, voluntarily or by operation of law, sell, assign, encumber, pledge, mortgage or otherwise transfer or hypothecate all or any part of or interest in this Sublease or further sublet, or allow any other person or entity to occupy or use, all or any part of the Sublease Premises (a "Sublease Transfer"), except with Sublandlord's prior written consent in its sole discretion and subject to and in compliance with all of the terms and conditions of the Master Lease as incorporated herein, and Sublandlord (in addition to Master Landlord) shall have the same rights with respect to a Sublease Transfer as Master Landlord has under the Master Lease. Notwithstanding anything in this Sublease to the contrary, Subtenant may enter into a Permitted Transfer of this Sublease without Sublandlord's consent provided the conditions of Section 10(f) of the Master Lease are satisfied and such transferee has a net worth immediately following such transaction that is equal to or greater than the net worth of Subtenant as of the date immediately prior to such transaction.

b. Subtenant shall pay all fees and costs payable to Master Landlord pursuant to the Master Lease as well as all of Sublandlord's costs (not to exceed \$5,000) relating to any proposed Sublease Transfer regardless of whether any required consent is granted, and the effectiveness of any such consent shall be conditioned upon Master Landlord's and Sublandlord's receipt of all such fees and costs.

c. At any time within ten (10) Business Days after Sublandlord's receipt of notice of a proposed Sublease Transfer of or pertaining to more than fifty percent (50%) of the Sublease Premises for all or substantially all of the remainder of the Sublease Term, Sublandlord may by written notice to Subtenant elect to recapture the entire Sublease Premises and terminate this Sublease (the "Recapture Option"). If Sublandlord exercises its Recapture Option, Sublandlord and Subtenant shall enter into an appropriate termination of this Sublease; and Sublandlord shall have the right to use or relet the Sublease Premises for any legal purpose in its sole discretion.

d. If Master Landlord and Sublandlord consent to any Sublease Transfer, (i) fifty percent (50%) of the Assignment or Sublease Profits realized by Subtenant shall be paid in full to Sublandlord, subject to the terms and conditions of the Master Lease, including profit sharing by

Master Landlord, (ii) any improvements, additions, or alterations to the Building or the Project that are required by any Law as a result of such Sublease Transfer shall be installed and provided without cost or expense to Sublandlord, and Sublandlord may condition its consent to any proposed subtenant or assignee on the construction of such improvements, additions, or alterations, (iii) Subtenant may thereafter within ninety (90) days after Master Landlord's and Sublandlord's consent, but not later than the expiration of said ninety (90) days, enter into such Assignment or Sublease of the Sublease Premises or portion thereof upon the terms and conditions set forth in the notice furnished by Subtenant to Master Landlord and Sublandlord pursuant hereto.

11. Holdover. If Subtenant holds over after the expiration or earlier termination of the Sublease Term, such tenancy shall be subject to the terms of Section 15 of the Master Lease.

12. Hazardous Substances. Subtenant hereby assumes all obligations of Tenant under Section 36 of the Master Lease arising on or after the Sublease Commencement Date. Notwithstanding any contrary provision of this Sublease or the Master Lease, Sublandlord has no obligations or liabilities to Subtenant with respect to Hazardous Substances, except to the extent such Hazardous Substances were used, released, stored or disposed of by Sublandlord or its agents, employees, contractors or invitees prior to the Sublease Commencement Date.

13. Parking. Subtenant shall have the right to use Tenant's Share of the parking situated at the Project made available by Master Landlord to office tenants of the Project, subject to, and in accordance with, Section 34 of the Master Lease as incorporated herein.

14. Signage. Subtenant shall have the right, at Subtenant's cost, to enjoy Sublandlord's rights under Section 38 of the Master Lease as incorporated herein, and hereby assumes all obligations of Sublandlord under such Section 38 of the Master Lease arising or accruing during the Sublease Term. Sublandlord shall have no obligations or liabilities to Subtenant with respect to Subtenant's signage.

15. Insurance. Subtenant shall maintain throughout the Sublease Term all insurance required to be maintained by the Tenant under the Master Lease. Each policy of insurance required to be maintained by Subtenant hereunder and/or under the Master Lease shall be placed through insurers that meet the insurance company requirements set forth in the Master Lease, shall name Sublandlord and Master Landlord and such other parties as Sublandlord and/or Master Landlord may request as additional insureds and/or loss payees, as applicable, shall contain waiver of subrogation and severability of interests endorsements, shall in all events be in an amount sufficient to prevent Subtenant from being a co-insurer of any loss covered under the applicable policy or policies and shall require not less than 30 days' prior written notice of any cancellation or modification. On or prior to the Sublease Commencement Date, Subtenant shall deliver to Sublandlord binding certificates or other binding evidence of all such insurance (on an ACCORD 27 form or other form acceptable to Sublandlord); and thereafter, at least fifteen (15) days prior to the expiration of any policy, Subtenant shall deliver to Sublandlord such original certificates as shall evidence a renewal or new policy to take the place of the policy that is expiring together with true copies of each such policy and evidence of payment therefor.

16. Default.

a. It shall constitute a "Default" hereunder if Subtenant fails to perform any obligation hereunder (including, without limitation, the obligation to pay Rent), or any obligation under the Master Lease which has been incorporated herein by reference, and, in each instance, Subtenant has not remedied such failure (i) in the case of any monetary Default, three (3) Business Days after delivery of written notice of nonpayment, and (ii) in the case of any other Default, fifteen

(15) calendar days after delivery of written notice of Default; provided, however, that if the Default is incapable of cure within fifteen (15) days, then for so long as Sublandlord has not received notice from Master Landlord stating that Master Landlord will treat such Default as a "Tenant Default" under the Master Lease, Subtenant shall not be in Default hereunder if Subtenant commences the cure within the fifteen (15) day period and thereafter diligently prosecutes the cure to completion; however, if at any time Sublandlord receives notice from Master Landlord that the Default will be treated as a "Tenant Default" under the Master Lease, Subtenant's cure period will be deemed to expire not later than five (5) days before the date of expiration of Sublandlord's cure period under the Master Lease as set forth in Master Landlord's notice of default to Sublandlord.

b. In the event that Subtenant shall be in Default hereunder, Sublandlord, in addition to and not in limitation of any rights otherwise available to it, shall have the same rights and remedies with respect to such default as are provided to Master Landlord under the Master Lease, including, without limitation, Section 32(c) of the Master Lease, with respect to defaults by the Tenant thereunder, with the same force and effect as though all such provisions relating to any such default or defaults were herein set forth in full, and Subtenant shall have all of the obligations of the Tenant under the Master Lease with respect to such Default, in each case with all references in the Master Lease to "Landlord" hereby referring to "Sublandlord", all references in the Master Lease to "Tenant" hereby referring to "Subtenant" and all references in the Master Lease to "Tenant Default" hereby referring to "Default".

17. Master Lease.

a. Except as expressly provided in this Sublease, Subtenant and this Sublease shall be subject in all respects to the terms of the Master Lease. Except as otherwise expressly provided in this Sublease, the covenants, agreements, terms, provisions and conditions of the Master Lease insofar as they are not inconsistent with the terms of this Sublease or excluded below, are made a part of and incorporated into this Sublease as if recited herein in full. Any non-liability, release, indemnity or hold harmless provision in the Master Lease for the benefit of Master Landlord shall be deemed to inure to the benefit of Sublandlord, Master Landlord, and any other person intended to be benefited by said provision. As applied to this Sublease, the words "Landlord" and "Tenant" as used in the Master Lease shall be deemed to refer to Sublandlord and Subtenant hereunder, respectively. As between the parties hereto only, in the event of a conflict between the terms of the Master Lease and the terms of this Sublease, the terms of this Sublease shall control. The terms of the Master Lease shall be kept confidential by Subtenant, except to the extent that any disclosure thereof by Subtenant is required by law. Notwithstanding any contrary provision hereof, the following provisions of the Master Lease are not incorporated into this Sublease:

i. Term, Anticipated Base Building Substantial Completion Date, Commencement Date, Expiration Date, Extension Option(s), Rent During Extension Term, Tenant Allowance, Base Rent, Broker and Broker's Fee or Commission Paid By set forth in the Basic Lease Information of the Master Lease;

ii. Sections 2, 3(c)(vi), 11(a), 13(b), 13(c), 13(f), 16(b), 32(j), 35, 36(f), 39 and 40 of the Master Lease;

iii. The second sentence of Section 32(a) of the Master Lease;

iv. The first sentence of Section 33(a) of the Master Lease; provided, however, Subtenant warrants that each of the persons executing this Sublease on behalf of Subtenant is authorized to do so, that Subtenant is a duly authorized and existing corporation, that

Subtenant has and is qualified to do business in California and, that Subtenant has full right and authority to enter into this Sublease; and

v. Exhibit B and Exhibit C of the Master Lease.

b. Approvals, Consents and Waivers. Whenever a provision of the Master Lease incorporated in this Sublease requires or refers to Master Landlord's consent or approval, such provision as incorporated in this Sublease shall be deemed to require or refer to both Master Landlord's and Sublandlord's consent or approval. In such a case, Subtenant shall submit its request for consent or approval to Sublandlord. Sublandlord shall forward the request to Master Landlord for its consent or approval unless Sublandlord has then decided to deny its consent or approval to Subtenant's request. Sublandlord's consent may be withheld in Sublandlord's sole and absolute discretion as to any consent or approval refused by Master Landlord. Where Master Landlord's consent is not to be unreasonably withheld under certain provisions of the Master Lease, Sublandlord's consent under corresponding provisions of the Sublease will not be unreasonably withheld, except in the event that Master Landlord denies its consent thereto. Except for the timing of the payment of Rent, which shall be governed by the terms of this Sublease, whenever, under a provision of the Master Lease incorporated in this Sublease, Sublandlord as Tenant is required to take some action by a date certain or within a certain time period, Subtenant shall take such action not less than five (5) days prior to the deadline which would be applicable to Sublandlord's performance of such action (except for any notice period in the Lease of five (5) days or less, in which case action shall be taken not less than two (2) days prior to the deadline).

c. Master Landlord's Performance Under Master Lease. Subtenant recognizes that Sublandlord is not in a position to render the services or to perform the obligations required to be performed by Master Landlord under the Master Lease and that are incorporated into this Sublease. Therefore, notwithstanding any contrary provision of this Sublease (including any provisions of the Master Lease incorporated herein by reference), Subtenant agrees that performance by Sublandlord of its obligations hereunder are conditioned upon the performance by the Master Landlord of its corresponding obligations under the Master Lease, and Sublandlord shall not be liable to Subtenant for any breach or default of the Master Landlord under the Master Lease. Subtenant shall not have any claim against Sublandlord by reason of the Master Landlord's failure to comply with any of the provisions of the Master Lease, the negligence of Master Landlord or any damage or injury suffered by Subtenant as a result of any act or failure to act by Master Landlord, nor shall any such action, failure to act, or default by Master Landlord constitute a constructive eviction or default by Sublandlord. Sublandlord shall not be deemed to have made or adopted as its own any representations or warranties made by Master Landlord in the Master Lease. Notwithstanding any contrary term or provision of this Sublease (including without limitation, any provisions of the Master Lease incorporated herein by reference), Sublandlord shall have no obligation to indemnify, defend or hold harmless Subtenant for any matter for which Master Landlord has indemnity, defense or hold harmless obligations as Master Landlord under the Master Lease, except for Sublandlord's gross negligence or willful misconduct with respect to matters pertaining to the Sublease Premises or any other indemnification obligation of Sublandlord expressly set forth in this Sublease; provided, however, that at Subtenant's request and expense, Sublandlord agrees to use commercially reasonable efforts to enforce Master Landlord's obligations under the Master Lease as they pertain to Subtenant's rights under this Sublease. This Sublease shall remain in full force and effect notwithstanding the Master Landlord's default under the Master Lease, and Subtenant shall pay the Rent and all other charges provided for herein without any abatement, deduction or setoff whatsoever; provided, however, that if and to the extent that Sublandlord is entitled to abatement of Rent under the Master Lease with respect to the Sublease Premises pursuant the Master Lease, then Subtenant shall be entitled to the same abatement of its Rent with respect to the Sublease Premises.

18. Liability.

a. Sublandlord Liability. Notwithstanding any other term or provision of this Sublease, the liability of Sublandlord to Subtenant for any default in Sublandlord's obligations under this Sublease shall be limited to actual, direct damages, resulting from a Sublandlord default, and under no circumstances shall Subtenant, its partners, members, shareholders, directors, agents, officers, employees, contractors, sublessees, successors and/or assigns be entitled to recover from Sublandlord (or otherwise be indemnified by Sublandlord) for (i) any losses, costs, claims, causes of action, damages or other liability incurred in connection with a failure of Master Landlord, its partners, members, shareholders, directors, agents, officers, employees, contractors, successors and/or assigns to perform or cause to be performed Master Landlord's obligations under the Master Lease, (ii) lost revenues, lost profit or other consequential, special or punitive damages arising in connection with this Sublease for any reason, or (iii) any damages or other liability arising from or incurred in connection with the condition of the Sublease Premises or suitability of the Sublease Premises for Subtenant's intended uses. Notwithstanding any other term or provision of this Sublease, no personal liability shall at any time be asserted or enforceable against Sublandlord's partners, members, shareholders, directors, agents, officers, employees, contractors, sublessees, successors and/or assigns on account of any of Sublandlord's obligations, liabilities or actions under this Sublease. In the event of any assignment or transfer of the Sublandlord's interest under this Sublease, which assignment or transfer may occur at any time during the Sublease Term in Sublandlord's sole discretion subject to the terms of the Master Lease, provided that the transferee will be the tenant under the Master Lease upon such assignment or transfer, Sublandlord shall be and hereby is entirely relieved of all covenants and obligations of Sublandlord hereunder accruing subsequent to the date of the transfer to the extent transferee has assumed in writing all covenants and obligations thereafter to be performed by Sublandlord hereunder. Sublandlord shall transfer and deliver any then-existing Letter of Credit to the transferee of Sublandlord's interest under this Sublease, and thereupon Sublandlord shall be discharged from any further liability with respect thereto.

b. Subtenant Liability. Notwithstanding any other term or provision of this Sublease, the liability of Subtenant to Sublandlord for any default in Subtenant's obligations under this Sublease shall be limited to actual, direct damages, resulting from a Subtenant default, and under no circumstances shall Sublandlord, its partners, members, shareholders, directors, agents, officers, employees, contractors, sublessees, successors and/or assigns be entitled to recover from Subtenant (or otherwise be indemnified by Subtenant) for lost revenues, lost profit or other consequential, special or punitive damages arising in connection with this Sublease for any reason unless such damages are actually incurred by Sublandlord as a result of third party claims for which Sublandlord is liable. Notwithstanding any other term or provision of this Sublease, no personal liability shall at any time be asserted or enforceable against Subtenant's partners, members, shareholders, directors, agents, officers, employees, contractors, sublessees, successors and/or assigns on account of any of Subtenant's obligations, liabilities or actions under this Sublease. The foregoing limitation of liability shall not apply to Landlord's consequential damages under Section 11 below and Landlord's damages and remedies under California Civil Code Section 1951.2 (and any successor statutes).

c. Subtenant's Indemnity. Subtenant shall not do or cause to be done or suffer or permit to be done any act or thing which would or might constitute a default under the Master Lease or cause the Master Lease or the rights of Sublandlord as tenant under the Master Lease to be terminated, which would or might cause Sublandlord to become liable for any damages, costs, claims, or penalties, which would or might increase the basic monthly rent or other obligations of Sublandlord as tenant under the Master Lease, or which would or might adversely affect or reduce any of Sublandlord's rights or benefits under the Master Lease. Subject to the waivers provided in Section 12 of the Master Lease and except to the extent caused by the gross negligence or willful

misconduct of any Sublandlord Party (defined below), Subtenant shall indemnify, defend and hold harmless the Sublandlord Parties from and against any and all third-party claims, liabilities, losses, costs, and expenses (including reasonable attorney's fees) of whatever nature arising from or claimed to have arisen from (i) any negligence or willful misconduct of any of the Subtenant Parties; (ii) any accident, injury or damage whatsoever caused to any person, or to the property of any person, occurring in or about the Sublease Premises from the date on which any Subtenant Party first enters the Sublease Premises for any reason and thereafter throughout and until the end of the Sublease Term and after the end of the Sublease Term for as long as Subtenant or anyone acting by, through or under Subtenant is in occupancy of the Sublease Premises or any portion thereof; (iii) any accident, injury or damage whatsoever occurring outside the Sublease Premises but within the Project, where such accident, injury or damage results from the negligence or willful misconduct on the part of any of the Subtenant Parties; (iv) arising from any breach of this Sublease by Subtenant; or (v) the conduct of any work or business of Subtenant Parties in or about the Project, including any release, discharge, storage or use of any hazardous substance, hazardous waste, toxic substance, oil, explosives, asbestos, or similar material. As used herein, the term "Subtenant Parties" shall mean Subtenant, its officers, directors, shareholders, members, partners, managers, and their respective agents, employees, servants, representatives, consultants, contractors, successors and assigns. As used herein, the term "Sublandlord Parties" shall mean Sublandlord, its officers, directors, shareholders, members, partners, managers, investors, lenders and their respective agents, employees, servants, representatives, consultants, property managers, agents, contractors, successors and assigns.

d. Sublandlord's Indemnity. Sublandlord shall not do or cause to be done or suffer or permit to be done any act or thing which would or might constitute a default under the Master Lease or cause the Master Lease or the rights of Sublandlord as tenant under the Master Lease to be terminated, which would or might cause Subtenant to become liable for any damages, costs, claims, or penalties, which would or might increase the basic monthly rent or other obligations of Sublandlord as tenant under the Master Lease, or which would or might adversely affect or reduce any of Subtenant's rights or benefits under the Master Lease. Subject to the waivers provided in Section 12 of the Master Lease and except to the extent caused by the negligence or willful misconduct of any Tenant Party, Sublandlord shall indemnify, defend and hold harmless the Subtenant Parties from and against any and all third-party claims, liabilities, losses, costs, and expenses for any injury or damage to any person or property, including any reasonable attorney's fees, occurring in, on, or about the Project to the extent such injury or damage is caused by the gross negligence or willful misconduct of any Sublandlord Party, property manager, or its property manager's employees; provided, however, that the foregoing indemnity shall not include claims or liability to the extent waived by Subtenant pursuant to Section 11(b) of the Master Lease.

19. Brokers. Sublandlord and Subtenant each represent and warrant to the other that it has not dealt with any broker or finder in connection with the consummation of this Sublease that is entitled to any brokerage commission, finder's fee or other compensation, except that Subtenant has been represented by Ben Stern and Brandon Service with Newmark & Company Real Estate, Inc. ("Subtenant's Broker") and Sublandlord has been represented by Mike Courson with Newmark & Company Real Estate, Inc. ("Sublandlord's Broker") and, together with Subtenant's Broker, collectively, "Broker"). Subtenant and Sublandlord agree that Subtenant's Broker and Sublandlord's Broker shall be paid commissions by Sublandlord in connection with this Sublease pursuant to a separate agreement or agreements. Each party indemnifies, defends and holds and saves the other party harmless from and against any and all claims for brokerage commissions, finder's fees or other compensation arising out of its acts in connection with this Sublease.

20. Notices. Notices under this Sublease shall be given in accordance with the terms and provisions of Section 28 of the Master Lease. Sublandlord's address for notice purposes is as set

forth in the Basic Lease Information of the Summary to the Master Lease. Subtenant's address for notice purposes is as follows:

Prior to the Sublease Commencement Date

PubMatic, Inc.

3 Lagoon Drive, Suite 180 Redwood City, CA 94065 Attention:
Legal Department

After the Sublease Commencement Date

PubMatic, Inc.

601 Marshall Street, 4th Floor Redwood City, CA 94063
Attention: Legal Department

21. Consent of Master Landlord. This Sublease is subject to Master Landlord's consent. Subtenant agrees to reasonably cooperate with Sublandlord in providing the Master Landlord any information requested by Master Landlord in order to allow Master Landlord to review and evaluate Subtenant and to issue its consent. Within five (5) days following the date of this Sublease, Sublandlord shall submit written notice to Master Landlord of a request for a sublease of the Sublease Premises, as set forth in Section 10(c) of the Master Lease, and shall use good faith, commercially reasonable efforts to obtain such consent (which such efforts shall not require payment or other concessions from Sublandlord for the benefit of Master Landlord except to the extent such payment or other concessions are expressly set forth in the Master Lease). Master Landlord consent shall be in a form reasonably acceptable to Subtenant and Sublandlord shall request that Landlord include the following concepts in the Master Landlord consent: (i) a waiver of subrogation from Master Landlord in favor of Subtenant, (ii) a covenant from Master Landlord that Master Landlord will not alter the parking areas or reduce the number of parking spaces at the Project during the Sublease Term below 255 parking spaces, as set forth in Section 34(a) of the Master Lease, (iii) a transfer of the Canopy Signage and Base Cap Signage rights to Subtenant, under Section 38 of the Master Lease, during the Sublease Term, (iv) the removal of the restrictions on the change of control set forth in Section 10(b) of the Master Lease, as it relates to Subtenant, and (v) an acknowledgement by Master Landlord that, to the extent Subtenant enters into an agreement with another tenant at the Building to use certain parking spaces of such other tenant at the Project, then Subtenant shall have the right to use such additional parking spaces in accordance with the terms of the Master Lease applicable to the existing parking spaces allocated to Sublandlord under the Master Lease. Notwithstanding the foregoing, Subtenant shall have no right to object to the form of Master Landlord consent if it fails to include the requested provisions in the preceding sentence.

22. Sublandlord Representations, Warranties and Covenants.

a. As long as Subtenant timely performs its obligations under this Sublease, Sublandlord shall timely perform all of its obligations under the terms of the Master Sublease that are not Subtenant's obligation to perform pursuant to the terms of this Sublease. Sublandlord shall not voluntarily amend or terminate the Master Lease during the Sublease Term of this Sublease without the prior written consent of Subtenant. Sublandlord shall promptly forward to Subtenant any written

notices that Sublandlord receives from Master Landlord, which was sent by Master Landlord pursuant to Section 28 of the Master Lease.

b. Sublandlord represents and warrants to Subtenant that: (i) the Master Lease and Subordination, Non-Disturbance and Attornment Agreement (“SNDA”) attached as Exhibit C to this Sublease is a true, correct and complete copy of the Master Lease (except with respect to the amounts or terms that have been redacted) and SNDA, and the Master Lease has not been amended or modified, except as reflected in Exhibit C; (ii) to Sublandlord’s actual knowledge, the Master Lease is in full force and effect and has not been assigned by Sublandlord; Sublandlord has received no written notice of any default under the Master Lease; (iv) to Sublandlord’s actual knowledge, Sublandlord is not now in default or breach of any of the provisions of the Master Lease and there exists no event or condition which, with the giving of notice or passage of time or both, would constitute an event of default by Sublandlord under the Master Lease; and (v) to Sublandlord’s actual knowledge (without duty of inquiry), Master Landlord is not in default or breach of any provisions of the Master Lease and there exists no event or condition which, with the giving of notice or passage of time or both, would constitute an event of default by Master Landlord under the Master Lease.

23. Entire Agreement. This Sublease contains the entire agreement between Sublandlord and Subtenant with respect to the sublease of the Sublease Premises.

24. Severability. In the event any one or more of the provisions contained in this Sublease shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Sublease, but this Sublease shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. Furthermore, in the event that the application of any provision of this Sublease to any person or circumstance shall for any reason be held to be invalid, illegal or unenforceable, in whole or in part, or in any respect or to any extent, then, and in any event, such invalidity, illegality or unenforceability shall not be deemed to affect the application of such provision to the extent that such application is legal, valid and enforceable nor the application of such provision to any person or entity or circumstance against whom or which such application is legal, valid and enforceable.

25. Successors and Assigns. This Sublease shall be binding on and inure to the benefit of the successors, assigns, and transferees of Sublandlord and the permitted successors, assigns, and transferees of Subtenant.

26. Subordination. This Sublease and all of Subtenant’s rights hereunder are subject and subordinate to the Master Lease and all ground or underlying leases, and mortgages which may now or hereafter affect the Building or the real property on which the same is situate (collectively, the “Property”) or any interest therein, to all renewals, modifications, consolidations, replacements and extensions thereof, and to all rights, interests, and title of any Lender (as defined below), fee title holder, or ground lessor secured thereby. The foregoing provisions shall be self- operative and no further instrument of subordination shall be required to give effect to the same. Within fifteen (15) days’ after written request therefor from Sublandlord, Subtenant shall execute and deliver to Sublandlord or to such other party as Sublandlord may direct, a commercially reasonable subordination, non-disturbance and attornment agreement confirming such subordination and containing such other provisions as are generally consistent with the requirements of institutional lenders or as otherwise required by Sublandlord or Master Landlord. As used herein, the term “Lender” shall mean any current or future mortgagee, including the secured party under any financing statement or other similar evidence of a security interest, pertaining to the Property, ground lease, and/or Sublandlord’s interest in this Sublease.

27. Counterparts. This Sublease may be executed in multiple counterparts, all of which shall collectively constitute a fully-executed document. Any signatures delivered by electronic pdf copy shall have the same force and effect as an original signature.

28. No Recording. Neither this Sublease nor any notice or memorandum hereof shall be recorded or otherwise filed, and any attempt by or on behalf of Subtenant to do so shall constitute a default under this Sublease and shall entitle Sublandlord to exercise any and all remedies provided for herein, at law and/or in equity.

29. Governing Law. This Sublease shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California, excluding its choice of law principles.

30. Relationship. Nothing herein shall be deemed to create any partnership, joint venture, or principal-agent relationship between the parties, and neither party shall act toward third parties or the public in any manner which would indicate any such relationship other than landlord-tenant.

31. Modifications; Waivers; Remedies Cumulative. No amendment, modification, waiver or discharge of this Sublease, or any provision hereof (including, without limitation, this sentence) shall be valid or effective unless in writing and signed by the party against whom enforcement of such amendment, modification, waiver or discharge is sought and then only to the extent set forth in such writing. No delay or omission of any party in exercising any right, power or remedy accruing under or pursuant to this Sublease, at law, in equity, or otherwise, shall exhaust or impair any right, power or remedy of any party or shall be construed to waive any such right, power or remedy. Every right, power and remedy of the parties under this Sublease may be exercised from time to time and as often as may be deemed expedient by any party in its sole discretion. No right, power or remedy conferred upon or reserved to the parties is exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given under this Sublease or under any other instrument executed in connection herewith, or now or hereafter existing at law, in equity, or otherwise. No obligation of any party under this Sublease shall be deemed waived by any course or pattern of conduct by any party.

32. Interpretation. The captions used in this Sublease are for convenience of reference only and shall not be construed to extend, limit or modify the scope or meaning of the respective paragraphs to which they relate. This Sublease shall not be construed more strictly against one party than against the other merely by virtue of the fact that this Sublease may have been physically prepared by one of the parties, or such party's counsel, it being agreed that all parties and their respective counsel have mutually participated in the negotiation and preparation of this Sublease.

33. Time of the Essence. Time is of the essence for each of the parties to perform its obligations under this Sublease.

34. California Accessibility Disclosure.

a. For purposes of Section 1938 of the California Civil Code, Sublandlord hereby discloses to Subtenant, and Subtenant hereby acknowledges, that to Sublandlord's actual knowledge, the Sublease Premises have not undergone inspection by a Certified Access Specialist (CASp). California Civil Code Section 1938 states:

"A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not

prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.”

b. Notwithstanding anything to the contrary in this Sublease, Sublandlord and Subtenant agree that, in the event Subtenant engages a CASp during the Sublease Term, Subtenant shall be responsible for (i) the payment of the fee for any CASp inspection that Subtenant desires, and (ii) making, at Subtenant’s sole cost, any repairs necessary to correct violations of construction-related accessibility standards within the Sublease Premises set forth in the written report of such CASp inspection, whether such violations occurred before or occur after the Sublease Commencement Date, provided that such repairs shall be in accordance with the terms of this Sublease and the Master Lease.

c. Subtenant further agrees that (A) any CASp inspection shall be conducted during the ordinary business hours for the Building, (2) only after ten (10) days’ prior written notice to Sublandlord, (3) in a professional manner by a CASp designated by Sublandlord and without any testing that would damage the Sublease Premises, Building or the Land, and (4) at Subtenant’s expense, including, without limitation, Subtenant’s payment of the fee for such CASp inspection, the fee for any reports prepared by the CASp in connection with such inspection (collectively, the “CASp Reports”) and all other costs and expenses in connection therewith; (B) it will deliver a copy of any CASp Reports to Sublandlord within three (3) business days after Subtenant’s receipt thereof and (C) it will keep information contained in any CASp report regarding the Subleased Premises confidential. Subtenant shall have no right to cancel or terminate this Sublease due to violations of construction-related accessibility standards within the Sublease Premises identified in a CASp report obtained during the Sublease Term and Sublandlord shall not have any obligation to perform any alterations or improvements to the Sublease Premises necessary to correct such violations.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties hereto have entered into this Sublease as of the date first set forth above.

SUBLANDLORD:

CHAN ZUCKERBERG INITIATIVE, LLC, a
Delaware limited liability company

By: /s/ Authorized Signatory

Name: Authorized Signatory

Its: Authorized Signatory

SUBTENANT:

PUBMATIC, INC., a Delaware corporation

By: /s/ Steve Pantelick

Name: Steve Pantelick

Its: CFO

EXHIBIT C

REDACTED COPY OF MASTER LEASE

601 MARSHALL STREET LEASE AGREEMENT

by and between

601 MARSHALL STREET OWNER, LLC

("Landlord")

and

CHAN ZUCKERBERG INITIATIVE, LLC

("Tenant")

BASIC LEASE INFORMATION

Lease Date: May 19, 2017

LANDLORD: 601 MARSHALL STREET OWNER, LLC,
a Delaware limited liability company

Managing Agent: [***]

Landlord's and Managing Agent's Address: 601 MARSHALL STREET OWNER, LLC
[***]

With a copy to:

Arnold & Porter Kaye Scholer LLP

Three Embarcadero Center, 10th Floor
San Francisco, CA 94111
Attn: Kenneth A. Neale, Esq.
kenneth.neale@apks.com

TENANT: CHAN ZUCKERBERG INITIATIVE, LLC,
a Delaware limited liability company

Tenant's Address: Chan Zuckerberg Initiative, LLC
435 Tasso Street
Suite 100
Palo Alto, California 94301

Land: The approximately 0.69 acre site located at 601 Marshall Street, Redwood City, California described on Exhibit A-1 (the "Land")

Building: 10-story commercial building under construction at 601 Marshall Street, Redwood City, California, with 8 stories above grade and two stories below grade. The Building will contain approximately 136,453 rentable square feet of space (including outdoor terraces). The Building is shown on the Site Plan attached hereto as Exhibit A-2.

Premises: The entire 4th floor of the Building (including outdoor terrace) and the available commercial space on the Ground Floor of the Building, comprising 34,229 rentable square feet, as further described on Exhibit A-3 (the "Premises").

Project: The Land, the Building and all other improvements to be constructed on the Land

Tenant's Use of the Premises: General office use, including legally permitted uses ancillary thereto consistent with a first-class office building.

Term: 120 months commencing on the Commencement Date; provided that if the Commencement Date is not the first day of a calendar month, the Term will continue until the last day of the month which is 120 calendar months after the month in which the Commencement Date occurs, subject to extension in accordance with Section 39

Anticipated Base Building Substantial
Completion Date: December 11, 2017

Commencement Date: See Section 2(a)

Expiration Date: The last day of the Term

Extension Option(s): One (1) extension option of sixty (60) months (the "Extension Term") (see Section 39)

Rent During Extension Term: See Section 40

Tenant Allowance: See Work Letter (Exhibit B)

Base Rent: [***]

Rentable Square Footage of the Building: 136,453 rsf

Tenant's Share for purposes of Expenses,
Real Estate Taxes and Parking Rights: 25.09%.

Letter of Credit: See Section 32

Broker: Cushman & Wakefield, Inc. ("Landlord's Broker") and Newmark Cornish & Carey and CBRE (together, "Tenant's Broker")

Broker's Fee or Commission Paid By: Landlord

The foregoing Basic Lease Information is hereby incorporated into and made a part of this Lease. Each reference to this Lease to any of the Basic Lease Information shall mean the respective information herein above set forth and shall be construed to incorporate all of the terms provided under the particular paragraph pertaining to such information. In the event of any conflict between any Basic Lease Information and the Lease, the latter shall control.

LANDLORD:

601 MARSHALL STREET OWNER, LLC,
a Delaware limited liability company

By: /s/ Authorized Signatory
Name: Authorized Signatory
Its: Authorized Signatory

TENANT:

CHAN ZUCKERBERG INITIATIVE, LLC,
a Delaware limited liability company

By: /s/ Authorized Signatory
Name: Authorized Signatory
Its: Authorized Signatory

TABLE OF CONTENTS

	Page
1. OCCUPANCY AND USE.....	1
TERM AND POSSESSION.....	1
Term and Commencement.....	2
Intentionally deleted.....	2
Delay in Delivery.....	2
Commencement Date Memorandum.....	2
RENT; RENT ADJUSTMENTS; ADDITIONAL CHARGES FOR EXPENSES AND TAXES.....	3
Base Rent.....	3
Advance Rent.....	3
Additional Charges for Expenses and Taxes.....	3
Late Charges.....	10
Rent.....	10
RESTRICTIONS ON USE.....	10
COMPLIANCE WITH LAWS.....	10
Laws.....	11
Downtown Planned Community Permit.....	11
ALTERATIONS.....	11
Landlord’s Consent Required for Alterations.....	11
Permitted Alterations.....	12
Making of Alterations.....	12
Removal of Alterations.....	13
REPAIR AND MAINTENANCE.....	13
Landlord’s Repair and Maintenance Responsibilities.....	13
Tenant’s Repair and Maintenance Responsibilities.....	13
Repairs Necessitated by Tenant’s Actions.....	14
Excess Wear and Tear.....	14
No Abatement.....	15
Coordination of Provisions.....	15
LIENS.....	15
TAXES PAYABLE BY TENANT.....	15
1. ASSIGNMENT AND SUBLETTING.....	15
Landlord’s Consent.....	15
Voluntary Assignments.....	16
Notice to Landlord.....	16
Landlord’s Right to Recapture; Assignment or Sublease Profits.....	16
No Release of Tenant.....	17
Permitted Transfers.....	17

Assumption of Obligations.....	18
Reimbursement of Landlord’s Review Costs.....	18
INSURANCE AND INDEMNIFICATION.....	18
Landlord Indemnification.....	18
Tenant Waiver of Claims.....	19
Tenant Indemnification.....	19
Tenant’s Insurance.....	19
Policy Requirements.....	20
Survival.....	20
Landlord Insurance.....	20
WAIVER OF CLAIMS AND SUBROGATION.....	21
SERVICES AND UTILITIES.....	21
Tenant Responsibilities.....	21
Landlord Responsibilities – Premises.....	21
Landlord Responsibilities - Common Areas.....	22
Payment For Utilities and Services.....	22
Excessive Load.....	22
Interruption of Services.....	22
Security.....	23
ESTOPPEL CERTIFICATES.....	23
HOLDING OVER.....	24
SUBORDINATION.....	24
Lease Subordination.....	24
Subordination, Non-Disturbance and Attornment.....	24
RULES AND REGULATIONS.....	25
LEED REQUIREMENTS.....	25
Landlord’s Election.....	26
Termination.....	26
Obtaining Certification.....	26
No Interference.....	26
RE-ENTRY BY LANDLORD.....	26
INSOLVENCY OR BANKRUPTCY.....	26
DEFAULTS AND REMEDIES.....	27
Tenant Defaults.....	27
Landlord’s Remedies.....	28
Landlord’s Defaults.....	29
Tenant’s Remedies.....	29
DAMAGE AND DESTRUCTION.....	29
Notice of Casualty.....	29
Landlord’s Right to Terminate.....	30
Tenant’s Right to Terminate.....	30

Rent Abatement.....	30
Casualty at End of Term.....	31
Insurance Proceeds.....	31
Waiver of Statutory Provisions.....	31
1. EMINENT DOMAIN.....	31
Total Condemnation.....	31
Partial Condemnation.....	32
Temporary Taking.....	32
Award to Tenant.....	32
2. SALE BY LANDLORD.....	32
3. RIGHT OF LANDLORD TO PERFORM.....	33
4. SURRENDER OF PREMISES.....	33
5. WAIVER.....	33
6. NOTICES.....	34
7. SUCCESSORS AND ASSIGNS.....	34
8. ATTORNEY’S FEES.....	34
9. LIGHT AND AIR.....	34
10. LETTER OF CREDIT.....	35
Delivery of Letter of Credit.....	35
Letter of Credit Requirements.....	35
Draw Events.....	35
Letter of Credit not a Security Deposit.....	36
Replacement Letter of Credit.....	36
Assignment of Letter of Credit.....	37
Return of Letter of Credit.....	37
Transfer of Letter of Credit.....	37
Default Damages.....	37
Reduction of Letter of Credit.....	38
11. AUTHORITY; FINANCIAL INFORMATION.....	39
12. PARKING.....	39
Tenant’s Share of Parking.....	39
Limitation on Vehicles.....	40
13. REAL ESTATE BROKERS.....	40
14. HAZARDOUS SUBSTANCE LIABILITY.....	40
Environmental Reports.....	40
Definitions.....	40
Compliance.....	41
Use of Hazardous Substances.....	41
Tenant Indemnity.....	42
Landlord Indemnity.....	42
15. ARBITRATION OF DISPUTES.....	42

1. SIGNAGE.....	43
Exterior Signage.....	43
Building Lobby and Elevator Lobby Signage.....	43
2. OPTION TO RENEW.....	44
3. RENT DURING EXTENSION TERM.....	44
Determination of Fair Market Rental Value.....	45
Fair Market Rental Value Defined.....	45
Appraisal Requirements.....	45
Delay in Appraisal Process.....	45
Applicability of Lease Terms.....	45
4. MISCELLANEOUS.....	45
Interpretation.....	45
Time of the Essence.....	46
No Representations.....	46
Modification.....	46
Severability.....	46
Quiet Enjoyment.....	46
Counterparts.....	46
Notice of Right to Downtown Operations.....	46
5. LEASE EFFECTIVE DATE.....	47
No Option.....	47
6. DOGS.....	47
In General.....	47
Costs and Expenses.....	47
Registration.....	48
Rights Personal to Original Tenant.....	48

LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into as of the Lease Date (as defined in the Basic Lease Information), by and between **601 MARSHALL STREET OWNER, LLC**, a Delaware limited liability company ("Landlord"), and **CHAN ZUCKERBERG INITIATIVE, LLC**, a Delaware limited liability company ("Tenant").

Upon and subject to the terms, covenants and conditions hereinafter set forth, Landlord hereby leases to Tenant and Tenant hereby hires from Landlord the Premises (as defined above in the Basic Lease Information) in the Building (as defined above in the Basic Lease Information) to be constructed at 601 Marshall Street, Redwood City, California. The term "Common Area" shall mean all areas and facilities within the Project designated by Landlord to the non-exclusive use and benefit of all tenants and occupants of the Building, including the parking areas, access and perimeter roads, pedestrian sidewalks, landscaped areas, trash enclosures, building service areas, main building lobby, bicycle rooms, lockers, showers and the like. For purposes of this Lease, "rentable square feet" or "rentable square footage" in the Premises, or the Building, or any portion thereof, as the case may be, shall be calculated pursuant to Landlord's then current method for measuring rentable square footage; provided that Landlord and Tenant hereby stipulate and agree that the rentable square feet of the Premises and the Building is as set forth in the Basic Lease Information, and such figures shall not be subject to remeasurement. For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Premises have not undergone inspection by a Certified Access Specialist (as defined in California Civil Code Section 55.52). A Certified Access Specialist can inspect the Premises and determine whether the Premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a Certified Access Specialist inspection of the Premises, Landlord may not prohibit Tenant from obtaining a Certified Access Specialist inspection of the Premises for the occupancy or potential occupancy of Tenant, if requested by Tenant. Landlord and Tenant shall mutually agree on the arrangements for the time and manner of the Certified Access Specialist inspection, the payment of the fee for the Certified Access Specialist inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises.

Landlord shall complete the Base Building Work in accordance with the terms and conditions of the Work Letter (the "**Work Letter**") attached hereto as Exhibit B and incorporated herein and the applicable terms and conditions of this Lease.

1. **OCCUPANCY AND USE.**

Tenant may use and occupy the Premises for the purpose specified in the Basic Lease Information and for no other use or purpose without the prior written consent of Landlord. Landlord shall have the right to grant or withhold consent to a proposed change of use in its sole discretion.

2. **TERM AND POSSESSION.**

(a) **Term and Commencement.** The term of this Lease (the "Term") shall commence on the earlier of (i) the date that Tenant first occupies the Premises for ordinary business operations, or (ii) one hundred twenty (120) days after Base Building Work (as such term is defined in the Work Letter described below [herein, "Base Building Work"] is Substantially Complete (as such term is defined in the Work Letter [herein, "Substantially Complete" or "Substantial Completion"]), provided, that the date of Substantial Completion of the Base Building Work shall be advanced day-for-day for each day of delay caused by or resulting from Tenant Delays (as such term is defined in the Work Letter [herein, "Tenant Delays"]) (the earlier of such dates being referred to herein as the "Commencement").

Date”), and, unless sooner terminated pursuant to the express provisions of this Lease, shall expire on the Expiration Date specified in the Basic Lease Information (the “Expiration Date”).

(b) **Intentionally deleted.**

(c) **Delay in Delivery.** If Landlord, for any reason whatsoever, cannot deliver possession of the Premises to Tenant on or before the Anticipated Base Building Substantial Completion Date specified in the Basic Lease Information with Base Building Work Substantially Completed, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom. Notwithstanding the foregoing:

(i) Landlord shall use commercially reasonable efforts to Substantially Complete Base Building Work on or before the Penalty Date (defined below). If Landlord does not Substantially Complete Base Building Work by the Penalty Date, then Tenant shall be entitled to a credit against Base Rent coming due following the Commencement Date in an amount equal to one (1) day of Base Rent for each day of delay, calculated at the Base Rent rate in effect on the Commencement Date (the “Tenant Credit”); provided that Tenant shall not be entitled to any credit against Base Rent to the extent the failure of Landlord to Substantially Complete Base Building Work does not materially interfere with Tenant’s Work (as defined in the Work Letter). Notwithstanding the foregoing, in no event shall the total amount of the Tenant Credit exceed an amount equal to one hundred fifty (150) days’ Base Rent (calculated at the Base Rent rate in effect on the Commencement Date). As used herein: (A) the term “Penalty Date” shall mean February 1, 2018, subject to day-for-day postponement on account of Tenant Delays and Force Majeure Delays; and (B) the term “Force Majeure Delays” shall mean and refer to a period of delay or delays encountered affecting all construction work of Base Building Work because of: natural disaster, earthquake, floods or other acts of God; fire, explosion, extraordinary adverse weather conditions; acts of Government which generally affects the construction industry in the City of Redwood City (including building moratoria but excluding permit review); or inability to procure or a general shortage of labor, equipment, facilities, energy, materials or supplies in the open market, failure of transportation, strikes or lockouts beyond the control of Landlord which generally affects the construction industry in the San Francisco Bay Area.

(ii) Notwithstanding anything herein to the contrary, if Landlord cannot deliver the Premises to Tenant with Base Building Work Substantially Complete by July 1, 2018, which date is subject to extension for Tenant Delays and Force Majeure Delays, then at any time from and after such date, Tenant shall have the right, as its sole and exclusive remedy, to terminate this Lease upon written notice thereof to Landlord given at least thirty (30) days in advance of the proposed termination date, and if the Premises is not delivered to Tenant with Base Building Work Substantially Complete prior to such proposed termination date, then this Lease shall terminate, and Tenant shall be deemed to have waived any other right, remedy, claim or cause of action which Tenant shall otherwise have against Landlord due to Landlord's failure to deliver the Premises with Base Building Work Substantially Complete on a timely basis. If Landlord cannot deliver the Premises to Tenant with Base Building Work Substantially Complete by July 1, 2019, then Landlord shall have the right to terminate this Lease on sixty (60) days’ written notice thereof to Tenant.

(d) **Commencement Date Memorandum.** Within ten (10) Business Days (defined below) after Landlord’s written request, Tenant shall execute a letter confirming the Commencement Date and certifying that Tenant has accepted delivery of the Premises, in the form attached hereto as Exhibit C (the “Commencement Date Memorandum”). Tenant’s failure to execute the Commencement Date Memorandum shall not in any way alter the Commencement Date. Completion of the improvements to

the Premises and the Building shall be governed by the terms and conditions of the separate work letter attached hereto as Exhibit B (“Work Letter”),

3. **RENT; RENT ADJUSTMENTS; ADDITIONAL CHARGES FOR EXPENSES AND TAXES.**

(a) **Base Rent.** Commencing on the Commencement Date, Tenant shall pay to Landlord throughout the Term the base rent specified in the Basic Lease Information (“Base Rent”), as adjusted annually on each anniversary of the Commencement Date as specified in the Basic Lease Information. Monthly Base Rent shall be payable by Tenant in equal monthly installments on, or, at Tenant’s election, before, the first day of each month, in advance, in lawful money of the United States. If the Commencement Date is not the first day of a calendar month, then (i) the monthly installment of Base Rent for the first month of the Term shall include Base Rent prorated for the partial calendar month in which the Commencement Date occurs (such proration to be based on the actual number of days in such month and the number of days from the Commencement Date to the last day of such month) as well as Base Rent for the following full calendar month which constitutes the balance of said first month of the Term. Base Rent shall be paid, without any prior demand therefor and, except as expressly set forth in Section 3(c)(i)(F) of this Lease or elsewhere expressly provided for in this Lease, without deduction or offset whatsoever, to Landlord or Landlord’s Managing Agent at the address specified in the Basic Lease Information or to such other firm or to such other place as Landlord or Landlord’s Managing Agent may from time to time designate in writing. At Landlord’s election, and upon written notice to Tenant, all payments required to be made by Tenant to Landlord hereunder shall be made by (i) Bank Wire Transfer or (ii) Electronic Funds Transfer/ACH-Direct Deposit (initiated by Tenant), or other substantially similar process reasonably required by Landlord, at such place as Landlord may from time to time designate in writing. Upon Tenant’s request, Landlord shall provide Tenant with the proper bank ABA number, account number and designation of the account to which any such electronic payment shall be made.

(b) **Advance Rent.** Concurrently with its execution of this Lease, Tenant shall deposit with Landlord an amount equal to (i) one (1) month’s Base Rent in the amount which is payable for the first full month after the Commencement Date plus (ii) the Expenses (defined below) due for the first month of the Term as reasonably estimated by Landlord. Prior to the date hereof, Landlord has provided Tenant with a breakdown of its good faith estimate of Expenses; Tenant is aware, acknowledges and agrees that because the Building and other Project improvements have not been constructed, such breakdown is only a good faith estimate and Landlord shall have no responsibility for the accuracy thereof.

(c) **Additional Charges for Expenses and Taxes.**

(i) **Definitions.** For purposes of this Section 3(c), the following terms shall have the meanings hereinafter set forth:

(A) “Additional Charges” shall mean collectively Additional Charges for Expenses (defined below) and Additional Charges for Real Estate Taxes (defined below).

(B) “Capital Expense Threshold” shall mean \$0.30 per rentable square foot of the Building per year.

(C) “Capital Expenses” shall mean the cost of any capital improvements or capital replacements made to the Project after the Commencement Date which are not expressly excluded from the definition of Expenses pursuant to the second paragraph of Section 3(c)(i)(D). The determination of what constitutes a Capital Expense

shall be made by Landlord in its good faith discretion using accounting practices commonly utilized in the commercial real estate industry (the “Accounting Standard”).

(D) “Expenses” shall mean all expenses and costs of every kind and nature not expressly excluded from the definition of Expenses pursuant to the second paragraph of this Section 3(c)(i)(D) which have been paid or incurred by Landlord in connection with the management, maintenance, repair, preservation, ownership and operation of the Project or any portion thereof (whether obligated to do so or undertaken at Landlord’s sole discretion), including: (I) the cost of water, electricity, gas, sewer, waste disposal, communication and cable television facilities, heating, ventilation, air conditioning, mechanical and all other utilities and services and the cost of supplies and equipment and maintenance and service contracts in connection therewith; (II) the cost of repairs, replacements and general maintenance and cleaning of the Common Areas, Building and Project; (III) the cost of all insurance that Landlord is required or permitted carry, including the premiums and cost of fire, boiler, sprinkler, casualty, liability, property damage, rental loss, earthquake (to the extent available at commercially reasonable rates or required by Landlord’s lender or applicable Law) and flood insurance for the Project and Landlord’s personal property used in connection therewith, and all amounts paid as a result of loss sustained that would be covered by such policies but for “deductible” provisions (subject, however, to the provisions of Section 3(c)(iv)); (IV) reasonable legal fees and fees of independent contractors engaged by Landlord directly related to the operation of the Project; (V) a management fee subject to the provisions of Section 3(c)(iii) (the “Management Fee”); (VI) wages and benefits of Landlord’s or Managing Agent’s personnel (at or below the level of Property Manager) engaged in the management, operation, maintenance and repair of the Project, provided that to the extent such individual performs such services for multiple properties or to the extent such responsibilities do not constitute substantially all of his or her employed time, such costs shall be prorated to reflect a reasonable estimate of time devoted specifically to the Project; (VII) Capital Expenses up to the Capital Expense Threshold; and (VIII) any other reasonable expenses of any other kind whatsoever incurred in managing, operating, maintaining and repairing the Project. If the Project is not fully occupied during any Expense Year, an adjustment shall be made in computing Expenses for such Expense Year so that Expenses which vary according to occupancy shall be computed as though the Project had been fully occupied during such Expense Year; provided, however, that in no event shall Landlord collect in total, from Tenant and all other tenants of the Project, an amount greater than one hundred percent (100%) of the actual Expenses during any Expense Year.

Notwithstanding anything to the contrary herein contained, Expenses (including Capital Expenses) shall not include, and in no event shall Tenant have any obligation to pay pursuant to this Section 3 for, (a) any costs in connection with the initial construction of the Base Building Work or the acquisition of the Land on which the Building is located; (b) the cost of the design and construction of tenant improvements for Tenant or any other tenant or occupant and the amount of any allowance or credits paid to or granted to other tenants or occupants for any such design or construction; (c) debt service (including financing charges, interest, principal, any impound payments and late fees not reimbursed pursuant to Section 3(d) below) required to be made on any mortgage or deed of trust (each, a “Mortgage”) encumbering all or any portion of the Project or ground rent payable under any ground lease affecting the Land or any portion thereof; (d) the cost of special services, goods or materials provided to any tenant and any other costs incurred for the account of, separately billed to and paid by specific tenants (to the extent such

special services, goods or materials are provided to Tenant, Tenant shall reimburse Landlord for such costs as Additional Rent and not as an Expense); (e) depreciation; (f) any property management fee, regardless of whether paid to Landlord, its affiliate or any other party, other than the Management Fee; (g) costs occasioned by the fraud, gross negligence or willful misconduct under applicable laws of Landlord, its employees, its property manager or its property manager's employees; (h) costs for which Landlord has a right of reimbursement from others (including insurance reimbursements) or costs for which Landlord would have been reimbursed if Landlord had carried the insurance Landlord is required to carry pursuant to this Lease; (i) costs to correct any construction or design defects in the original construction of the Premises, the Building or the Project including defects in Base Building Work; (j) repairs (I) paid for from the proceeds of insurance, (II) paid for directly by Tenant or other tenants of the Project (other than pursuant to the pass-through of Expenses or Capital Expenses), or (III) for the benefit solely of tenants of the Project other than Tenant to the extent that Tenant could not obtain similar services from Landlord without an obligation to reimburse Landlord for the entire cost thereof under the provisions of this Lease; (k) repairs, replacement and upgrades to the structural elements of the Building, structural elements of the roof or the structural elements of the exterior walls of the Building (provided that, except as excluded pursuant to clause (i) above, the cost of repairs to the precast elements of the exterior of the Building and repairs and replacements to the glass components of the Building shall be included in Expenses), unless such repair, replacement and/or upgrade is required due to (I) the installation, use or operation of any Alterations (defined below) or other modification to the Premises or Project made by Tenant (including Tenant's Work), (II) the installation, use or operation of Tenant's property or fixtures, (III) the moving of Tenant's property or fixtures in or out of the Building or in and about the Project, (IV) the acts, omissions or negligence of any Tenant Parties (defined below), (V) the particular use or particular occupancy or manner of use or occupancy of the Premises or Project by Tenant or any such person, as opposed to office uses generally, (VI) changes in Laws or safety enhancements not required by laws applicable at the time the permits were obtained for the construction of the Base Building Work, or (VII) casualty (except to the extent any claims arising from any of the foregoing are reimbursed by insurance carried by Landlord), provided that the cost of any such repairs, replacements or upgrades to structural elements that are the responsibility of a particular tenant of the Project pursuant to such tenant's lease shall be the responsibility of such tenant and shall not be passed through to other tenants as Expenses; (l) any costs incurred by Landlord in connection with the remediation, removal or abatement of Hazardous Substances from the Building or the Project; (m) marketing costs, legal fees, space planners' fees, and advertising or promotional costs incurred in connection with the original development, subsequent improvement or original or future leasing of the Project; (n) leasing commissions; (o) rental payments for any Base Building equipment such as HVAC equipment, elevators and the like included in Base Building Work; (p) wages and benefits of any employee (at or below the grade of Project Manager) of Landlord or Managing Agent who does not devote substantially all of his or her employed time to the Project unless such wages and benefits are prorated to reflect time spent on operating and managing the Project as opposed to time spent on matters unrelated to operating and managing the Project, (q) wages, benefits or other compensation of any officers, executives or other management and accounting personnel of Landlord or Managing Agent above the grade of Project Manager, (r) costs associated with the operation of the business of the entity which constitutes Landlord, as the same are distinguished from the costs of management of the Building and the Project, including legal expenses, accounting expenses or consulting expenses of any kind not directly related to the

management of the Building and Project (as opposed to the business of Landlord's partnership) or not expressly provided elsewhere in this Lease; (s) any costs paid to affiliates or parties related to Landlord or Managing Agent for services or materials to the extent that such costs are in excess of the fair market amount for such services or materials (the Management Fee shall be deemed a market amount for such service); (t) fines, penalties interest and fees for late payments unless caused by Tenant's failure to timely pay Rent and Additional Charges; (u) repairs or construction necessitated by violations of laws applicable to the Building as of the date the permits for the construction thereof were obtained, (v) any bad debt loss, rent loss, or reserves for bad debts or rent loss or any reserves of any kind, (w) electric power costs or costs for other utilities or services for which any tenant (including Tenant) directly contracts with and pays a public service company; (x) costs, other than those incurred in ordinary maintenance or repair, for sculptures, paintings, fountains or other objects of art, (y) rent for any office space occupied by Project management personnel in excess of the fair rental value for such space, provided that the extent such personnel does not devote substantially all of his or her employed time to the Project, only an amount prorated to reflect time spent on operating and managing the Project as opposed to time spent on matters unrelated to operating and managing the Project, (z) costs arising from Landlord's charitable or political contributions; (aa) any entertainment expenses (including dining or travel expenses for any purpose); (bb) any gifts of flowers, balloons or similar items provided to Tenant, other tenants, occupants, employees, contractors, prospective tenants and agents; (cc) any finders' fees or brokerage commissions; (dd) any above Building standard cleaning, including, but not limited to construction cleanup or special cleanings associated with parties/events (to the extent Landlord incurs such costs as result of parties/events of Tenant, Tenant shall reimburse Landlord as Additional Rent and not as an Expense); (ee) the cost of any tenant relations parties, events or promotion not consented to by an authorized representative of Tenant in writing; (ff) the cost of any magazine, newspaper, trade or other subscriptions; (gg) the cost of any training or incentive programs other than training required by Law; and (hh) Capital Expenses in excess of the Capital Expense Threshold, except as provided in Section 3(c)(iv). All costs and expenses shall be determined by Landlord in its good faith discretion using management practices commonly utilized in the commercial real estate industry for class A office buildings located in the San Francisco, Peninsula and Silicon Valley area, consistently applied (the "Management Standard").

(E) "Expense Year" shall mean each twelve (12) consecutive month period commencing January 1 of the calendar year during which the Commencement Date occurs, provided that Landlord, upon notice to Tenant, may change the Expense Year from time to time to any other twelve (12) consecutive month period, and, in the event of any such change, Tenant's Share of Expenses shall be equitably adjusted for the Expense Years involved in any such change.

(F) "Real Estate Taxes" shall mean all taxes, assessments and charges levied upon or with respect to the Project or any personal property of Landlord used in the operation of thereof, or Landlord's interest in the Project or such personal property. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees or assessments for police, fire or other governmental services (including transit and housing fees) or purported benefits to the Project (provided, however, that any refunds of Real Estate Taxes paid by Tenant (as part of Tenant's Share of Real Estate Taxes) shall be credited against the next installments of Base Rent due under this Lease until the full amount of the excess has

been so credited or, if this Lease has expired, shall be promptly refunded to Tenant), service payments in lieu of taxes, and any tax, fee or excise on the act of entering into this Lease, or any other lease of space in the Project, or on the use or occupancy of the Project or any part thereof or on the rent payable under any lease (provided that to the extent that any such tax, fee or excise are specifically related to a particular tenant of the Project or such tenant's specific lease, such tax, fee or excise shall be the responsibility of such tenant and shall not be passed through to other tenants as Real Estate Taxes) or in connection with the business of renting space in the Project, that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California, or any political subdivision, public corporation, district or any other political or public entity, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes, whether or not now customary or in the contemplation of the parties on the date of this Lease. Real Estate Taxes shall also include reasonable legal fees, costs and disbursements incurred in connection with proceedings to contest, determine or reduce Real Estate Taxes; provided that such fees, costs and disbursements do not exceed the actual savings in Real Estate Taxes obtained by Tenant over the Term of this Lease. Real Estate Taxes shall not include: (i) succession, gift, estate, franchise, transfer, inheritance or capital gains taxes or income taxes measured by the net income of Landlord from all sources; (ii) any impact fees or other exactions imposed on Landlord as a condition to the initial development or construction of the Project; or (iii) any late payment charges and penalties imposed because of Landlord's late payment of Real Estate Taxes unless a Tenant Default (defined below) exists with respect to its obligation to pay Rent at the time the installment of Real Estate Taxes for which the late payment charge or penalty is incurred was due. If any assessments are levied on the Project, Tenant shall have no obligation to pay more than Tenant's Share of the minimum installment of principal and interest that would become due during any Tax Year had Landlord elected to pay the assessment in the maximum number of permissible installment payments, even if Landlord pays the assessment in full, provided, however, that Tenant shall not be responsible for any portion of an assessment levied against the Project as a result of any improvement(s) made by or for another tenant (other than an assignee or sublessee of Tenant) of the Project or as a result of any specific use of the Project by another tenant.

(G) "Tax Year" shall mean each twelve (12) consecutive month period commencing January 1st of the calendar year during which the Commencement Date occurs, provided that Landlord, upon notice to Tenant, may change the Tax Year from time to time to any other twelve (12) consecutive month period and, in the event of any such change, Tenant's Share of Real Estate Taxes shall be equitably adjusted for the Tax Years involved in any such change.

(H) "Tenant's Share" shall mean a fraction, the numerator of which is the rentable square footage of the Premises and the denominator of which is the rentable square footage of the Building, stated as a percentage. As of the Commencement Date, Tenant's Share shall be as specified in the Basic Lease Information. Landlord may adjust Tenant's Share upward or downward from time to time to reflect any physical additions or deletions to the rentable square footage of the Building.

(ii) **Payment of Real Estate Taxes.** With reasonable promptness after Landlord has received the tax bills for any Tax Year, Landlord shall furnish Tenant with a statement which shall include a copy of the tax bill (herein called "Landlord's Tax Statement") setting forth the amount of each installment of Real Estate Taxes for such Tax Year, and Tenant's

Share thereof. Unless otherwise required in Section 3(c)(v) below, Tenant shall pay to Landlord Tenant's Share of each such installment of Real Estate Taxes no later than thirty (30) days prior to the delinquency date for such installment. In no event shall Landlord recapture more than one hundred percent (100%) of the actual Real Estate Taxes. Tenant's obligation with respect to Tenant's Share of Real Estate Taxes shall commence as of the Commencement Date.

(iii) **Payment of Expenses. Commencing on the** Commencement Date, Tenant shall pay to Landlord as Additional Charges ("Additional Charges for Expenses") one-twelfth (1/12th) of Tenant's Share of the Expenses for each Expense Year on or before the first day of each month of such Expense Year, in advance, in an amount reasonably estimated in good faith by Landlord and billed by Landlord to Tenant, and Landlord shall have the right initially to determine monthly estimates and to revise such estimates from time to time. Within one hundred and eighty (180) days after the expiration of each Expense Year, Landlord shall furnish Tenant with a statement (herein called "Landlord's Expense Statement"), setting forth in reasonable detail the Expenses for such Expense Year and Tenant's Share thereof. If Tenant's Share of the actual Expenses for such Expense Year exceeds the estimated Expenses paid by Tenant for such Expense Year, Tenant shall pay to Landlord the difference between the amount paid by Tenant and Tenant's Share of the actual Expenses within thirty (30) days after the receipt of Landlord's Expense Statement, and if the total amount paid by Tenant for any such Expense Year shall exceed the actual Expenses for such Expense Year, such excess shall be credited against the next installment(s) of Rent due from Tenant to Landlord hereunder until the full amount of the excess has been so credited or, if the Term has expired, it shall be returned to Tenant within thirty (30) days. Any utility rebates for the Project which Landlord receives for payments made by Tenant (as part of Tenant's Share of Expenses) shall be forwarded to Tenant so long as such rebate is received within one (1) year following the Expiration Date or sooner termination of this Lease. If it has been determined that Tenant has overpaid Expenses during the last year of the Term (including rebates of utilities applicable to Tenant), then Landlord shall reimburse Tenant for such overage on or before the thirtieth (30th) day following the date on which Landlord makes such determination. Any disputes pursuant to this Section shall be settled pursuant to the arbitration provisions of this Lease. Notwithstanding the foregoing, with respect to Expenses relating to the Management Fee for the Project, Tenant shall pay to Landlord an amount equal to three percent (3%) of Base Rent for the Premises, and such amount shall be billable by Landlord on a monthly basis.

(iv) **Payment of Capital Expenses.** Except as provided in the last sentence of this Section 3(c)(iv), the cost of Capital Expenses in excess of the Capital Expense Threshold shall be amortized on a monthly straight-line basis (based on imputed interest at the rate of eight percent (8%) per annum) over the lesser of (I) the useful life of the item in question reasonably determined by Landlord in accordance with the Accounting Standard, or (II) ten (10) years. Tenant shall reimburse Landlord as Additional Rent beginning at the time Landlord actually incurs any Capital Expense and monthly thereafter during the Term for the monthly portion of the amortized Capital Expense applicable to the period between the date on which Landlord incurs such Capital Expense and the then-current Expiration Date. Any "deductible" in connection with any casualty insurance policy carried by Landlord shall be included as a Capital Expense with a useful life of ten (10) years; provided, however, that in no event shall Tenant be responsible for any deductible amount in excess of \$100,000 for any one casualty.

(v) **Other.** To the extent any item of Real Estate Taxes or Expenses is payable by Landlord in advance of the period to which it is applicable due to (A) a requirement by Landlord's lender for an escrow account (such as, by way of example only, insurance and tax escrows required by the mortgagee or beneficiary under a Mortgage [each, a "Mortgagee"]), or (B) because prepayment to the third party billing authority is customary or required for the

service or matter (such as, by way of example only, insurance premiums or Real Estate Taxes), (I) Landlord may include such items in Landlord's estimate for periods prior to the date such item is to be paid by Landlord, (II) to the extent Landlord has not collected the full amount of such item prior to the date such item is to be paid by Landlord, Landlord may include the balance of such full amount in a revised monthly estimate for Additional Charges, and (III) to the extent Landlord elects not to include such item(s) in its estimated monthly Additional Charge for Expenses, Landlord may charge Tenant Tenant's Share of the full amount of such expense no sooner than forty-five (45) days prior to the date such expense is due and payable by Landlord. If the Commencement Date or the Expiration Date shall occur on a date other than the first day of a Tax Year and/or Expense Year, Tenant's Share of Real Estate Taxes and Expenses, for the Tax Year and/or Expense Year in which the Commencement Date occurs shall be prorated.

(vi) **Audit.** Within one hundred and eighty (180) days after receipt of any Landlord's Expense Statement or Landlord's Tax Statement from Landlord, Tenant shall have the right to examine Landlord's books and records relating to such Landlord's Expense Statement and Landlord's Tax Statement (provided, however, that without initiating an audit of Landlord's books and records, upon Tenant's request Landlord shall provide Tenant with reasonable back-up documentation for any material line item shown on the Landlord's Expense Statement). Landlord agrees to keep and maintain such books and records utilizing a system of accounts in accordance with the Accounting Standard, and for so long as 601 Marshall Street Owner, LLC is the Landlord, such books and records shall be available for audit pursuant to this provision in the greater San Francisco Bay Area. Such inspection may be made either by employees of Tenant or by an accounting firm or audit firm selected by Tenant which is accustomed to engaging in such activity and which is not compensated on a contingent fee basis. If Tenant determines, based on such audit, that Tenant believes that it has overpaid Expenses or Real Estate Taxes for the year covered by the applicable Landlord's Expense Statement or Landlord's Tax Statement, Tenant shall notify Landlord of its dispute within thirty (30) days after the commencement of such audit. Tenant shall keep confidential, and shall cause its agents, employees and any accounting or audit firm engaged by Tenant to perform such examination or audit to agree in writing to keep confidential, all of the information obtained through any such examination or audit and any compromise, settlement or adjustment reached between Landlord and Tenant relative to the results of such examination or audit, save and except that Tenant may disclose such information to a trier of fact in the event of any dispute between Tenant and Landlord with regard to Additional Charges, provided that Tenant shall stipulate to such protective or other orders in the proceeding as may be reasonably sought by Landlord to preserve the confidentiality of such information. Following Tenant's notice of dispute to Landlord, Landlord and Tenant shall, for a period of thirty (30) days thereafter, attempt to resolve the dispute. If the parties are unable to resolve the dispute within such thirty (30) day period, the dispute shall be resolved by arbitration as provided in Section 37. If Tenant prevails in any such arbitration proceeding, then Landlord shall promptly reimburse Tenant for such overage, and if such overage exceeds five percent (5%) of the actual amount of Expenses or Real Estate Taxes (whichever is being challenged by Tenant) paid by Landlord for the Tax or Expense Year covered by such audit, then Landlord shall reimburse Tenant for its actual out-of-pocket costs incurred in connection with such audit, up to a maximum cost of Ten Thousand Dollars (\$10,000) and repay the overage with interest at the "prime", "base", "index" or "reference" rate of Bank of America NT&SA reported in the Wall Street Journal (the "Prime Rate") over the period the funds are advanced, plus two percent (2%), but in no event greater than the maximum rate permitted by law ("Interest Rate"). If there is no overage or if the overage is less than five percent (5%) of the actual amount of Expenses or Real Estate Taxes (whichever is being challenged by Tenant) paid by Landlord for the Tax or Expense Year covered by such audit, then Tenant shall reimburse Landlord within thirty (30) days of written demand for its actual out-of-pocket costs incurred in connection with such audit, up to a

maximum cost of Ten Thousand Dollars (\$10,000). Said audit shall be conducted at the offices where the records of Landlord are maintained (or at such other location as may be designated by Landlord) in accordance with the provisions of this Section. If Tenant fails to object to any such Landlord's Expense Statement or Landlord's Tax Statement or request an independent audit thereof within such one hundred and eighty (180) day period, such Landlord's Expense Statement and/or Landlord's Tax Statement shall be final and shall not be subject to any audit, challenge or adjustment.

(vii) **Place of Payment; Remedies.** Tenant shall pay to Landlord all Additional Charges in the manner and at the place where the Base Rent is payable and Landlord shall have the same remedies for a Tenant Default in the payment of Additional Charges as for a Tenant Default in the payment of the Base Rent, subject to the notice and cure rights provided in Section 21(a)(i).

(d) **Late Charges.** Tenant recognizes that late payment of any Base Rent, Additional Charges or Additional Rent (defined below) will result in administrative expenses to Landlord, the extent of which additional expense is extremely difficult and economically impractical to ascertain. Tenant therefore agrees that if any Base Rent, Additional Charges, or Additional Rent is not paid when due, the amount of such unpaid Base Rent, Additional Charges or Additional Rent shall be increased by a late charge to be paid to Landlord by Tenant, as an Additional Charge, in an amount equal to five percent (5%) (or such greater amount not to exceed six percent (6%) as may be charged by the Mortgagee for a late payment of a monthly Mortgage payment) of the amount of the delinquent Base Rent, Additional Charges or Additional Rent. Notwithstanding the foregoing, no such late charge shall be imposed with respect to the first such non-payment during any calendar year of the Term, unless such non-payment continues uncured for a period of three (3) days after written notice thereof from Landlord to Tenant. Tenant agrees that such late charge is a reasonable estimate of the loss and expense to be suffered by Landlord as a result of such late payment by Tenant and may be charged by Landlord to defray such loss and expense. In addition, any outstanding Base Rent, Additional Charges, Additional Rent and late charges shall accrue interest at an annualized rate of the greater of (i) ten percent (10%) or (ii) the Prime Rate as published on the date such Base Rent, Additional Charges, Additional Rent or late charges became due plus four percent (4%), but in no event greater than the maximum rate allowed by law (the "Default Rate"), until paid to Landlord. The provisions of this Section 3(d) shall not relieve Tenant of the obligation to pay Base Rent, Additional Charges or Additional Rent on or before the date on which they are due, or in any way affect Landlord's remedies pursuant to Section 21(b) if any Base Rent, Additional Charges or Additional Rent are unpaid after they are due.

(e) **Rent.** All sums payable by Tenant hereunder other than Base Rent or Additional Charges shall be payable as, and are collectively referred to herein as, "Additional Rent". Tenant shall pay to Landlord all Additional Rent at the place where the Base Rent is payable and Landlord shall have the same remedies for a Tenant Default in the payment of Additional Rent as for a Tenant Default in the payment of Rent, subject to the notice and cure rights provided in Section 21(a). As used herein, the term "Rent" shall include all Base Rent, Additional Charges, and Additional Rent.

4. RESTRICTIONS ON USE.

Tenant shall not (a) use or allow the Premises to be used for any unlawful purpose, (b) cause or maintain or permit any nuisance in, on or about the Premises, or (c) commit or suffer the commission of any waste in, on or about the Premises. Tenant shall not do or permit anything to be done in or about the Premises which will obstruct or interfere with the rights of other tenants or occupants of the Building or the Project or injure or annoy them.

5. COMPLIANCE WITH LAWS.

(a) **Laws.** Tenant shall not use the Premises or permit anything to be done in or about the Premises or the Project which will in any way conflict with any applicable law, statute, ordinance, resolution, order or governmental rule, regulation, requirement, permit, approval or license now in force or which may hereafter be enacted, promulgated or issued, whether state, federal or municipal or promulgated by other agencies or bodies having or claiming jurisdiction (collectively, "Laws"). Tenant shall not do or permit anything to be done in or about the Premises or the Project or bring or keep anything therein which will in any way increase the rate of any insurance upon the Project or any of its contents (unless Tenant agrees to pay for such increase) or cause a cancellation of such insurance. Tenant shall at its sole cost and expense promptly comply with (i) all Laws to the extent applicable to the use, improvement, condition or occupancy of the Premises, the Building and the Project (including all applicable Laws pertaining to air and water quality, waste disposal, air emissions and other environmental matters and including the Americans with Disabilities Act) now in force or which may hereafter be in force, and (ii) with the requirements of any board of fire underwriters or other similar body now or hereafter constituted relating to or affecting the condition, use or occupancy of the Premises, to the extent such compliance is required because of (A) Tenant's unique use of the Premises, (B) Alterations or improvements made by or for Tenant, or (C) Tenant's negligence or willful misconduct. In the event of a discrepancy between the terms of this Section 5 and the terms of Section 36 concerning obligations with respect to Hazardous Substances, the latter shall control. The provisions of this Section 5 shall in no way limit Tenant's obligation to pay Expenses to the extent provided in Section 3. The judgment of any court of competent jurisdiction or the admission of Tenant in an action against Tenant that it has so violated any such law, statute, ordinance, rule, regulation or requirement, shall be conclusive of such violation as between Landlord and Tenant.

(b) **Downtown Planned Community Permit.** Without limiting the generality of Section 5(a), Tenant shall at all times comply with all requirements of the Downtown Planned Community Permit issued by the City of Redwood City with respect to the Project (the "DPC Permit") to the extent related to Tenant's use, occupancy, operation or management of the Premises or its use of the Project. Such compliance shall include, but not be limited to, Tenant's compliance with Redwood City's Transportation Demand Management requirements applicable to the Project (including any plan related thereto that has been approved by the city (the "TDM Plan")) for which Tenant shall be responsible for any costs associated with Tenant's compliance. Landlord shall cause the Base Building Work to comply with the requirements of the DPC Permit to the extent applicable to the Base Building Work. Tenant acknowledges its receipt of the DPC Permit and the current version of the TDM Plan (which is under review by the city) prior to the Lease Date.

6. ALTERATIONS.

(a) **Landlord's Consent Required for Alterations.** Except as set forth in Section 6(b), after the Commencement Date, Tenant shall not make or suffer to be made any alterations, additions or improvements to the Premises ("Alterations") without the prior written consent of Landlord, which consent shall not be unreasonably withheld. Landlord's approval of Tenant's Work and the removal thereof at the expiration or earlier termination of the Term shall be governed by the Work Letter. Tenant's request for Landlord's consent to any proposed Alterations shall include a description of the proposed Alterations and shall be accompanied by materials sufficient to enable Landlord to evaluate the request. Depending on the nature and extent of the proposed Alterations, it is anticipated that such materials may include paint chips, internally prepared diagrams, plans and specifications prepared by licensed architects and engineers, a description of proposed construction means and methods, the identity of any contractor or subcontractor to be employed in the construction of the Alterations, the estimated cost of such work and the estimated time for performance thereof. Within three (3) Business Days following its receipt of Tenant's request for consent, Landlord shall advise Tenant in writing of how long it anticipates its evaluation of Tenant's request will take and any additional materials it needs to receive from Tenant in order to evaluate Tenant's request. Tenant acknowledges and agrees that it will not be unreasonable for

Landlord to withhold its consent with respect to proposed Alterations that: (i) upon completion will be incompatible with the Building or its mechanical, electrical, plumbing, HVAC, riser, fire, and life-safety systems; (ii) will interfere with the use and occupancy of any other portion of the Project by any other tenant or their invitees; (iii) will affect the structural portions of the Building; (iv) will involve any full or partial penetration of the lowest floor slab of the Building; (v) will, either alone or when taken together with other improvements or alterations, require the construction of any other improvements or alterations within the Building not being undertaken as a part of the Alterations in question; (vi) will be visible from the exterior of the Building; or (vii) are not commonly considered typical for generic “market ready” improvements commonly constructed by landlords of Class “A” office buildings. Landlord shall respond to Tenant’s written request for Landlord’s consent promptly (taking into consideration the nature and extent of the Alterations for which its consent is being requested) but in all events within ten (10) Business Days after the later to occur of (x) the date of Landlord’s receipt of Tenant’s written request, or (y) the date upon which Landlord receives all documents and information reasonably requested in connection with its evaluation of the proposed Alteration. If Landlord withholds its consent, Landlord shall specify in reasonable detail in Landlord’s notice of disapproval, the basis for such disapproval. If Landlord has failed to respond with its disapproval of the proposed Alteration by the date specified in Landlord’s initial notice to Tenant’s request as specified above (but in no event later the expiration of the ten (10) Business Day period specified in the immediately preceding sentence), then such Alterations shall be deemed disapproved by Landlord; provided that Tenant may resubmit the same to Landlord with a cover letter stating: **“PURSUANT TO SECTION 6(a) OF THE LEASE, LANDLORD’S FAILURE TO RESPOND TO THE PROPOSED ALTERATION ATTACHED HERETO WITHIN FIVE (5) BUSINESS DAYS OF ITS RECEIPT OF THIS NOTICE SHALL RESULT IN THE DEEMED APPROVAL OF SUCH PROPOSED ALTERATION,”** in all capital letters and boldface type, and if Landlord fails to respond to such second request within such five (5) Business Day period, Landlord shall be deemed to have approved such Alteration. Landlord may hire outside consultants to review such documents and information and Tenant shall, within thirty (30) days after Landlord’s written demand, reimburse Landlord for the actual cost thereof.

(b) **Permitted Alterations.** Notwithstanding the provisions of Section 6(a), Tenant may, without Landlord’s prior consent upon not less than ten (10) Business Days prior written notice to Landlord: (i) re-paint or re-carpet the Premises; and (ii) make other Alterations to the Premises (but not to the exterior walls, roof or lowest floor slab of the Building) so long as (A) such Alterations will not have the effect described in any of items (i) through (vi) in the fifth sentence of Section 6(a), and (B) the particular Alterations are not anticipated to involve the expenditure of more than \$50,000 in the aggregate with all Permitted Alterations made during the preceding twelve (12) month period (any such Alterations being defined herein as “Permitted Alterations”).

(c) **Making of Alterations.** Tenant shall make any Alterations consented to or permitted under this Section 6 at Tenant’s sole cost and expense and in compliance with the following requirements: (i) all Alterations (other than Permitted Alterations) shall be made in accordance with plans and specifications reasonably approved by Landlord; (ii) all Alterations shall be made in accordance with the requirements of Section 8; (iii) all Permitted Alterations shall be consistent with Tenant Improvement Minimum Building Standards (as such term is defined in the Work Letter and as such may be revised by Landlord from time to time during the Term) unless otherwise approved by Landlord in writing; (iv) the Alterations shall be made by that contractor or other person selected by Tenant and reasonably approved in writing by Landlord, provided Tenant may, at its election, submit names of potential contractors or other persons to Landlord for pre-approval and shall not thereafter be required to obtain Landlord’s subsequent re-approval of any such preapproved contractors for the performance of Permitted Alterations; and (v) all Alterations shall be made in compliance with all applicable Laws and any Mortgage and in a diligent and first-class workmanlike manner and consistent with the Management Standard. Tenant shall pay all costs for utilities consumed and for the removal of debris in connection with the construction of

any Alterations. All Alterations shall be the property of Tenant during the Term and shall become Landlord's property at the end of the Term without compensation to Tenant. Upon completion of any Alterations (including Permitted Alterations) which involve construction of any kind, Tenant shall provide Landlord, at Tenant's expense, with a complete set of as-built plans and specifications in reproducible form and specifications reflecting the actual conditions of the Premises as affected by the Alteration, together with an electronic copy of such plans in the AutoCAD format or such other format as may then be in common use for computer assisted design purposes. Landlord may hire outside consultants to review such documents and information and Tenant shall, within thirty (30) days after Landlord's written demand, reimburse Landlord for the actual cost thereof.

(d) **Removal of Alterations.** Upon the expiration or sooner termination of the Lease, Tenant shall upon demand by Landlord, at Tenant's sole cost and expense, forthwith and with all due diligence remove (A) any Alterations whose installation altered or interfered with the ceiling grid (i.e., any partitions constructed that are not below the ceiling grid) unless specifically approved by Landlord and identified as not required to be removed in writing in advance of its installation, (B) any Alterations designated by Landlord to be removed (as provided below), (C) any Alterations (other than Permitted Alterations which are commonly considered typical for generic "market ready" improvements commonly constructed by landlords of Class "A" office buildings) as to which Tenant does not make a Request for Advice Regarding Removal (defined below), and (D) any Alterations which Landlord designates for removal in response to a Request for Advice Regarding Removal from Tenant, and restore the Premises to its original condition as of the date of the making of the Alterations in question, subject in both cases to Normal Wear and Tear (defined below) and the rights and obligations of Tenant concerning casualty damage pursuant to Section 22. Notwithstanding the foregoing, at the time Tenant requests approval for any proposed Alteration or provides written notice of any Permitted Alteration that would alter or interfere with the ceiling grid or which are not commonly considered typical for generic "market ready" improvements commonly constructed by landlords of Class "A" office buildings, Tenant may include in such request for approval or written notice a request that Landlord advise Tenant whether Landlord shall require the removal of such proposed Alteration (or any portion thereof) and/or restoration as set forth in this Section 6 (a "Request for Advice Regarding Removal"). If Tenant's request for approval of any Alterations or notice of its intent to make Permitted Alterations contains a Request for Advice Regarding Removal, then as a part of any approval or conditional approval of Alterations by Landlord or, in the case of any Permitted Alterations, within five (5) Business Days after Landlord's receipt of Tenant's written notice of its intent to make such Permitted Alterations, Landlord shall advise Tenant in writing as to which portions, if any, of such Alteration Landlord shall require to be removed and restored as set forth in this Section 6. If Landlord fails to so notify Tenant within the applicable period, Landlord shall be deemed to have advised Tenant that such Alteration shall not be required to be removed and restored at the end of the Term.

7. REPAIR AND MAINTENANCE.

(a) **Landlord's Repair and Maintenance Responsibilities.** Subject to the provisions of Section 7(c), Landlord shall repair and maintain the following in accordance with the Management Standard: (i) the exterior of the Building (including glass), roof and structural portions of the Building; (ii) all Building systems, including, without limitation, the building management system and the electrical, mechanical, HVAC, plumbing, elevators and life-safety systems, and all controls appurtenant thereto; (iii) the parking garage; (iv) the areas outside of the Building such as parking areas, courtyards, sidewalks, entry ways, lawns, landscaping and other similar facilities or exterior Common Areas of the Project; (v) any Common Areas within the Building; and (vi) latent defects.

(b) **Tenant's Repair and Maintenance Responsibilities.** Tenant shall maintain and repair, in accordance with the Management Standard, the Premises, including Tenant's Work and any Alterations (excluding any portions thereof which are structural in nature or which are the obligation of

Landlord under Section 7(a)), and any improvements serving only the Premises. Additionally, Tenant shall be responsible for the expense of installation, operation, and maintenance of its telephone and other communications cabling from the point of entry into the Building to the Premises (and in connection therewith, Tenant shall have reasonable use of the risers in the Building to carry such cabling) and throughout the Premises. Tenant hereby waives and releases its right to make repairs at Landlord's expense under Sections 1941 and 1942 of the California Civil Code or under any similar law, statute or ordinance now or hereafter in effect. In addition, Tenant hereby waives and releases its right to terminate this Lease under Section 1932(1) of the California Civil Code or under any similar law, statute or ordinance now or hereafter in effect. If Tenant fails to commence to make repairs required to be made by Tenant within fifteen (15) days after written notice from Landlord, or should Tenant thereafter fail to diligently pursue such repairs to completion, the same may be made by Landlord at the expense of Tenant and the expenses thereof incurred by Landlord shall be reimbursed as Additional Rent within thirty (30) days after submission of a bill or statement therefor; for purposes of this sentence, "commence" includes any steps taken by Tenant to investigate, design, consult, bid or seek permit or other governmental approval in connection with such repairs.

(c) **Repairs Necessitated by Tenant's Actions.** Except to the extent any claims arising from any of the following described circumstances are covered by the waiver of subrogation in Section 12 or are otherwise provided for in Section 22, Tenant shall bear, and shall reimburse Landlord (as Additional Rent and not an Expense) within ten (10) Business Days after written demand from Landlord, for the full cost of repairs or maintenance of the interior or exterior, structural or otherwise, to preserve the Premises, Building and Project in good working order and condition, arising out of: (A) the performance or existence of any alteration or modification to the Premises made by Tenant; (B) the installation, use or operation of Tenant's property or fixtures; (C) the moving of Tenant's property or fixtures in or out of the Building or in and about the Premises; (D) the negligence or willful misconduct of the Tenant Parties; or (E) the acts, omissions or negligence of any Tenant Party, or the particular use or particular occupancy or manner of use or occupancy of the Premises by Tenant or any other Tenant Party. As used herein, the term "Tenant Parties" shall mean Tenant, its officers, directors, shareholders, members, partners, managers, and their respective agents, employees, servants, representatives, consultants, contractors, successors and assigns.

(d) **Excess Wear and Tear.** Any other provision of this Lease notwithstanding, if, in Landlord's reasonable opinion, the use being made by Tenant of the Premises or the equipment, elevators, electrical, plumbing, HVAC or other systems serving the Premises ("Tenant's Wear and Tear") is in excess of that customary for premises being used for normal general office uses typical of first-class office buildings ("Normal Wear and Tear"), either because of the number of people occupying or otherwise using the Project, the hours during which the Premises is in active use (excluding casual or non-material use), the hours during which the equipment, elevators, electrical, plumbing, HVAC or other systems of the Project are in use, the equipment being operated by Tenant within the Premises or other similar factors (the extent to which Tenant's Wear and Tear exceeds Normal Wear and Tear being referred to herein as "Excess Wear and Tear"), Landlord may give Tenant written notice that such Excess Wear and Tear is occurring, which notice shall specify the basis upon which Landlord determined that such Excess Wear and Tear is occurring. From and after the date of such notice and until Tenant ceases such Excess Wear and Tear (it being understood and agreed that Tenant shall be under no obligation to cease such Excess Wear and Tear), the incremental cost of operating the equipment, elevators, electrical, plumbing, HVAC or other systems which are the subject of such Excess Wear and Tear along with the incremental cost of maintaining, repairing and replacing any of the equipment, elevators, electrical, plumbing, HVAC or other systems or any other part of the Premises resulting from such Excess Wear and Tear shall be paid by Tenant to Landlord within fifteen (15) Business Days following presentation of an invoice therefor by Landlord to Tenant, or through such other equitable method as Landlord may employ. The cost so chargeable to Tenant shall constitute and be paid as Additional Rent and not as a part of

Expenses. Notwithstanding the foregoing, to the extent that the costs chargeable to Tenant pursuant to this Section 7(d) are charged to Tenant pursuant to Section 13(d), such costs shall be charged pursuant Section 13(d) and not pursuant to this Section 7(d).

(e) **No Abatement.** Except to the extent otherwise provided for in Section 13(f) or Section 22, there shall be no abatement of Rent with respect to, and except to the extent arising out of Landlord's gross negligence or willful misconduct, Landlord shall not be liable for any injury to or interference with Tenant's business arising from, any repairs, maintenance, alteration or improvement in or to any portion of the Building, including the Premises, or in or to the fixtures, appurtenances and equipment therein. Notwithstanding anything contained in this Lease to the contrary, in no event shall Landlord be liable to Tenant for any indirect or consequential damages or loss of business with respect to any matter arising under this Lease or relating to the Project or the Premises.

(f) **Coordination of Provisions.** The purpose of Sections 7(a) through 7(b) is to define the obligations of Landlord and Tenant to perform various repair and maintenance functions; the allocation of the costs therefor are covered by Sections 3, 7(c) and 7(d).

8. **LIENS.**

Tenant shall keep the Premises free from any liens arising out of any work performed, material furnished or obligations incurred by Tenant. In the event that Tenant does not, within twenty (20) days following the earlier of (i) the date that Tenant actually learns of the imposition of any such lien or (ii) the date Tenant receives written notice of such lien from Landlord, cause the same to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All such sums paid by Landlord and all expenses incurred by it in connection therewith shall be considered Additional Rent and shall be payable to it by Tenant on demand with interest at the Interest Rate. Landlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law, or which Landlord shall deem proper, for the protection of Landlord, the Premises, the Building and any other party having an interest therein, from mechanics' and materialmen's liens, and Tenant shall give written notice to Landlord at ten (10) Business Days' prior to commencement of any construction on the Premises.

9. **TAXES PAYABLE BY TENANT.**

At least ten (10) days prior to delinquency, Tenant shall pay all taxes levied or assessed upon Tenant's equipment, furniture, fixtures and other personal property located in or about the Premises. If the assessed value of Landlord's property (including the Project) is increased by the inclusion therein of a value placed upon any Alterations made by or on behalf of Tenant or Tenant's equipment, furniture, fixtures or other personal property, Tenant shall pay to Landlord, upon written demand, the taxes so levied against Landlord, or the proportion thereof resulting from said increase in assessment.

10. **ASSIGNMENT AND SUBLETTING**

(a) **Landlord's Consent.** Except as otherwise provided in Sections 10(e) and 10(f), Tenant shall not directly or indirectly, voluntarily or by operation of law, sell, assign, encumber, pledge, mortgage or otherwise transfer or hypothecate all or any part of the Premises or Tenant's leasehold estate hereunder (collectively, "Assignment"), or permit the Premises to be occupied by anyone other than Tenant or sublet the Premises (collectively, "Sublease") or any portion thereof without Landlord's prior written consent in each instance, which consent shall not be unreasonably withheld. Without otherwise limiting the criteria upon which Landlord may withhold its consent to any proposed Sublease or Assignment (and such withholding of consent shall be presumptively reasonable), if Landlord withholds

its consent where (i) the creditworthiness of the proposed sublessee or assignee is not reasonably acceptable to Landlord (e.g., there does not exist reasonable evidence that sublessee or assignee can pay the rent and additional rent to be charged to sublessee or assignee), or (ii) the proposed sublessee's or assignee's use of the Premises is not in compliance with the allowed Tenant's Use of the Premises as described in the Basic Lease Information. If Landlord consents to the Sublease or Assignment, Tenant may thereafter enter into a valid Sublease or Assignment upon the terms and conditions set forth in this Section 10. In no event shall any Assignment or Sublease release Tenant from its obligations under this Lease.

(b) **Voluntary Assignments.** Without limiting the other events which may constitute an Assignment, the following shall be deemed an Assignment: (i) any dissolution, merger, consolidation, or other reorganization of Tenant; (ii) the sale or other transfer or disposition of substantially all of the assets of Tenant; and (iii) at any time which the corporate shares of, or partnership, membership or other ownership interests in, Tenant are not publicly traded, a transfer, in one or more transactions occurring within a period of twenty-four (24) months, whether by sale, assignment, bequest, inheritance, operation of law or other disposition or by subscription, of fifty percent (50%) or more of the corporate shares of, or partnership, membership or other ownership interests in, Tenant, provided, however, that if the capital stock of Tenant is publicly traded, the sale or other transfer of Tenant's capital stock shall not constitute an Assignment.

(c) **Notice to Landlord.** If Tenant desires at any time to enter into an Assignment of this Lease or a Sublease of the Premises or any portion thereof, it shall first give written notice to Landlord of its desire to do so, which notice shall contain (i) the name of the proposed assignee, sublessee or occupant; (ii) the name of the proposed assignee's, sublessee's, or occupant's business to be carried on in the Premises; (iii) the terms and provisions of the proposed Assignment or Sublease; (iv) in the case of a Sublease, the area to be sublet (the "Sublease Premises") and the arrangements which will exist for the establishment as "common area" of such portions of the Premises as may be necessary for ingress, egress, use of bathrooms, stairs, and similar rights of the proposed sublessee which will be necessary for the use and enjoyment of the Sublease Premises and the compliance thereof with all applicable Laws; and (v) such financial information as Landlord may reasonably request concerning the proposed assignee, sublessee or occupant.

(d) **Landlord's Right to Recapture; Assignment or Sublease Profits.** At any time within fifteen (15) Business Days after Landlord's receipt of the notice specified in Section 10(c), Landlord may by written notice to Tenant elect to: (i) in the event of any notice of an Assignment of this Lease, terminate the Lease, or in the event of any notice of a Sublease, terminate this Lease as to the Sublease Premises if and only if the Sublease will result in Tenant no longer occupying at least 10,000 rentable square feet of the 4th floor of the Building (each such termination being hereinafter referred to as a "Recapture Option"); (ii) consent to the Sublease or Assignment, which consent shall not be unreasonably withheld; or (iii) disapprove the Sublease or Assignment setting forth the reasons therefor. Any improvements, additions, or alterations to the Building or the Project that are required by any Law as a result of such Sublease or Assignment shall be installed and provided without cost or expense to Landlord, and Landlord may condition its consent to any proposed subtenant or assignee on the construction of such improvements, additions, or alterations. If Landlord consents to the Sublease or Assignment within said fifteen (15) Business Day period, Tenant may thereafter within ninety (90) days after Landlord's consent, but not later than the expiration of said ninety (90) days, enter into such Assignment or Sublease of the Premises or portion thereof upon the terms and conditions set forth in the notice furnished by Tenant to Landlord pursuant to Section 10(c). If Landlord exercises its Recapture Option, Landlord and Tenant shall enter into an appropriate amendment to this Lease confirming such partial termination of this Lease, providing for a pro rata reduction in and apportionment of Base Rent and Tenant's Share on a straight square footage basis and providing for a pro rata reduction in the Letter of Credit; and Landlord shall have the right to use or relet the Sublease Premises for any legal purpose in its

sole discretion. Additionally, if Landlord exercises its Recapture Option, then Landlord shall separately demise the portion of the Premises so recaptured by Landlord from the balance of the Premises, including, without limitation, capping, re-routing or reconfiguring all mechanical, electrical, plumbing, life-safety and other systems and equipment serving the affected portions of the Premises and construct such other improvements as may be required by Law or which Landlord reasonably deems to be necessary or appropriate to so demise the portion of the Premises so recaptured and the cost of such work shall be paid fifty percent (50%) by Landlord and fifty percent (50%) by Tenant. If Landlord consents to any Assignment or Sublease, all Assignment or Sublease Profits realized by Tenant shall be shared fifty percent (50%) by Landlord and fifty percent (50%) by Tenant. Landlord's share of Assignment or Sublease Profits shall be paid to Landlord by Tenant or, at Landlord's option, directly by the sublessee or assignee to Landlord from and after the occurrence of a Tenant Default. As used herein, the term "Assignment or Sublease Profits" shall mean the excess of the total rent payable by the assignee or sublessee (including additional charges and other operating cost reimbursements) over the total Rent payable by Tenant to Landlord (including Additional Charges and other operating cost reimbursements) after deducting reasonable costs specifically related to the sublease of the Premises or the assignment of this Lease, including brokerage costs, free rent, and tenant improvement and demising costs, all to be amortized over the remainder of the Term in the case of an Assignment or the term of the Sublease in the case of a Sublease (all of which shall be determined on a per rentable square foot basis of the Subleased Premises in the case of a Sublease of less than all of the Premises).

(e) **No Release of Tenant.** No consent by Landlord to any Assignment or Sublease by Tenant shall relieve Tenant of any obligation to be performed by Tenant under this Lease, whether arising before or after the Assignment or Sublease. The consent by Landlord to any Assignment or Sublease shall not relieve Tenant from the obligation to obtain Landlord's express written consent to any other Assignment or Sublease. Any Assignment or Sublease that is not in compliance with this Section 10 shall be void and, at the option of Landlord, shall constitute a Tenant default. The acceptance of Base Rent, Additional Charges or Additional Rent by Landlord from a proposed assignee or sublessee shall not constitute the consent to such Assignment or Sublease by Landlord. Without liability to Tenant, Landlord shall have the right to offer and to lease space in the Building, or in any other property, to any party, including parties with whom Tenant is negotiating, or with whom Tenant desires to negotiate, concerning assignment or subletting the Premises, or any portion thereof.

(f) **Permitted Transfers.** Notwithstanding anything to the contrary contained in this Section 10, provided that the conditions of this Section 10(f) are satisfied, Tenant may enter into any of the following Assignments or Subleases (a "Permitted Transfer") without Landlord's prior written consent and without being subject to Landlord's termination or rent sharing rights provided in Section 10(d), but upon not less than ten (10) Business Days prior notice to Landlord (which notice shall include evidence satisfactory to Landlord that the proposed transfer complies with the provisions of this Section 10(f)): (i) an assignment by Tenant of its interest in this Lease to a corporation, partnership, professional corporation, limited liability company, or limited liability partnership ("Transfer Entity") which results from a merger, consolidation or other reorganization, so long as the Transfer Entity has a net worth immediately following such transaction that is equal to or greater than the net worth of Tenant as of the date immediately prior to such transaction; (ii) an assignment by Tenant of this Lease to a Transfer Entity which purchases or otherwise acquires all or substantially all of the equity interests or assets of Tenant, so long as such acquiring Transfer Entity has a net worth immediately following such transaction that is equal to or greater than the net worth of Tenant as of the date immediately prior to such transaction; (iii) an assignment by Tenant of its interest in this Lease or a Sublease of all or any portion of the Premises to an Affiliate, which Affiliate was an Affiliate prior to such assignment; or (iv) a merger, consolidation or other reorganization of Tenant in which Tenant is the surviving entity, provided that the net worth of Tenant immediately following such transaction is equal to or greater than the net worth of Tenant as of the date immediately prior to such transaction. No Permitted Transfer shall relieve Tenant of Tenant's

obligations under this Lease. As used herein, the term “Affiliate” shall mean and collectively refer to a corporation, partnership, limited liability company or other entity which controls, is controlled by or is under common control with Tenant, by means of an ownership of (i) more than fifty percent (50%) of the outstanding voting shares of stock or (ii) stock, partnership interests, membership interests or other ownership interests which provide the right to control the operations, transactions and activities of the applicable entity. Within five (5) Business Days following completion of the Permitted Transfer (or ten (10) Business Days prior to such Permitted Transfer if public disclosure of such transaction is not restricted by applicable Law or bona fide confidentiality requirements, the purpose of which was not to circumvent the requirement for prior notice of Permitted Transfers as set forth in this Section), Tenant shall provide written notice to Landlord of such Permitted Transfer as well as a statement of the basis of Tenant’s belief that such Assignment or Sublease is a Permitted Transfer.

(g) **Assumption of Obligations.** Each assignee (including Transfer Entities under a Permitted Transfer) (i) shall deliver to Landlord concurrent with the Assignment an assumption agreement in form and substance satisfactory to Landlord whereby such assignee assumes and agrees to perform, observe and abide by the terms, provisions conditions of, and all obligations of Tenant under this Lease and (ii) shall be and remain liable jointly and severally with Tenant for the payment of Base Rent, Additional Charges and Additional Rent, and for the performance of all the terms, covenants, conditions and agreements herein contained on Tenant’s part to be performed. If this Lease is assigned, whether or not in violation of the terms of this Lease, from and after the occurrence of a Tenant Default Landlord may collect Rent from the assignee. If the Premises or any part thereof is Subleased, Landlord may, upon any failure by Tenant to perform its obligations hereunder, collect Rent from the sublessee. In either event, Landlord shall apply the amount collected from the assignee or sublessee to Tenant’s monetary obligations hereunder. Collecting Rent from the assignee or sublessee or applying that Rent to Tenant’s monetary obligations shall not be deemed to be an acceptance of the assignee or sublessee as a direct tenant of Landlord nor a waiver of any provision of this Section 10 nor an assumption by Landlord of any obligation of Tenant or any other party as an assignor or sublessee to such assignee or sublessee. No Assignment shall be binding on Landlord unless the assignee or Tenant shall deliver to Landlord a counterpart of the Assignment and the assumption agreement required by the provisions of this Section 10(g), but the failure or refusal of the assignee, sublessee or other transferee to execute such instrument of assumption shall not release or discharge the assignee from its liability as set forth above.

(h) **Reimbursement of Landlord’s Review Costs.** Tenant shall reimburse Landlord, within thirty (30) days after Landlord’s written demand, for any reasonable out-of-pocket expenses incurred by Landlord in connection with such review of any request for consent to an Assignment or Sublease, including reasonable legal fees.

11. **INSURANCE AND INDEMNIFICATION.**

(a) **Landlord Indemnification.** Subject to the waivers provided in Section 12 and except to the extent caused by the negligence or willful misconduct of any Tenant Party, Landlord shall indemnify, defend and hold harmless the Tenant Parties from and against any and all third-party claims, liabilities, losses, costs, and expenses for any injury or damage to any person or property, including any reasonable attorney’s fees (but excluding any consequential damages or loss of business), occurring in, on, or about the Project to the extent such injury or damage is caused by the gross negligence or willful misconduct of any Landlord Party (defined below), property manager, or its property manager’s employees; provided, however, that the foregoing indemnity shall not include claims or liability to the extent waived by Tenant pursuant to Section 11(b). Further, (i) in the event of a discrepancy between the terms of this Section and the terms of Section 36 concerning Hazardous Substances liability, the latter shall control; and (ii) nothing in this Section 11(a) is intended to nor shall it be deemed to override the provisions of Section 12.

(b) **Tenant Waiver of Claims.** The Landlord Parties shall not be liable to Tenant, and Tenant hereby waives all claims against the Landlord Parties for any injury or damage to any person or property in or about the Premises by or from any cause whatsoever (other than claims arising out of the gross negligence or willful misconduct of any Landlord Party), and without limiting the generality of the foregoing, whether caused by water leakage of any character from the roof, walls, or other portion of the Premises or the Building, the Project, or caused by gas, fire, oil, electricity, or any cause whatsoever, in, on, or about the Premises, the Building, the Project or any part thereof. Tenant acknowledges that any casualty insurance carried by Landlord will not cover loss of income to Tenant or damage to any Alterations or Tenant's personal property located within the Premises. Tenant shall be required to maintain the insurance described in Section 11(d) during the Term. In the event of a discrepancy between the terms of this Section and the terms of Section 36 of this Lease concerning Hazardous Substance liability, the latter shall control (except with respect to the last sentence of this Section 11(b)). Nothing in this Section 11(b) is intended to nor shall it be deemed to override the provisions of Section 12. Notwithstanding anything contained in this Lease to the contrary (other than the provisions of Section 11(c), Section 15 and Section 21(b) to the contrary, which provisions shall override the provisions of this Section 11(b)), in no event shall Landlord or Tenant have any liability whatsoever to the other for any consequential damages, or loss of business, revenue or profits, even if caused by the active or passive negligence, or intentional or willful misconduct, of any Landlord Party or Tenant Party. As used herein, the term "Landlord Parties" shall mean Landlord, its officers, directors, shareholders, members, partners, managers (including Managing Agent), investors, lenders and their respective agents, employees, servants, representatives, consultants, property managers, agents, contractors, successors and assigns.

(c) **Tenant Indemnification.** Subject to the waivers provided in Section 12 and except to the extent caused by the gross negligence or willful misconduct of any Landlord Party, Tenant shall indemnify, defend and hold harmless the Landlord Parties from and against any and all third-party claims, liabilities, losses, costs, and expenses (including reasonable attorney's fees) of whatever nature arising from or claimed to have arisen from (i) any negligence or willful misconduct of any of the Tenant Parties; (ii) any accident, injury or damage whatsoever caused to any person, or to the property of any person, occurring in or about the Premises from the date on which any Tenant Party first enters the Premises for any reason and thereafter throughout and until the end of the Lease Term and after the end of the Lease Term for as long as Tenant or anyone acting by, through or under Tenant is in occupancy of the Premises or any portion thereof; (iii) any accident, injury or damage whatsoever occurring outside the Premises but within the Project, where such accident, injury or damage results from the negligence or willful misconduct on the part of any of the Tenant Parties; (iv) arising from any breach of this Lease by Tenant; or (v) the conduct of any work or business of Tenant Parties in or about the Project, including any release, discharge, storage or use of any hazardous substance, hazardous waste, toxic substance, oil, explosives, asbestos, or similar material. In the event of a discrepancy between the terms of this Section and the terms of Section 36 (concerning Hazardous Substance liability), the latter shall control. Nothing in this Section 11(c) is intended to nor shall it be deemed to override the provisions of Section 12.

(d) **Tenant's Insurance.** Tenant shall procure at its sole cost and expense and keep in effect during the Term the following insurance:

(i) commercial general liability insurance including personal injury, advertising injury, contractual liability, products-completed operations and broad form property damage coverage with an each occurrence limit of \$3,000,000 and a general aggregate limit of \$3,000,000, and automobile liability insurance for personal injury and property damage with an each occurrence limit of \$1,000,000 and a general aggregate limit of \$1,000,000. Such insurance (A) shall name Landlord and Managing Agent (as identified in the Basic Lease Provisions) their respective officers, partners, members and employees and such additional persons or entities as Landlord may from time-to-time reasonably designate in writing as an additional insured, (B) shall include contractual liability coverage, (C) is intended to be primary insurance, and not

excess over or contributory with any other valid, existing, and applicable insurance in force for or on behalf of Landlord, (D) shall provide that the insurer shall endeavor to provide Landlord with thirty (30) days' (or ten (10) days' for nonpayment of premium) written notice prior to any cancellation or change of coverage, and (E) shall include a waiver of subrogation endorsement. Tenant covenants and agrees to also provide Landlord with thirty (30) days' written notice of any cancellation or change of coverage;

(ii) "all risk" property insurance on a "special causes of loss" basis (including boiler and machinery (if applicable); sprinkler damage, vandalism and malicious mischief) on Tenant's Work, any Alterations, all other improvements installed in the Premises by or on behalf of Tenant, and all of Tenant's personal property, such insurance to include a building ordinance provision (as to those Alterations for which such a provision will apply) and business income/extra expense coverage. Such insurance shall be in an amount equal to full replacement cost of the aggregate of the foregoing and shall provide coverage comparable to the coverage in the standard ISO "special causes of loss" form, when such form is supplemented with the coverages required above, and, except for the business income/extra expense coverage, shall name Landlord as a loss payee, as its interest may appear;

(iii) worker's compensation insurance, statutory and employer's liability coverage, which shall include a waiver of subrogation endorsement; and

(iv) such other insurance as may be required by Law.

Additionally, Tenant shall require all of its contractors, subcontractors, and vendors doing work in or to the Project (excluding Tenant's Work as to which the insurance requirements of the Work Letter shall control) to maintain commercial general liability insurance meeting all of the requirements of Section 11(d)(i) (but with minimum limits of \$1,000,000), workers' compensation coverage including employers liability, and automobile liability coverage and to provide certificates of insurance or such other evidence of insurance as may be acceptable to Landlord. Additionally, contractors, subcontractors and vendors participating in the construction of Tenant's Work shall be required to provide the insurance specified in the Work Letter.

(e) **Policy Requirements.** All insurance policies required under Section 11(d) and Section 11(g) shall be issued by carriers each with a Best's Insurance Reports policy holder's rating of not less than A and a financial size category of not less than Class VIII. Landlord and Tenant shall deliver to the other certificates of insurance or other evidence acceptable to the other of such insurance on or before the Commencement Date, and thereafter at any time and from time-to-time within ten (10) Business Days after written request from the other. In the event Tenant shall fail to procure and keep such insurance in full force and effect during the Term, or to deliver such policies or certificates within said time frame, Landlord may, at its option, procure same for the account of Tenant, and the cost thereof shall be paid to Landlord as Additional Rent within five (5) Business Days after delivery to Tenant of bills therefor.

(f) **Survival.** The provisions of this Section 11 shall survive the expiration or termination of this Lease with respect to any claims or liability occurring prior to such expiration or termination.

(g) **Landlord Insurance.** Landlord shall maintain insurance on the Project against fire and risks covered by "special causes of loss" form (excluding earthquake and flood, unless Landlord, in its sole discretion, elects to include such coverage) on a 100% "replacement cost" basis. Landlord's insurance: (i) shall cover the Base Building; (ii) shall not cover any Tenant Work, Alterations or any other improvements installed in the Premises by or on behalf of Tenant (unless Landlord elects in its sole discretion to obtain such coverage); (iii) shall have a building ordinance provision; and (iv) shall provide

for rental interruption insurance covering a period of twelve (12) full months. In no event shall Landlord agree to any co-insurance obligations under any such policies (beyond standard deductibles). Landlord shall also maintain commercial general liability insurance including contractual liability coverage (or with contractual liability endorsement) on an occurrence basis in amounts not less than Three Million Dollars (\$3,000,000) per occurrence and general aggregate limit of Three Million Dollars (\$3,000,000) with respect to bodily injury or death and property damage. Notwithstanding the foregoing obligations of Landlord to carry insurance, Landlord may: (i) modify the foregoing coverages if and to the extent it is commercially reasonable to do so; (ii) carry earthquake and flood insurance at its sole discretion; and (ii) carry, at its reasonable discretion, insurance in addition to the insurance described in the first two sentences of this Section 11(g).

12. **WAIVER OF CLAIMS AND SUBROGATION.**

Notwithstanding anything to the contrary in this Lease, to the extent that this waiver does not invalidate or impair their respective insurance policies, Landlord and Tenant release each other and their respective Landlord Parties or Tenant Parties, as the case may be, from all liability for damage to any property that is caused by or results from a risk (i) which is actually insured against, to the extent of receipt of payment under such policy (unless the failure to receive payment under any such policy results from a failure of the insured party to comply with or observe the terms and conditions of the insurance policy covering such liability, in which event, such release shall not be so limited), (ii) which is required to be insured against under this Lease, or (iii) which would normally be covered by the standard "special causes of loss" form of property insurance, without regard to the negligence or willful misconduct of the entity so released. Landlord and Tenant shall each obtain from their respective insurers under all policies of fire, theft, and other property insurance maintained by either of them at any time during the Term insuring or covering the Project or any portion thereof of its contents therein, a waiver of all rights of subrogation which the insurer of one party might otherwise, if at all, have against the other party, and Landlord and Tenant shall each indemnify the other against any loss or expense, including reasonable attorneys' fees, resulting from the failure to obtain such waiver.

13. **SERVICES AND UTILITIES.**

(a) **Tenant Responsibilities.** Subject to the provisions elsewhere herein contained and to the Rules and Regulations, **Tenant** shall be responsible for arranging for, and direct payment of the cost of janitorial service for the Premises, security for the Premises, transportation management and mitigation programs, telephone, and cable and digital services, or other utilities or services which are used by or serve exclusively Tenant (such as, by way of example only, utilities which are separately metered to the Premises or a portion thereof by the utility company providing the utility in question, as opposed to submetering devices installed by Landlord for the purpose of measuring the amount of a particular utility consumed on a particular floor or area of the Building or Project or utilized by particular items of equipment) and Landlord shall cooperate with Tenant's efforts to arrange such services.

(b) **Landlord Responsibilities - Premises.** Subject to the provisions elsewhere herein contained and to the Rules and Regulations, Landlord shall be responsible for arranging for (subject to Landlord's right to reimbursement pursuant to the provisions of Section 3(c) and this Section 13) the following to the Premises: (i) water for drinking, kitchen and lavatory purposes within the Premises; (ii) customary HVAC service in season, during Business Hours, for normal comfort for normal office use (subject to the terms of this Section 13); (iii) electricity for normal lighting and connected electrical load for normal and customary office equipment within the Premises; (iv) elevator service; and (v) such other services and utilities as are customarily provided by landlords of similar first-class projects in the vicinity of the Project.

(c) **Landlord Responsibilities – Common Area.** Landlord shall, subject to the provisions elsewhere herein contained and to the Rules and Regulations, be responsible for arranging for (subject to Landlord's right to reimbursement pursuant to the provisions of Section 3(c)) the following to be provided to the Common Area: (i) electricity; (ii) customary HVAC service in season, during Business Hours; routine maintenance, repairs and replacements; (iv) janitorial service; (v) lamps, bulbs and ballasts; (vi) storm sewer and drainage services for the Project; (vii) utilities and services to be provided to the Common Area (e.g., landscape maintenance, parking lot sweeping); (vii) garbage pickup, and (viii) such other services and utilities as Landlord reasonably determines to provide to the Common Area in accordance with the Management Standard.

(d) **Payment For Utilities and Services.** Landlord shall have the right to measure utility and service usage at the Project, including electrical usage, through any reasonable and equitable method established by Landlord, including the installation of submeters, and utilities and services provided to Tenant at the Building shall, at Landlord's option, be paid for by Tenant either (i) through inclusion in Expenses (except as provided for excess usage); (ii) by a separate charge payable by Tenant to Landlord; or (iii) by a separate charge billed by the applicable utility or service company and payable directly by Tenant. If, in Landlord's reasonable opinion, Tenant's use of any utility or service (including HVAC services) which is not separately metered is in excess of the customary usage by a tenant using similar office space in the Redwood City area for similar uses as the Permitted Uses (including uses occurring outside of Building Hours), Tenant shall pay Landlord the cost of providing such additional utility or service (as Additional Rent and not as a part of Additional Charges for Expenses) within thirty (30) days following presentation of an invoice therefor by Landlord to Tenant, or through such other equitable method as Landlord may employ. The cost chargeable to Tenant for all extra utilities and/or services shall constitute Additional Rent. The HVAC system for the Building shall automatically run Monday through Friday (excluding holidays) from 7:00 a.m. to 6:00 p.m. ("Building Hours"). Tenant shall have the ability to activate the HVAC system for the Premises during non- Building Hours and shall pay the cost thereof (including Landlord's then standard charge for excess wear and tear as reasonably determined by Landlord) at the standard building rates as determined by Landlord from time to time. Tenant agrees at all times to cooperate fully with Landlord and to abide by all the reasonable regulations and requirements which Landlord may prescribe for the proper functioning and protection of the HVAC system(s) and equipment.

(e) **Excessive Load.** Unless such apparatus or device is included in the Tenant Plans approved by Landlord, Tenant will not without the written consent of Landlord, which consent may be given, conditioned or withheld in Landlord's sole discretion, use any apparatus or device in the Premises which, when used, puts an excessive load (i.e., materially beyond the designed building load) on the Building or its structure or systems, including electronic data processing machines and other machines using excess lighting or voltage in excess of the amount for which the Building is designed without providing the necessary (in Landlord's reasonable discretion) alteration necessary for the safe and adequate operation of said apparatus or device. Tenant shall not operate any equipment within the Building or the Premises which would (i) materially damage the Building or the Project, (ii) overload existing mechanical, electrical or other systems or equipment servicing the Building, (iii) impair the efficient operation of the sprinkler system or the heating, ventilating or air conditioning equipment within or servicing the Building, or (iv) overload or damage or corrode the sanitary sewer system.

(f) **Interruption of Services.** 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 except as expressly provided herein, by reason of (i) the installation, use or interruption of use of any equipment in connection with the foregoing utilities and services; (ii) failure to furnish or delay in furnishing any services to be provided by Landlord when such failure or delay is caused by any Force Majeure Delays, or by the making of repairs or improvements to the Premises or to the Building; or (iii) the limitation, curtailment, rationing or restriction on use of water or electricity, gas or any other form of energy or any

other service or utility whatsoever serving the Premises or the Building. Furthermore, Landlord shall be entitled to cooperate voluntarily in a reasonable manner with the efforts of national, state or local governmental agencies or utilities suppliers in reducing energy or other resources consumption provided that no material adverse impact on Tenant's operations at the Premises results therefrom. Notwithstanding the above, if, through no fault of Tenant, the Premises are rendered unusable or inaccessible for the normal conduct of Tenant's business as a result of Landlord's failure (i) to provide to the extent expressly required by Section 13(b), (a) electricity, heating and/or air conditioning or other service required to be provided by Landlord under this Lease, (b) hot and cold water from points of supply, or (c) elevator service (so long as at least one (1) elevator to the 4th floor of the Leased Premises is operational, Landlord shall be deemed to be providing elevator service), or (ii) to maintain the Building in compliance with applicable Law (each, an "Abatement Event"), and the means to remedy such failure are within Landlord's reasonable control, then Tenant shall deliver to Landlord notice of such Abatement Event ("Tenant's Abatement Notice"), and if such Abatement Event continues for five (5) consecutive Business Days after Landlord's receipt of Tenant's Abatement Notice (the "Eligibility Period"), then, without limitation as to any right of Landlord under any insurance policy, the Base Rent and Tenant's Share of Expenses and Real Estate Taxes shall be abated in the proportion that the rentable area of the portion of the Premises that Tenant is prevented from using, and does not use, bears to the total rentable area of the Premises, after the expiration of the Eligibility Period until such time as the Abatement Event is reasonably remedied or Tenant is no longer prevented from using such portion of the Premises for the normal conduct of Tenant's business.

(g) **Security.** Landlord shall not be required to provide, operate or maintain alarm, surveillance systems, security personnel or other security services for the Premises or the Project. Tenant shall provide such security services and shall install (upon satisfaction of the requirements of Section 6) within the Premises such security equipment, systems and procedures and employ such security personnel as may reasonably be required by Tenant for the protection of its employees and invitees, provided that Tenant shall coordinate such services and equipment with any security which Landlord (in its sole discretion) may from time-to-time elect to employ. The determination of the extent to which such supplemental security equipment, systems and procedures are reasonably required shall be made in the sole judgment, and shall be the sole responsibility, of Tenant. Tenant acknowledges that it has neither received nor relied upon any representation or warranty made by or on behalf of Landlord with respect to the safety or security of the Premises or the Project or any part thereof or the extent or effectiveness of any security measures or procedures now or hereafter provided by Landlord, and further acknowledges that Tenant has made its own independent determinations with respect to all such matters. Notwithstanding anything to the contrary contained in this Lease, neither Landlord nor any of the Landlord Parties shall be liable in any manner for any security personnel, services, procedures or equipment in, at, on, or about the Premises, the Building, or the Project (whether or not provided by Landlord) or for the failure of the same to prevent or control, or to apprehend, anyone suspected of personal injury, property damage or any criminal conduct in, on, or about the Premises, the Building, or the Project. Notwithstanding the foregoing, subject to the limitations otherwise specified in this Lease, Tenant's personnel shall have access to the Building and Premises on a 24/7 basis.

Subject to the requirements of this Lease and the Work Letter (including Landlord's review and reasonable approval), Tenant may install, at Tenant's sole cost, security systems and cameras within the Premises and within the stair and elevator vestibules located on the 4th floor of the Building. Furthermore, subject to the requirements of this Lease and Work Letter, Landlord shall consider in good faith Tenant's installation, at its sole expense, of additional security cameras at direct entry points to the ground floor Premises or additional ground floor security requirements Tenant may request.

14. **ESTOPPEL CERTIFICATES.**

Within ten (10) Business Days from receipt of written notice from Landlord, Tenant will execute, acknowledge and deliver to Landlord, and at Landlord's request, to any prospective tenant, subtenant, assignee, purchaser, ground or underlying lessor or Mortgagee of any part of the Building or the Land or any other party acquiring an interest in Landlord, a certificate substantially in the form attached as Exhibit D and containing such additional information as Landlord may reasonably request. It is intended that any such estoppel certificate delivered pursuant to this Section 14 may be relied upon by the party or parties to whom it is addressed. If requested by Tenant, Landlord shall provide Tenant with a similar certificate within ten (10) Business Days from receipt of written notice from Tenant.

15. **HOLDING OVER.**

If Tenant remains in possession of all or any portion of the Premises after the expiration or earlier termination of this Lease without the consent of Landlord, Tenant's continued possession shall be on the basis of a tenancy at the sufferance of Landlord. In such event, Tenant shall continue to comply with or perform all the terms and obligations of Tenant under this Lease, except that the monthly Base Rent (for each month or any part thereof of any such holding over) shall be (i) during the first thirty (30) days of such holding over, one hundred twenty-five percent (125%) of the monthly Base Rent and estimated share of Additional Charges that Tenant was obligated to pay for the month immediately preceding the Expiration Date or earlier termination of this Lease and (ii) thereafter, one hundred fifty percent (150%) of such monthly Base Rent amount and estimated share of Additional Charges. In addition to Rent, Tenant shall pay Landlord for all damages proximately caused by reason of Tenant's retention of possession. Landlord's acceptance of Rent after such termination shall not constitute a renewal of this Lease, and nothing contained in this provision shall be deemed to waive Landlord's right of re-entry or any other right hereunder or at law. Tenant acknowledges that, in Landlord's marketing and re-leasing efforts for the Premises, Landlord is relying on Tenant vacating the Premises on the Expiration Date. Accordingly, Tenant shall indemnify, defend and hold Landlord harmless from and against all claims, liabilities, losses, costs, expenses and damages arising or resulting directly or indirectly from Tenant's failure to timely surrender the Premises, including (i) any loss, cost or damages suffered by any prospective tenant of all or any part of the Premises, and (ii) Landlord's damages as a result of such prospective tenant rescinding or refusing to enter into the prospective lease of all or any portion of the Premises by reason of such failure of Tenant to timely surrender the Premises. Any holding over without Landlord's consent shall constitute a Tenant Default.

16. **SUBORDINATION.**

(a) **Lease Subordination.** Subject to the provisions of Section 16(b), this Lease shall be subject and subordinate at all times to: (i) all ground leases or underlying leases which may hereafter be executed affecting the Land, the Building or both; and (ii) the lien of any Mortgage which may hereafter be executed for which the Land, Building, ground leases or underlying leases, or Landlord's interest or estate in any of said items, is specified as security. Notwithstanding the foregoing, Landlord shall have the right to subordinate or cause to be subordinated any such ground leases or underlying leases or any such liens to this Lease. In the event that any ground lease or underlying lease terminates for any reason or any Mortgage is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant shall, notwithstanding any subordination, attorn to and become the Tenant of the successor in interest to Landlord at the option of such successor in interest. Tenant covenants and agrees to execute, acknowledge and deliver to Landlord any commercially reasonable documents confirming the subordination of this Lease within ten (10) Business Days after delivery of same by Landlord, provided such document satisfy the requirements of Section 16(b).

(b) **Subordination, Non-Disturbance and Attornment.** Notwithstanding anything to the contrary set forth in this Section 16, as a condition precedent to the future subordination of this Lease to a future ground or underlying lease or any Mortgage, the documents effecting such subordination

of this Lease as described in the last sentence of Section 16(a) shall be required to provide Tenant with commercially reasonable non-disturbance provisions in favor of Tenant from the ground or underlying lessor or Mortgagee in question. Such agreement (an “SNDA”) shall provide that, so long as Tenant is paying the Rent due under this Lease and no Tenant Default exists, its right to possession and the other terms of this Lease shall remain in full force and effect. Tenant acknowledges and agrees that such SNDA may include other commercially reasonable provisions in favor of the Mortgagee, including additional time on behalf of the Mortgagee to cure defaults of Landlord and provided that: (i) neither the Mortgagee nor any successor-in-interest shall be bound by (A) any payment of the Base Rent, Additional Charges, or Additional Rent, or other sum due under this Lease for more than one (1) month prior to their due date, or (B) any agreement terminating, amending or modifying this Lease made without the express written consent of the Mortgagee (except for amendments or modifications (a) that Landlord is entitled to enter into without the consent of Mortgagee pursuant to the terms of the mortgage or any other loan documents relating thereto, or (b) made solely for purposes of documenting the exercise of rights expressly set forth in this Lease); (ii) neither the Mortgagee nor any successor-in-interest will be liable for any act or omission or warranties of any prior landlord (including Landlord), (B) the breach of any warranties or obligations relating to construction of improvements on the Project or any tenant finish work performed or to have been performed by any prior landlord (including Landlord), or (C) the return of any security deposit, except to the extent such deposits have been received by Mortgagee; and (iii) neither Mortgagee nor any successor-in-interest shall be subject to any offsets or defenses which Tenant might have against any prior landlord (including Landlord)); provided, however the foregoing shall in no event be interpreted to waive any right of offset expressly provided Tenant herein or any defense which Tenant may have to the extent the same may arise in connection with circumstances arising or continuing after the date of such Mortgagee's or any successor-in-interest's succession to the interest of any prior landlord. Without limiting the form of SNDA which Tenant is obligated to sign pursuant to the provisions of this Section, Tenant acknowledges and agrees that the form of SNDA attached hereto as Exhibit E satisfies the requirements of this Section. Simultaneously with the execution, Landlord shall facilitate obtaining an SNDA from the current Mortgagee for the Project (the “Current SNDA”). In the event of any conflict between the provisions of this Section 16(b) and the Current SNDA or any other SNDA entered into by the parties, the Current SNDA or such other SNDA shall control.

17. **RULES AND REGULATIONS.**

Tenant shall faithfully observe and comply with the rules and regulations attached to this Lease as Exhibit F (the “Rules and Regulations”) and all reasonable modifications thereof and additions thereto from time to time put into effect by Landlord. Landlord shall not be responsible for the nonperformance by any other Tenant or occupant of the Building or the Project of any said rules and regulations. In the event of an express and direct conflict between the terms, covenants, agreements and conditions of this Lease and those set forth in the Rules and Regulations, as modified and amended from time to time by Landlord, this Lease shall control.

18. **LEED REQUIREMENTS.**

Tenant acknowledges that Landlord currently intends to (but shall not be required to) operate the Building in accordance with the U.S. Green Building Council's Leadership in Energy and Environmental Design program's standards, as the same may be amended, supplemented, or replaced from time to time, or, at Landlord's sole option, any similar standards (hereinafter referred to as “LEED”). In connection therewith:

(a) **Landlord's Election.** From and after the date Landlord notifies Tenant in writing that Landlord has elected to operate the Premises, Building, or Project in accordance with the LEED program, Tenant shall, in addition to complying with all of its other obligations under this Lease, comply with all LEED requirements applicable to the Premises, Building and/or Project as set forth by Landlord

in such notice, and with any additional or supplemental requirements that may be provided by Landlord to Tenant from time to time (the “LEED Conditions”) to the extent that such compliance can be done at no material cost to the Tenant;

(b) **Termination.** Landlord shall have the right to modify or discontinue the LEED Conditions at any time upon notice to Tenant;

(c) **Obtaining Certification.** Tenant covenants, at no material cost to Tenant, to cooperate with Landlord in seeking LEED certification if Landlord so elects, provided, however, that Landlord does not guarantee or represent to Tenant that certification will be sought or that the Premises, Building or Project will be certified to any particular LEED standard; and

(d) **No Interference.** If LEED certification is obtained, Tenant shall not seek decertification or otherwise interfere with Landlord’s continuance of such certification.

19. **RE-ENTRY BY LANDLORD.**

Landlord reserves and shall at all reasonable times, upon reasonable prior notice (twenty-four (24) hours, except in the case of an emergency), and subject to the right of Tenant to accompany Landlord at all times, have the right to re-enter the Premises to inspect the same, to supply any service to be provided by Landlord to Tenant hereunder, to show the Premises to prospective purchasers, investors, mortgagees or tenants (as to prospective tenants, only: during the last twelve (12) months of the Term or at any time a Tenant Default exists), to post notices of non-responsibility or as otherwise required or allowed by this Lease or by Law, and to alter, improve (in the case of to alter or improve the interior of the Premises, such entry shall only be in the event so required by laws or by Section 7) or repair the Premises and any portion of the Building which Landlord is obligated to or has the right to alter, improve or repair pursuant to the terms of this Lease and may for that purpose erect, use, and maintain scaffolding, pipes, conduits, and other necessary structures in and through the Premises where reasonably required by the character of the work to be performed. Landlord shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance or other damage arising from Landlord’s entry and acts pursuant to this Section and Tenant shall not be entitled to an abatement or reduction of Rent if Landlord exercises any rights reserved in this Section. Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant’s business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby, except for Landlord’s gross negligence or willful misconduct. Landlord shall at all times have and retain a key with which to un-lock all of the doors in, upon and about the Premises, excluding Tenant’s vaults and safes, or special security areas (designated in advance). In an emergency, Landlord shall use commercially reasonable efforts to provide Tenant with notice reasonable in such situation and shall have the right to use any and all means which Landlord may deem necessary or proper to open doors and gain entry to the Premises, and no such emergency entry shall be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction, actual or constructive, of Tenant from the Premises or any portions thereof. Landlord shall use commercially reasonable efforts during any such entry to not unreasonably interfere with Tenant’s use of the Premises or its business conducted therein.

20. **INSOLVENCY OR BANKRUPTCY.**

The appointment of a receiver to take possession of all or substantially all of the assets of Tenant, or a general assignment of Tenant for the benefit of creditors, or any action taken or suffered by Tenant under any insolvency, bankruptcy, reorganization or other debtor relief proceedings, whether now existing or hereafter amended or enacted, shall at Landlord’s option constitute a breach of this Lease by Tenant unless a petition in bankruptcy, or receiver attachment, or other remedy pursued by a third party is discharged within sixty (60) days. Upon the happening of any such event or at any time thereafter, this

Lease shall terminate five (5) days after written notice of termination from Landlord to Tenant. In no event shall this Lease be assigned or assignable by operation of law or by voluntary or involuntary bankruptcy proceedings or otherwise and in no event shall this Lease or any rights or privileges hereunder be an asset of Tenant under any bankruptcy, insolvency, reorganization or other debtor relief proceedings.

21. **DEFAULTS AND REMEDIES.**

(a) **Tenant Defaults.** The occurrence of any of the following shall constitute a “Tenant Default” hereunder:

(i) The failure of Tenant to pay Rent within three (3) Business Days after the date of written notice from Landlord demanding payment. Tenant waives any right to notice Tenant may have under Section 1161 of the California Code of Civil Procedure, the notice required by the provisions of this Section 21(a)(i) being deemed such notice to Tenant as required by, in lieu of, and not in addition to, the notice required by Section 1161 of the California Code of Civil Procedure;

(ii) The failure of Tenant to perform or honor any covenant, duty, obligation or condition made under this Lease (including the Exhibits hereto) other than those matters specified in Sections 21(a)(i) and 21(a)(iii) through 21(a)(xi) within thirty (30) days after the date of written notice from Landlord demanding performance, provided, however, that if such failure is susceptible to cure and cannot reasonably be cured within said thirty (30) day period, then Tenant shall have an additional sixty (60) day period to cure such failure and no Tenant Default shall be deemed to exist so long as (A) Tenant commences such cure within the initial thirty (30) day period and diligently and in good faith pursues such cure to completion within such resulting ninety (90) day period from the date of Landlord’s notice. Tenant waives any right to notice Tenant may have under Section 1161 of the California Code of Civil Procedure, the notice required by the provisions of this Section 21(a)(ii) being deemed such notice to Tenant as required by, in lieu of, and not in addition to, the notice required by Section 1161 of the California Code of Civil Procedure;

(iii) The abandonment of the Premises for a continuous period in excess of fifteen (15) Business Days (provided, however, that Tenant shall not be required to operate continuously within the Premises throughout the Term, so long as Tenant maintains the Premises in a secure condition, pays the Rent owing hereunder and otherwise performs its obligations under this Lease);

(iv) The making by Tenant of a general assignment for the benefit of creditors;

(v) The filing of any voluntary petition in bankruptcy by Tenant, or the filing of an involuntary petition by Tenant’s creditors, which involuntary petition remains undischarged for a period of sixty (60) days. If under applicable law the trustee in bankruptcy or Tenant has the right to affirm this Lease and continue to perform the obligations of Tenant hereunder, such trustee or Tenant shall, in such time period as may be permitted by the bankruptcy court having jurisdiction, cure all failures to perform the obligations of Tenant hereunder outstanding as of the date of the affirmance of this Lease and provide to Landlord such adequate assurances as may be necessary to ensure Landlord of the continued performance of Tenant’s obligations under this Lease;

(vi) The admission by Tenant in writing of its inability to pay its debts as they become due, the filing by Tenant of a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future

statute, law or regulation, the filing by Tenant of an answer admitting or failing timely to contest a material allegation of a petition filed against Tenant in any such proceeding or, if within sixty (60) days after the commencement of any proceeding against Tenant seeking any reorganization, or arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceeding shall not have been dismissed;

(vii) The employment of a receiver to take possession of substantially all of Tenant's assets or the Premises, if such receivership remains undissolved for a period of ten (10) days after creation thereof;

(viii) The attachment, execution or other judicial seizure of all or substantially all of Tenant's assets or the Premises, if such attachment or other seizure remains undismitted or undischarged for a period of ten (10) days after the levy thereof;

(ix) Any Assignment or Subletting in violation of the provisions of Section 10;

(x) Tenant informs Landlord in writing that (for any reason other than a default by Landlord in the performance of its material obligations hereunder) Tenant no longer intends to pay, or that Tenant is no longer able to pay all or any portion of the Rent due hereunder as and when such Rent is due; or

(xi) Any other act or omission which is expressly provided in this Lease to be a Tenant Default.

(b) **Landlord's Remedies.** Upon a Tenant Default, Landlord shall have the following rights and remedies in addition to any other rights or remedies available to Landlord at law or in equity:

(i) The rights and remedies provided by California Civil Code, Section 1951.2, including recovery of: (A) the worth at the time of award of the unpaid Rent and other amounts which had been earned at the time of termination; (B) 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 Rent loss that the Tenant proves could have been reasonably avoided; (C) the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such Rent loss that the Tenant proves could be reasonably avoided; and (D) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which, in the ordinary course of things, would be likely to result therefrom (the "worth at the time of award" of the amounts referred to in clauses (A) and (B) shall be computed with interest at the Default Rate, and the "worth at the time of award" of the amount referred to in clause (C) shall be computed by discounting such amount at the "discount rate" of the Federal Reserve Bank of San Francisco in effect as of time of award plus one percent (1%) and, where rental value is a material issue, shall be based upon competent appraisal evidence);

(ii) The rights and remedies provided by California Civil Code, Section 1951.4, that allows Landlord to continue this Lease in effect and to enforce all of its rights and remedies under this Lease, including the right to recover Rent, Additional Charges and Additional Rent as they become due, for so long as Landlord does not terminate Tenant's right to possession; provided, however, if Landlord elects to exercise its remedies described in this Section 21(b)(ii) and Landlord does not terminate this Lease, Tenant shall continue to have the right to Assign or Sublease in accordance with all of the provisions of Section 10. Acts of maintenance or preservation, efforts to relet the Premises or the appointment of a receiver upon Landlord's

initiative to protect its interest under this Lease shall not constitute a termination of Tenant's rights to possession;

(iii) The right to terminate this Lease by giving notice to Tenant in accordance with applicable law; and

(iv) If Landlord elects to terminate this Lease, the right and power to enter the Premises and remove therefrom all persons and property and, to store such property in a public warehouse or elsewhere at the cost of and for the account of Tenant pursuant to applicable California law.

(c) **Landlord's Defaults.** Landlord shall have a period of thirty (30) days from the date of written notice from Tenant within which to cure any default under this Lease; provided, however, that with respect to any default that cannot reasonably be cured within thirty (30) days, the default shall not be deemed to be uncured if Landlord commences to cure within thirty (30) days from Tenant's notice and continues to prosecute diligently the curing thereof. Tenant agrees to give any Mortgagee, by Registered Mail, a copy of any notice of default served upon the Landlord, provided that prior to such notice Tenant has been notified in writing (by way of Notice of Assignment of Rents and Leases, or otherwise) of the address of such Mortgagee. Tenant further agrees that if Landlord shall have failed to cure such default within the time provided for in this Lease, then the Mortgagee shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary to cure such default shall be granted if within such applicable period Mortgagee has commenced pursuing the remedies necessary to cure such default (including commencement of foreclosure proceedings, if necessary to effect such cure) and thereafter diligently and in good faith pursues such remedies to completion (in which event this Lease shall not be terminated while such remedies are being so diligently pursued).

(d) **Tenant's Remedies.** If any default hereunder by Landlord is not cured within the applicable cure period provided in Section 21(c), except as otherwise provided herein, Tenant's exclusive remedy shall be an action for actual damages. Tenant hereby waives the benefit of any Laws granting it the right to terminate this Lease or withhold Base Rent, Additional Charges or Additional Rent on account of any Landlord default. Tenant shall look solely to Landlord's interest in the Project for the recovery of any judgment from Landlord. Landlord, or if Landlord is a partnership, its partners whether general or limited, or if Landlord is a limited liability company, its managers and members, or if Landlord is a corporation, its directors, officers or shareholders, shall never be personally liable for any such judgment. Landlord's interest in the Project shall include rental income, any proceeds received by Landlord upon any sale, exchange or conveyance of all or any interest in the Project which were not applied to any loan, any insurance proceeds received by Landlord to the extent that such proceeds are available to Landlord, any condemnation awards paid to Landlord, any payments by Tenant for Real Estate Taxes and Expenses which were not applied to the payment of said Real Estate Taxes and Expenses, and any rights of indemnity owed to Landlord by any insurance company. In no event shall the proceeds available to Tenant include the proceeds of any loan or other borrowing.

22. **DAMAGE AND DESTRUCTION.**

(a) **Notice of Casualty.** If the Premises is damaged by fire, earthquake or other event (a "Casualty"), Tenant shall give Landlord prompt written notice thereof. If (i) neither Landlord nor Tenant has the right to terminate this Lease in accordance with the provisions of this Section 22, or (ii) neither Landlord nor Tenant exercises any right it may have to terminate this Lease in accordance with the provisions of this Section 22, then (i) Landlord shall promptly and diligently repair such damage and restore the Project (but not Tenant's Work, any Alterations, or Tenant's personal property or trade fixtures) to substantially the same condition as existed before the Casualty, subject to modifications

required by building codes and other Laws (the work which is Landlord's responsibility being referred to herein as the "Restoration Work"), and (ii) Tenant shall promptly and diligently repair any damage to and restore Tenant's Work, any Alterations, any other improvements installed in the Premises by or on behalf of Tenant and Tenant's personal property and trade fixtures to substantially the same condition as existed before the Casualty, subject to modifications required by building codes and other Laws. Within sixty (60) days after the date of the Casualty, Landlord shall give Tenant written notice (the "Restoration Estimate Notice") of Landlord's good faith estimate of the time required to complete the Restoration Work (the "Estimated Restoration Period"). The Restoration Estimate Notice shall state, as applicable, Landlord's election to either undertake the Restoration Work or to terminate this Lease in accordance with the provisions of this Section 22.

(b) **Landlord's Right to Terminate.** Landlord may, in its sole discretion, elect either to terminate this Lease or to undertake the Restoration Work if either: (i) the Estimated **Restoration** Period exceeds twelve (12) months from the date of the Casualty; (ii) the estimated cost of the Restoration Work, even though covered by insurance, exceeds fifty percent (50%) of the full replacement cost; or (iii) Landlord does not reasonably expect to receive sufficient insurance proceeds (not taking into account the deductible portion of the insurance policy) to complete the Restoration Work, and such shortfall is not due to Landlord's failure to obtain the property insurance required by Section 11(g).

(c) **Tenant's Right to Terminate.** If the Restoration Estimate Notice states that the Estimated Restoration Period exceeds twelve (12) months from the date of Casualty, then Tenant may elect to terminate this Lease as a result of the **damage** or destruction, by providing written notice ("Tenant's Termination Notice") to Landlord within thirty (30) days after receiving the Restoration Estimate Notice. If Tenant does not elect to terminate within this thirty (30) day period, then Tenant shall be considered to have waived the option to terminate pursuant to this Section 22(c). Additionally, if Landlord fails to restore the Premises (including reasonable means of access thereto) on or before the date which is six (6) months after the last day of the Estimated Restoration Period set forth in Landlord's Restoration Estimate Notice, then Tenant may terminate this Lease by delivering written notice to Landlord of such termination at any time between the last day of such six (6) month period and the earlier of (i) Landlord's restoration of the Premises (including reasonable means of access thereto) or (ii) the date which is sixty (60) days after the last day of such six (6) month period.

(d) **Rent Abatement.** If either Landlord or Tenant terminates this Lease pursuant to the provisions of this Section 22, then the termination shall be effective thirty (30) days after delivery of the notice of such election. Tenant shall pay Rent, properly apportioned, up to the date of the Casualty. After the effective date of the termination, Landlord and Tenant shall be discharged from all future obligations under this Lease, except those provisions that, by their express terms, survive the expiration or earlier termination of this Lease. If neither Landlord nor Tenant terminates this Lease pursuant to the provisions of this Section 22 and any portion of the Premises is rendered unusable as the result of a Casualty, the Rent shall be abated in proportion to the rentable square footage of the Premises rendered unusable until Landlord completes the Restoration Work, and up to ninety (90) additional days (but only to the extent Landlord receives rental interruption insurance during such ninety (90) day period and only for so long as Tenant is unable to resume normal business operations at the Premises); and (ii) the date Tenant resumes the conduct of normal business operations in the damaged portion of the Premises. Subject to Section 22(c), the Rent abatement provided in this Section 22(d) shall be Tenant's sole remedy due to the occurrence of the Casualty. Except as otherwise expressly provided in this Section 22(d), Rent shall not be reduced or abated by reason of any damage to or destruction of the Premises, and Landlord shall be entitled to all proceeds of the insurance maintained by it. Landlord shall not be liable for any inconvenience or annoyance to Tenant or its visitors, or injury to Tenant's business (including, without limitation, loss of business, profits or goodwill), resulting in any way from any damage or the repair thereof. In no event shall Landlord have any liability for, nor shall it be required to repair or restore, any

injury or damage to any of Tenant's Work, any Alterations or Tenant's personal property or to any other personal property of others in or upon the Premises or the Project.

(e) **Casualty at End of Term.** Notwithstanding any other provision of this Section 22, if the Project is damaged or destroyed by a Casualty during the last **twelve** (12) months of the Term that cannot be repaired within sixty (60) days after the Casualty, then Landlord and Tenant shall each have the option to terminate this Lease by giving written notice to the other of the exercise of that option within thirty (30) days after the date of the Casualty.

(f) **Insurance Proceeds.** The proceeds from any insurance paid by reason of **damage** to or destruction of the Building or any part thereof, Base Building Work or any other element, component or property insured by Landlord shall belong to and be paid to Landlord subject to the rights of any Mortgagee. If this Lease is terminated by either party as a consequence of a casualty in accordance with any of the provisions of this Section 22: (i) all proceeds of insurance required to be maintained by Landlord shall be paid to Landlord subject to the rights of any Mortgagee; (ii) Landlord (subject to the rights of any Mortgagee) and Tenant each shall be paid its respective share (described below) of the proceeds actually recovered under the policy of property insurance maintained by Tenant under this Lease on account of any damage to or destruction of Tenant's Work; and (iii) Tenant shall be paid all proceeds of the policy of property insurance maintained by Tenant under this Lease paid on account of any damage to or destruction of any Alterations and Tenant's trade fixtures, furnishings, equipment and all other items of personal property of Tenant. For the purposes of item (ii) of the immediately preceding sentence, (i) for damage or destruction occurring during the Initial Term: (x) Landlord's share of recovered proceeds shall be equal to the total of (A) the Tenant Allowance plus (B) the balance of the recovered proceeds (if any) in excess of the Tenant Allowance multiplied by a fraction, the numerator of which number of days between Commencement Date and the date on which the Lease is terminated and the denominator of which is number of days in the Initial Term; and (y) Tenant's share of recovered proceeds shall be equal to the balance of the recovered proceeds (if any) in excess of the Tenant Allowance multiplied by a fraction, the numerator of which number of days (if any) between the date on which the Lease is terminated and last day of the Initial Term and the denominator of which is number of days in the Initial Term; and (ii) for damage or destruction occurring during the Extension Term, Landlord shall receive 100% of recovered proceeds. Notwithstanding anything to the contrary contained herein, in the case of such a termination, and if Tenant has failed to maintain any policy of property insurance required under this Lease, then Tenant shall pay to Landlord on demand an amount equal to proceeds that Landlord would have received or is entitled to receive pursuant to this Section 22(f) had Tenant maintained all of the required policies of property insurance.

(g) **Waiver of Statutory Provisions.** Landlord and Tenant each hereby expressly waive any rights to terminate this Lease upon damage or destruction to the Premises pursuant to the provisions of Section 1932, Subdivisions 1 and 2 and Section 1933, Subdivision 4, of the California Civil Code, as amended from time to time, and the provisions of any similar law hereinafter enacted any rights. Additionally, Tenant hereby waives the provisions of Section 1932.2, and Section 1933.4, of the Civil Code of California, or any similar laws now or hereafter in effect, that would relieve Tenant from any obligation to pay Rent under this Lease due to any damage or destruction.

23. **EMINENT DOMAIN.**

(a) **Total Condemnation.** If the entire Premises or the portions of the Building or the Project required for reasonable access to, or the reasonable use of, all of the Premises shall be permanently taken or appropriated under the power of eminent domain at any time during the Term (whether by exercise of governmental power or the sale or transfer by Landlord to any condemnor under threat of condemnation or while proceedings for condemnation are pending), then this Lease shall terminate as of the earlier of (a) the date on which title vests in the condemnor, or (b) the date Tenant is

dispossessed of the entire Premises (or such access rights) by the condemnor. Upon such condemnation, all Rent shall be paid up to the date of the termination of this Lease.

(b) **Partial Condemnation.** Except as otherwise provided in this Section 23(b), if less than all of the Premises is taken by condemnation during the Term (whether by exercise of governmental power or the sale or transfer by Landlord to any condemnor under threat of condemnation or while proceedings for condemnation are pending), then this Lease shall remain in full force and effect and the Rent reserved herein shall be prorated on the basis of the rentable square footage of the portion of the Premises not taken by the condemning authority in proportion to the rentable square footage of the Premises immediately prior to the partial taking. Notwithstanding the foregoing, if fifteen percent (15%) or more of the rentable square footage of the Premises is taken and if the Premises remaining after such condemnation and any repairs by Landlord would render the remaining portion of the Premises unsuitable for the use being made of the Premises immediately prior the partial taking, then Landlord and Tenant both shall have the right to terminate this Lease by written notice to the other party given within the period which begins on the date effective title vests in the condemning party and ends thirty (30) days thereafter. If Tenant's continued use of the Premises requires alterations or repair by reason of a partial taking, all such alterations and repair shall be made by Landlord at Landlord's expense. Tenant waives all rights it may have under California Code of Civil Procedure Section 1265.130 or otherwise, to terminate this Lease based on partial condemnation.

(c) **Temporary Taking.** Notwithstanding anything to the contrary contained in this Section 23, if the temporary use or occupancy of any part of the Premises shall be taken or appropriated under power of eminent domain (or threat thereof) during the Term, (i) this Lease shall be and remain unaffected by such taking or **appropriation**, (ii) Tenant shall continue to pay in full all Rent payable hereunder by Tenant during the Term, (iii) Tenant shall be entitled to receive that portion of any award which represents compensation for the use of or occupancy of the Premises during the period of such temporary taking, and (iv) Landlord shall be entitled to the remainder of the award (including without limitation that portion of any award which represents the cost of restoration of the Premises and the use and occupancy of the Premises after the end of the Term). If any such taking extends for a period of more than eighteen (18) consecutive calendar months, such taking shall not be considered to be a temporary taking and shall be classified as either a Total Condemnation or a Partial Condemnation on the basis of definitions set forth in Sections 23(a) and 23(b) above.

(d) **Award to Tenant.** If any condemnation (whether total or partial) occurs, the entire condemnation award shall belong to Landlord (including, without limitation, any "bonus value" of the leasehold estate or amount attributable to any excess of the market value of the Premises for the remainder of the Term over the then present value of the Rent payable for the remainder of the Term), and Tenant shall have no right to recover from Landlord or from the condemning authority for any claims arising out of such taking; provided, however, notwithstanding the foregoing, as long as the award payable to Landlord is not reduced thereby, Tenant shall have the right to make a separate claim in the condemnation proceeding for, and to recover from the condemning authority, such compensation as may be separately awarded or recoverable by Tenant for (a) loss of Tenant's business fixtures, or equipment belonging to Tenant immediately prior to the condemnation, (b) the taking of the unamortized value (using the Term as the amortization period) of any Tenant Improvements paid for by Tenant which are not removed by Tenant, and (c) Tenant's moving expenses. Tenant shall have the right to claim and recover from the condemning authority such compensation as may be separately awarded or recoverable by Tenant for loss of Tenant's business fixtures, or equipment belonging to Tenant immediately prior to the condemnation.

24. **SALE BY LANDLORD.**

If Landlord sells or otherwise conveys its interest in the Premises, Landlord shall be relieved of its obligations under this Lease which arise from and after the date of sale or conveyance (including the obligations of Landlord under Section 36).

25. **RIGHT OF LANDLORD TO PERFORM.**

All covenants and agreements to be performed by Tenant under any of the terms of this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any abatement of Rent, except as expressly provided for in Sections 22 and 23. If Tenant shall fail to perform any act or pay any amount on its part to be performed or paid hereunder, and such failure shall continue beyond the cure periods as noted in Section 21, 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 act on Tenant's part to be made or performed as provided in this Lease. All sums so paid by Landlord and all necessary incidental costs together with interest thereon at the Interest Rate identified in Section 3, from the date of such payment by Landlord shall be payable as Additional Rent to Landlord on demand.

26. **SURRENDER OF PREMISES.**

(a) At the end of the Term or any renewal thereof or other sooner termination of this Lease, Tenant will peaceably deliver to Landlord possession of the Premises, together with all improvements or additions upon or belonging to Landlord, by whomsoever made, in the same condition as received, or first installed, subject to the terms of Sections 23 and 36, subject to Normal Wear and Tear and the rights and obligation of Tenant concerning casualty damage pursuant to Section 22, damage by fire, earthquake, Act of God, or the elements alone excepted, and subject to any items which are the obligation of Landlord to repair or replace pursuant to the terms of this Lease (provided, however, Landlord shall be entitled to charge Tenant for such repairs and replacements to the extent provided in Section 3). Tenant shall, at Tenant's sole cost upon the expiration of the Term or sooner termination of this Lease, remove all trade fixtures, equipment, IT/cabling, movable furniture, furniture partitions, furnishings, signage, supplies, wall decorations, placards or other personal property belonging to Tenant and repair any damage caused by such removal. Property not so removed shall be deemed abandoned by Tenant, and title to the same shall thereupon, at Landlord's option, pass to Landlord. Upon request by Landlord, but only if Landlord is entitled to require such removal pursuant to the provisions of Section 6, Tenant shall remove, at Tenant's sole cost, any or all Alterations to the Premises installed by or at the expense of Tenant and repair any damage resulting from such removal. Tenant's Work up to the amount of Tenant Allowance shall become the property of Landlord upon the lien free completion of Tenant's Work, and the balance of Tenant's Work shall be surrendered to and become the property of Landlord on the Expiration Date or sooner termination of this Lease.

(b) 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 may, at the option of Landlord, operate as an assignment to it of any or all such subleases or subtenancies.

27. **WAIVER.**

If either Landlord or Tenant waives the performance of any term, covenant or condition contained in this Lease, such waiver shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition contained herein. Furthermore, the acceptance of Rent by Landlord shall not constitute a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, regardless of Landlord's knowledge of such preceding breach at the time Landlord accepted such Rent. Failure by Landlord to enforce any of the terms, covenants or conditions of this Lease for any length of time shall not be deemed to waive or to decrease the right of Landlord to insist thereafter upon

strict performance by Tenant. Waiver by Landlord of any term, covenant or condition contained in this Lease may only be made by a written document signed by Landlord.

28. **NOTICES.**

Except as otherwise expressly provided in this Lease, any bills, statements, notices, demands, requests or other communications given or required to be given under this Lease shall be effective only if rendered or given in writing, sent by (a) certified mail, return receipt requested, (b) reputable overnight carrier, (c) e-mail (with a copy of the communication and a copy of the transmittal e-mail sent the same Business Day by reputable overnight carrier or delivered personally the following Business Day), or (d) delivered personally, to Tenant at Tenant's address set forth in the Basic Lease Information; or (ii) to Landlord at Landlord's address set forth in the Basic Lease Information; or (iii) to such other address as either Landlord or Tenant may designate as its new address for such purpose by notice given to the other in accordance with the provisions of this Section 28. Both parties shall and all times maintain two (2) or more e-mail addresses to which such communication can be sent.

Any such notice or other communication shall be deemed to have been rendered or given on the date the return receipt indicates delivery of or refusal of delivery if sent by certified mail, the day upon which recipient accepts and signs for delivery from a reputable overnight carrier, on the date a reputable overnight carrier indicates refusal of delivery, upon the date the e-mail is transmitted if transmitted between the hours of 8:30 a.m. and 5:00 p.m. Pacific time on a Business Day ("Business Hours") or on the next Business Day if the e-mail is transmitted after 5:00 p.m. (provided a copy of the communication and a copy of the transmittal e-mail is by reputable overnight carrier or delivered personally as specified above), or upon the date personal delivery is made. If no one is present in the address of delivery when any notice is delivered to the Premises (provided that such delivery is made during Business Hours) or the recipient refuses to accept delivery, such delivery shall nevertheless be deemed to be successfully made. If Tenant is notified in writing of the identity and address of any Mortgagee or ground or underlying lessor, Tenant shall give to such Mortgagee or ground or underlying lessor notice of any default by Landlord under the terms of this Lease in writing sent by registered or certified mail, and such Mortgagee or ground or underlying lessor shall be given the opportunity to cure such default (as provided in Section 21(c)) prior to Tenant exercising any remedy or termination available to it.

29. **SUCCESSORS AND ASSIGNS.**

Subject to the provisions of Section 10, the terms, covenants and conditions contained herein shall be binding upon and inure to the benefit of the parties hereto and their respective legal and personal representatives, successors and assigns.

30. **ATTORNEY'S FEES.**

If Tenant or Landlord brings any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of Rent or possession of the Premises, the losing party shall pay to the prevailing party a reasonable sum for attorney's fees, which shall be deemed to have accrued on the commencement of such action and shall be paid whether or not the action is prosecuted to judgment.

31. **LIGHT AND AIR.**

Tenant covenants and agrees that no diminution of light, air or view by any structure which may hereafter be erected (whether or not by Landlord) shall entitle Tenant to any reduction of rent under this Lease, result in any liability of Landlord to Tenant, or in any other way affect this Lease or Tenant's obligations hereunder.

32. **LETTER OF CREDIT.**

(a) **Delivery of Letter of Credit.** Tenant shall deliver to Landlord within ten (10 Business Days of the Lease Date an unconditional, irrevocable, transferable letter of credit (the "Letter of Credit"), in an amount equal to [***] (the "LC Amount"), satisfying the requirements set forth below in this Section 32 and substantially in the form attached hereto as Exhibit G. The LC Amount shall be subject to increase as provided in Section 6 of the Work Letter.

(b) **Letter of Credit Requirements.** The Letter of Credit shall be issued by a financial **institution**, and in substantially the form attached hereto as Exhibit G or such other form and substance as may be acceptable to Landlord and any Mortgagee in their respective sole discretion, with an original term of no less than one year and automatic extensions through the end of the Term of this Lease and sixty (60) days thereafter. Landlord shall not unreasonably withhold its approval of such a financial institution if it is a national bank, or a bank branch located in the United States (with an office in Santa Clara County or San Mateo County allowing the Letter of Credit to be presented to and paid by such office pursuant to procedures acceptable to Landlord in its reasonable discretion) with assets of the issuing bank or bank branch in excess of Twenty Billion Dollars (\$20,000,000,000). If Landlord determines at any time, in good faith, that either (A) the issuing bank or bank branch has assets of less than Twenty Billion Dollars (\$20,000,000,000), (B) the issuing bank does not have, or ceases to have, a long term rating by Standard and Poors of at least A- or a long term rating by Moody's of at least A3, or (C) the issuing bank or bank branch has or intends to close or cease operations from the issuing bank branch, or if the Federal Deposit Insurance Corporation, an agency of the United States of America, or any other governmental agency with authority to do so, or any agent acting on behalf of any of them, repudiates, terminates, withdraws, extinguishes, refuses to honor or revokes the Letter of Credit prior to the scheduled expiry date thereof, then Tenant shall, promptly upon written notice from Landlord, replace the Letter of Credit with a Letter of Credit from a different financial institution acceptable to Landlord, in the reasonable exercise of its discretion, within fifteen (15) Business Days after Tenant's receipt of notice of such requirement from Landlord. The Letter of Credit shall (A) be a stand-by, at-sight, irrevocable letter of credit; (B) name Landlord as the beneficiary (the "Beneficiary"); (C) require that any draw on the Letter of Credit shall be made only upon receipt by the issuer of a letter signed by a purported authorized representative of the Beneficiary certifying that the Beneficiary is entitled to draw on the Letter of Credit pursuant to this Lease; (D) allow partial and multiple draws; (E) be fully transferable by the Beneficiary at no cost to Beneficiary; (F) provide that it is governed by the Uniform Customs and Practice for Documentary Credits (2007 revisions) International Chamber of Commerce Publication 600; (G) either provide for automatic annual extensions, without amendment (so-called "evergreen" provision) with a final expiry date no sooner than ninety (90) days after the Expiration Date or be cancellable if, and only if, the issuer delivers to Beneficiary no less than sixty (60) days advance written notice of the issuer's intent to cancel or not renew; and (H) require the issuer to make payment to the Beneficiary within one (1) Business Day of presentation by the Beneficiary. Tenant shall keep the Letter of Credit, at its expense, in full force and effect until the ninetieth (90th) day after the Expiration Date or other termination of this Lease, to insure the faithful performance by Tenant of all of the covenants, terms and conditions of this Lease, including, without limitation, Tenant's obligations to repair, replace or maintain the Premises. The Letter of Credit shall provide at least sixty (60) days' prior written notice to Landlord and the Beneficiary of cancellation or material change, or failure to extend the term thereof.

(c) **Draw Events.** At any time after a Draw Event (as defined below) occurs, the Beneficiary may present its written demand for payment under the Letter of Credit. The Beneficiary may retain such funds to the extent required to compensate Landlord for damages incurred, or to reimburse Landlord as provided herein, in connection with any such default or other Draw Event. A "Draw Event" shall mean any of the following: (A) a Tenant Default occurs; (B) an event has occurred which, with the passage of time or giving of notice or both, would constitute a Tenant Default, where Landlord is prevented from, or delayed in, giving such notice because of an Insolvency Proceeding; (C) Tenant is the

subject of an Insolvency Proceeding; (D) this Lease is terminated by Landlord due to a Tenant Default; (E) the Letter of Credit is not replaced with a Letter of Credit from a different financial institution if and when required by Section 32(b); and (F) the Letter of Credit is not extended by the date which is sixty (60) days prior to its expiration. With respect to the Draw Events specified in clauses (A) and (B) above, Beneficiary may draw upon the Letter of Credit in the amount required to compensate Landlord for damages incurred or to reimburse Landlord as provided herein, and Beneficiary may retain the funds so drawn, with subsequent demands at Beneficiary's sole election as Landlord incurs further damages; and with respect to the Draw Events specified in clauses (C), (D), (E) and (F) above, Beneficiary may draw upon the Letter of Credit in the full amount thereof, with the proceeds of such draw to be held by Beneficiary and applied as provided for in this Section 32.

(d) **Letter of Credit not a Security Deposit.** Landlord and Tenant acknowledge and agree that in no event or circumstance shall the Letter of Credit or any **renewal** thereof or any proceeds thereof be (i) deemed to be or treated as a "security deposit" within the meaning of California Civil Code Section 1950.7, (ii) subject to the terms of such Section 1950.7, or (iii) intended to serve as a "security deposit" within the meaning of such Section 1950.7. The parties hereto (A) recite that the Letter of Credit is not intended to serve as a security deposit and such Section 1950.7 and any and all other laws, rules and regulations applicable to security deposits in the commercial context ("Security Deposit Laws") shall have no applicability or relevancy thereto and (B) waive any and all rights, duties and obligations either party may now or, in the future, will have relating to or arising from the Security Deposit Laws

(e) **Replacement Letter of Credit.** If Landlord or the Beneficiary **uses** any portion of the Letter of Credit to cure any default by Tenant hereunder pursuant to clauses (A) and/or (B) of Section 32(c), Landlord shall so inform Tenant in writing and may, at its election, require that Tenant restore the Letter of Credit to the then-current LC Amount (whether by an amendment to the existing Letter of Credit or by a replacement or supplemental Letter of Credit in the form and content specified above for the original Letter of Credit). Within ten (10) Business Days of the receipt by Tenant of such a notice from Landlord, Tenant shall provide such amendment or replacement or supplemental Letter of Credit to Landlord. Tenant's failure to provide such amendment or replacement or supplemental Letter of Credit shall constitute a Tenant Default without the necessity of further notice or opportunity to cure. Any cash proceeds resulting from a draw upon the Letter of Credit pursuant to clauses (C), (D), (E) or (F) of Section 32(c) shall be held by Landlord and applied by Landlord against any Rent payable by Tenant under this Lease that is not paid when due, and/or to pay for all losses and damages that Landlord has suffered, including without limitation amounts provided to Landlord pursuant to Section 1951.2 of the California Civil Code, as a result of any breach or default by Tenant under this Lease. Any unused proceeds shall constitute the property of Landlord and need not be segregated from Landlord's other assets. Tenant hereby (i) agrees that (A) Tenant has no property interest whatsoever in the proceeds from any such draw, and (B) such proceeds shall not be deemed to be or treated as a "security deposit" under the Security Deposit Laws, and (ii) waives all rights, duties and obligations either party may now or, in the future, will have relating to or arising from the Security Deposit Laws. Landlord agrees that the amount of any proceeds of the Letter of Credit received by Landlord, and not (a) applied against any Rent payable by Tenant under this Lease that was not paid when due, or (b) used to pay for any losses and/or damages suffered by Landlord (including without limitation amounts provided to Landlord pursuant to Section 1951.2 of the California Civil Code) as a result of any breach or default by Tenant under this Lease (the "**Unused L-C Proceeds**"), shall be paid by Landlord to Tenant (x) upon receipt by Landlord of a replacement Letter of Credit in the full LC Amount, which replacement Letter of Credit shall comply in all respects with the requirements of this Section 32, or (y) within sixty (60) days after the Expiration Date; provided, however, that if prior to the Expiration Date a voluntary petition is filed by Tenant, or an involuntary petition is filed against Tenant by any of Tenant's creditors, under the Bankruptcy Code, then Landlord shall not be obligated to make such payment in the amount of the Unused L-C Proceeds until

either all preference issues relating to payments under this Lease have been resolved in such bankruptcy or reorganization case or such bankruptcy or reorganization case has been dismissed.

(f) **Assignment of Letter of Credit.** Landlord shall be entitled to assign the Letter of Credit and its rights thereto from time to time in connection with an assignment of this Lease to a Mortgagee as security for the obligations of Landlord to such Mortgagee, or in connection with a sale or other transfer of Landlord's interest in all or a portion of the Project. Tenant shall cooperate with Landlord in connection with any modifications of or amendments to the Letter of Credit that may be reasonably requested by any Mortgagee and/or in connection with any such assignment. At Landlord's sole election, Landlord may also direct Tenant to cause the Letter of Credit to directly name a Mortgagee as the sole beneficiary thereunder.

(g) **Return of Letter of Credit.** Within sixty (60) days of the expiration of the Term or earlier termination of this Lease, and provided that a Tenant Default does not then exist, the Letter of Credit or any proceeds, as applicable, then held by Landlord shall be returned to Tenant, reduced by those amounts that may be required by **Landlord** to remedy defaults on the part of Tenant in the payment of rent, to repair damages to the Premises caused by Tenant, to pay for the cost of the removal of any improvements or property which Tenant is required, by the terms of this Lease, to remove but fails to remove, and to clean the Premises; provided, however, that (i) notwithstanding the time period specified above, Landlord shall not be obligated to return the Letter of Credit or any proceeds thereof until all breaches by Tenant of its obligations under this Lease have been cured and all damages which Landlord may suffer in connection with any such breach have been ascertained in amount and paid in full, (ii) in no event shall any such return be construed as an admission by Landlord that Tenant has performed all of its covenants and obligations hereunder, and (iii) Tenant hereby waives any rights which it may now or hereafter have under Section 1950.7 of the California Civil Code and the provisions of any other law that are inconsistent with this Section 32.

(h) **Transfer of Letter of Credit.** If Landlord conveys or transfers its interest **in** the Premises and, as a part of such conveyance or transfer, Landlord assigns its interest in this Lease: (i) the Letter of Credit (or any portion thereof not previously applied) shall be transferred to Landlord's successor; and Landlord shall be released and discharged from any further liability to Tenant with respect to the Letter of Credit. In no event shall any Mortgagee, or any purchaser of all or any portion of the Project at a public or private foreclosure sale or exercise of a power of sale, have any liability or obligation whatsoever to Tenant or Tenant's successors or assigns for the return of the Letter of Credit in the event any such Mortgagee or purchaser becomes a mortgagee in possession or succeeds to the interest of Landlord under this Lease unless, and then only to the extent that, such Mortgagee or purchaser has received all or any part of the Letter of Credit. No trust relationship is created herein between Landlord and Tenant with respect to the Letter of Credit. Tenant acknowledges that the Letter of Credit is not an advance payment of any kind or a measure of Landlord's damages in the event of Tenant's default.

(i) **Default Damages.** Landlord and Tenant acknowledge and agree that, if a Tenant Default occurs and Landlord elects to pursue its remedies under California Civil Code Section 1951.2 to terminate this Lease (any such event, a "Landlord Action"), (i) Landlord will incur certain damages, costs and expenses, including, without limitation, marketing costs, commissions, relocation costs, tenant improvement costs, and carrying costs in connection with releasing the Premises, in addition to the other damages, costs and expenses Landlord may incur as a result of such default and/or other defaults under this Lease (all of the foregoing collectively, "Default Damages"); (ii) Landlord has no assurance of a source of funds to cover such Default Damages other than the proceeds of the Letter of Credit; and (iii) the proceeds of the Letter of Credit should be available to Landlord to apply to Default Damages, even if the amount thereof exceeds that amount to which Landlord is ultimately determined to be entitled under this Lease and pursuant to applicable law as provided herein. Accordingly, at the sole election of the Beneficiary, the Beneficiary shall be entitled to draw the full amount of the Letter of Credit which is then

existing (after any previous application of funds and/or replenishment by Tenant pursuant to this Section 32), simultaneously with commencement of a Landlord Action or at any time thereafter until the entry of a judgment in such Landlord Action. All proceeds thereof in excess of the amounts awarded to Landlord by virtue of the judgment in the Landlord Action shall be deemed a loan from Tenant to Landlord (the "Default Loan"). The Default Loan shall be unsecured and shall not bear interest. Any sums to which Landlord from time to time becomes entitled hereunder and pursuant to law as a result of the Tenant Default and any previous Tenant Defaults to which the Letter of Credit (or cash collateral) has not previously been applied pursuant to this Section 32 shall be offset against the principal balance of the Default Loan. The amount of the Default Loan remaining, if any, after such offset shall be referred to herein as the "Excess Amount." The Excess Amount shall be payable by Landlord to Tenant upon the satisfaction of any judgment entered in Landlord Action.

(j) **Reduction of Letter of Credit.** Provided that, as of each "Reduction Date" set forth below, (i) no Tenant Default has occurred which has not been cured or waived in writing, (ii) no monetary Tenant Default has occurred at any time during the preceding two (2) year period; and (iii) on or prior to the applicable Reduction Date, Tenant tenders to Landlord a replacement Letter of Credit or a certificate of amendment to the existing Letter of Credit, conforming in all respects to the requirements of this Section 32(j), in the amount of the applicable Letter of Credit Amount as of such Reduction Date (the "Reduction Conditions"), then the Letter of Credit Amount shall be reduced in accordance with the following schedule:

Reduction Date	LC Amount
Third (3rd) anniversary of the Commencement Date	[***]
Fourth (4th) anniversary of the Commencement Date	[***]
Fifth (5 th) anniversary of the Commencement Date	[***]
Sixth (6 th) anniversary of the Commencement Date	[***]
Seventh (7 th) anniversary of the Commencement Date	[***]

In the event the Letter of Credit Amount is reduced pursuant to the foregoing, and simultaneously with Tenant's tender of the replacement or amended Letter of Credit to Landlord in the form required herein, Landlord shall exchange the Letter of Credit then held by Landlord for the replacement or amended Letter of Credit tendered by Tenant. If Tenant fails to tender to Landlord a replacement Letter of Credit or a certificate of amendment to the existing Letter of Credit on or prior to the Reduction Date, but Tenant subsequently delivers a replacement Letter of Credit or a certificate of amendment to the existing Letter of Credit to Landlord and as of the date of such delivery Tenant otherwise satisfies the Reduction Conditions, then any reductions that were suspended will re-commence as of the date of such delivery.

(k) **Substitution Guaranty.** During the Term, Tenant may substitute a lease guaranty (the "Guaranty") from an affiliate of Tenant acceptable to Landlord (the "Guarantor") for the Letter of Credit subject to the following conditions:

(i) The form of the Guaranty shall be mutually acceptable to the parties and the agreed upon form shall be duly executed by Guarantor and delivered to Landlord;

(ii) The Guarantor shall provide certified financial information to Landlord, acceptable to Landlord in its reasonable discretion, establishing that Guarantor has a sustainable net worth of at least \$1,000,000,000 (the “Credit Standard”). The Guaranty shall require that the Guarantor provide financial information in a form reasonably acceptable to Landlord; and

(iii) If Guarantor ever fails to satisfy the Credit Standard, Guarantor shall promptly notify Landlord, and Tenant shall within ten (10) Business Days of such failure deliver to Landlord a Letter of Credit in the form and amount required under this Section 32. Upon receipt of such Letter of Credit, the Guaranty shall terminate as to any claims accruing after delivery of the Letter of Credit.

Landlord shall return the Letter of Credit within five (5) Business Days of its acceptance of the duly executed Guaranty.

33. **AUTHORITY; FINANCIAL INFORMATION.**

Tenant warrants that each of the persons executing this Lease on behalf of Tenant is authorized to do so, that Tenant is a duly authorized and existing limited liability company, that Tenant has and is qualified to do business in California and, that Tenant has full right and authority to enter into this Lease. Upon Landlord’s request, Tenant shall provide Landlord with evidence reasonably satisfactory to Landlord confirming the foregoing covenants and warranties. Landlord warrants that the person executing this Lease on behalf of Landlord is authorized to do so, that Landlord is a duly authorized and existing limited liability company, that Landlord has and is qualified to do business in California, and that the limited liability company has full right and authority to enter into this Lease. Tenant’s financial information shall be made available to Landlord upon Landlord’s written request therefor (not more than once per calendar year, unless reasonably required by Landlord in connection with the sale or financing of the Project) by the following process: (a) Tenant shall deliver to Landlord a copy of the current financial statements of Tenant, including a balance sheet and profit and loss statement, prepared in accordance with generally accepted accounting principles consistently applied (or if such financial statements are not available, other documentation, such as a funds verification statement, reasonably acceptable to Landlord, establishing Tenant’s ability to meet the financial obligations of this Lease); and (b) all such financial statements or other documentation shall be certified as true and correct in all material respects by (1) Tenant’s chief financial officer, if there is such an officer of tenant, or (2) another appropriate officer of Tenant, if there is not a chief financial officer. Landlord shall maintain in confidence all such financial information; provided, however, (i) Landlord shall have the right to disclose such information to its attorneys, accountants, Mortgagee, prospective lenders, current or prospective investors, prospective buyers of the Project but only to the extent such persons have a business need to know, and provided further that Landlord shall inform all such persons of the confidentiality of such information and the requirements and limitations of this Section and shall use all reasonable efforts to cause such persons to retain such information in confidence, (ii) Landlord shall have the right to disclose such financial information to the extent required by applicable law or court order and to the extent the same is relevant in any dispute between Landlord and Tenant, and (iii) Landlord shall have the right to disclose such financial information to the extent the same is already publicly available information. Tenant shall have no obligation to include in such financials a detailed breakdown of Tenant’s valuation of Tenant’s specific investments.

34. **PARKING.**

(a) **Tenant’s Share of Parking.** Subject to rights of the public, Tenant shall have the right to use Tenant’s Share of the parking (including ADA accessible, electric vehicle and motorcycle stalls) situated at the Project made available by Landlord to office tenants of the Project. Landlord currently anticipates that the Project will have approximately 255 parking spaces available to tenants on

the Commencement Date. Subject to Landlord's rights to be reimbursed for Expenses (including, but not limited to governmental fees) Landlord shall not charge Tenant for use of such parking by Tenant or by Tenant's employees or designated visitors during the Term, including during Public Parking Hours (defined below). Landlord shall have the right and option of reserving some or all of the parking spaces situated on the Land for the exclusive use of tenants (including Tenant) within the Building on a pro rata basis. Tenant shall comply with Redwood City's Transportation Demand Management requirements and all rules and regulations reasonably established by Landlord with respect to the parking facility and its use. Tenant acknowledges that the City of Redwood City requires that the parking spaces be accessible to the public during weekday evenings (currently designated by the City as 5:00 pm to 10:00 pm) and during weekends and holidays (currently designated by the City as 8:00 am to 10:00 pm) (collectively, the "Public Parking Hours"). Landlord acknowledges that Tenant, Tenant's employees or designated visitors shall continue to have non-exclusive access during the Public-Parking Hours and in no event shall Landlord require Tenant, Tenant's employees or designated visitors who parked prior to the Public Parking Hours to vacate the parking lot during the Public Parking Hours for purposes of providing public access.

(b) **Limitation on Vehicles.** Tenant shall not, at any time, park or permit to be parked any recreational vehicles, oversized vehicles, or inoperative vehicles not being used in connection with the Premises (and then may only park such equipment on a short-term basis) in the Common Areas or on any portion of the Project. Tenant agrees to notify its employees and invitees of the parking provisions contained herein. If Tenant or its employees park any vehicle within the Project in violation of these provisions, then Landlord may, upon three (3) days' prior written notice to Tenant have the vehicle or equipment towed from the Project at Tenant's expense.

35. **REAL ESTATE BROKERS.**

Each party represents that it has not had dealings with any real estate broker, finder or other person with respect to this Lease in any manner, except for the brokers named in the Basic Lease Information, whose fees or commission, if earned, shall be paid by the party specified in the Basic Lease Information in accordance with the terms of a separate written agreement. Each party shall hold harmless the other party from all damages resulting from any claims that may be asserted against the other party by any other broker, finder or other person with whom the other party has or purportedly has dealt.

36. **HAZARDOUS SUBSTANCE LIABILITY.**

(a) **Environmental Reports.** Tenant acknowledges that Landlord has made available to Tenant for Tenant's review copies of the reports and documents listed in Section A of Exhibit H (all such reports and documents being collectively referred to herein as the "Environmental Reports"). Tenant has reviewed, and is satisfied with, the Environmental Reports. Tenant further acknowledges that Landlord has provided notification of the presence of hazardous substances in accordance with California Health & Safety Code section 25359.7.

(b) **Definitions.** For the purpose of this Lease:

(i) "Environmental Laws" shall mean all statutes, regulations, court and administrative agency decisions, and other laws now or at any time hereafter in effect that govern or regulate Hazardous Substances.

(ii) "Hazardous Substances" shall mean, collectively, any (A) oil or other petrochemical hydrocarbons, flammable substances, explosives, radioactive materials, hazardous wastes or substances, toxic or contaminated wastes or substances or any other wastes, materials or pollutants which (I) pose a hazard to the Project or to persons on or about the Project or (II) cause the Project to be in violation of any Environmental Laws; (B) asbestos in any form, urea

formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (C) chemical, material or substance defined as or included in the definition of “hazardous substances”, “hazardous wastes”, “hazardous materials”, “extremely hazardous waste”, “restricted hazardous waste”, or “toxic substances” or words of similar import under any applicable local, state or federal law or under the regulations adopted or publications promulgated pursuant thereto, including the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. §9601, et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §6901 et seq.; the Superfund Amendments and Reauthorization Act of 1986, Public Law No. 99-499; the Hazardous Materials Transportation Uniform Safety Act, as amended, 49 U.S.C. §5101 et seq.; the Toxic Substances Control Act, as amended, 15 U.S.C. §2601 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. §1251, et seq.; Sections 25115, 25117, 25122.7, 25140, 25249.8, 25281, 25316, 25501, and 25316 of the California Health and Safety Code; and Article 9 or Article 11 of Title 22 of the Administrative Code, Division 4, Chapter 20; (D) other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or may or could pose a hazard to the health and safety of the occupants of the Project or the owners and/or occupants of property adjacent to or surrounding the Project, or any other person coming upon the Project or adjacent property; and (E) other chemicals, materials or substances which may or could pose a hazard to human health or the environment.

(iii) “Permitted Hazardous Substances” shall mean Hazardous Substances which are contained in ordinary office supplies of a type and in quantities typically used in the ordinary course of business within offices of similar size and uses in the City of Redwood City, but only if and to the extent that such supplies are transported, stored and used in full compliance with all applicable Environmental Laws and otherwise in a safe and prudent manner. Hazardous Substances which are contained in ordinary office supplies but which are transported, stored and used in a manner which is not in full compliance with all Environmental Laws or which is not in any respect safe and prudent shall not be deemed to be “Permitted Hazardous Substances” for the purposes of this Lease.

(c) **Compliance.** Tenant shall comply with all Environmental Laws.

(d) **Use of Hazardous Substances.** Tenant shall not cause or permit any Hazardous Substance to be brought upon, kept or used in or about the Premises by Tenant or any Tenant Party without the prior written consent of Landlord (which may be granted, conditioned or withheld in the sole discretion of Landlord), save and except only for Permitted Hazardous Substances, which Tenant may bring, store and use in reasonable quantities for their intended use in the Premises, but only in full compliance with all applicable Environmental Laws. On or before the expiration or earlier termination of this Lease, Tenant shall remove from the Premises all Hazardous Substances (including Permitted Hazardous Substances), regardless of whether such Hazardous Substances are present in concentrations which require removal under applicable Environmental Laws, except to the extent that such Hazardous Substances were present in the Premises as of the Commencement Date and were not brought onto the Premises by Tenant or any Tenant Party. Tenant shall immediately advise Landlord in writing of (a) any and all enforcement, clean-up, remedial, removal, restoration or other governmental or regulatory actions instituted, completed, or threatened pursuant to any Environmental Laws; and (b) all claims made or threatened by any third party against Tenant, Landlord, the Premises or the Project relating to damage, contribution, cost recovery, compensation, loss, or injury resulting from any Hazardous Substance on or about the Premises. Tenant shall promptly cure and satisfy all enforcement, cleanup, removal, remedial or other governmental or regulatory actions, agreements or orders instituted pursuant to any Environmental Laws; and any claims made by any third party against Landlord, Tenant or the Project relating to damage, contribution, cost recovery compensation, loss or injury resulting from the presence, release or discharge

of any Hazardous Substances arising out of or by reason of the activities or businesses of Tenant, its sublessees, or their respective agents, contractors or employees, provided, however, that Tenant shall not, without Landlord's prior written consent (which may be granted, conditioned or withheld in the sole discretion of Landlord), take any remedial action or enter into any agreements or settlements in response to the presence of any Hazardous Substances in, on, or about the Premises or the Project. Tenant shall not do anything or permit anything to be done in the Premises which creates, requires or causes imposition of any requirement by any public authority for structural or other upgrading of or improvement to the Project.

(e) **Tenant Indemnity.** Tenant releases Landlord and the other Landlord Parties from any liability for, waives all claims against Landlord and the other Landlord Parties and shall indemnify, defend and hold harmless Landlord and the other Landlord Parties against any and all claims, suits, loss, costs (including costs of legal proceedings, investigation, clean up, monitoring, restoration and reasonable attorney fees), damage or liability, whether foreseeable or unforeseeable, by reason of property damage (including diminution in the value of the property of Landlord), personal injury or death directly arising from or related to Hazardous Substances released, manufactured, discharged, disposed, used or stored on, in, or under the Project or the Premises during the Term by Tenant, its assignees and sublessees, and their respective employees, agents or contractors. The provisions of this Tenant Indemnity regarding Hazardous Substances shall survive the termination of this Lease.

(f) **Landlord Indemnity.** Landlord releases Tenant from any liability for, waives all claims against Tenant and shall indemnify, defend and hold harmless Tenant, its officers, employees, and agents to the extent of Landlord's interest in the Project, against any and all claims, suits, loss, costs (including costs of legal proceedings, investigation, clean up, monitoring, restoration and reasonable attorney fees), damage or liability, whether foreseeable or unforeseeable, by reason of property damage (including diminution in the value of the property of Landlord), personal injury or death directly arising from or related to Hazardous Substances existing on, in or under the Project or the Premises as of the date of this Lease or released, manufactured, discharged, disposed, used or stored on, in or under the Project by Landlord, its employees, its property manager or its property manager's employees. The provisions of this Landlord Indemnity regarding Hazardous Substances shall survive the termination of this Lease. In the event of conflict between the terms of this Section 36(f) and the last sentence of Section 11(b) or Section 12, the terms of the last sentence of Section 11(b) or Section 12, as applicable, shall control.

37. **ARBITRATION OF DISPUTES.**

ANY CONTROVERSY OR CLAIM ARISING OUT OF THIS LEASE OR A BREACH OF THIS LEASE SOLELY BETWEEN LANDLORD AND TENANT RELATING TO A MONETARY DEFAULT IN AN AMOUNT OF LESS THAN \$50,000, BUT NOT INCLUDING A DEFAULT WITH RESPECT TO THE TIMELY PAYMENT OF RENT AND ANY OTHER MATTER EXPRESSLY PROVIDED FOR IN THIS LEASE TO BE SETTLED BY ARBITRATION SHALL BE SETTLED BY ARBITRATION BEFORE A SINGLE ARBITRATOR OF JAMS IN ACCORDANCE WITH JAMS' STREAMLINED ARBITRATION RULES AND PROCEDURES, AND JUDGMENT ON THE AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED IN ANY COURT HAVING JURISDICTION IN SAN MATEO COUNTY, CALIFORNIA, AND THE PARTIES HEREBY SUBMIT TO THE JURISDICTION OF SUCH COURT FOR THIS PURPOSE. ANY ARBITRATION SHALL BE CONFIDENTIAL WITH NO SUBMISSIONS OR PROCEEDINGS DISCLOSED TO THE PUBLIC (INCLUDING THE EXISTENCE OF THE ARBITRATION), EXCEPT AS MAY BECOME NECESSARY TO ENFORCE A FINAL ARBITRATION AWARD. NEITHER PARTY HERETO MAY REQUEST, SUBPOENA OR OTHERWISE SEEK TO COMPEL THE TESTIMONY OF ANY INDIVIDUAL ABSENT A DETERMINATION BY THE ARBITRATOR THAT SUCH TESTIMONY IS DIRECTLY RELEVANT AND NECESSARY TO RESOLVING THE ARBITRATION.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

Consent to neutral arbitration by: [***] (Landlord): [***] (Tenant)

38. **SIGNAGE.**

(a) **Exterior Signage.** For so long as Original Tenant occupies the entire ground floor Premises Tenant shall have the right, at its sole cost and expense, to install and maintain Tenant's company name and/or logo in one location on exterior signage on the ground floor canopy (the "Canopy Signage") in the location shown on Exhibit J attached hereto (the "Exterior Building Signage Plan"). For so long as Original Tenant occupies the entire 4th floor Premises, Tenant shall have the right, at its sole cost and expense, to install and maintain Tenant's company name and/or logo in one location on exterior signage on the Building's base cap (the "Base Cap Signage" and together with the Canopy Signage, the "Exterior Building Signage") in the location shown on the Exterior Building Signage Plan, Landlord may also make available to tenants of the Building, at their sole cost and expense additional exterior signage at the main building lobby entrance to the Building, subject to Landlord's signage program, which signage if provided shall also constitute Exterior Building Signage. The Exterior Building Signage shall be installed by a contractor designated by Landlord.

All costs and expenses in any way associated or incurred in connection with any such signage shall be borne by Tenant. Tenant shall maintain such signage in good condition and repair; provided that Landlord may elect to maintain such signage, in which event Tenant shall reimburse Landlord for the cost thereof with fifteen (15) days of Landlord's request. The design, location, size and color of all such signs shall be subject to the approval of Landlord and all applicable governmental authorities. As used herein, the term "Objectionable Name" shall mean any name which relates to an entity which is of a character or reputation, or is associated with a political orientation or faction, which is inconsistent with the quality of the Building or the Project, as determined by Landlord in its sole, reasonable discretion. The right to Exterior Building Signage shall be personal to the Original Tenant (and any Transfer Entity pursuant to a Permitted Transfer) and only for so long as such Tenant meets the occupancy requirements specified above. Tenant, at Tenant's sole cost and expense, shall remove any Exterior Building Signage and repair any damage to the Building resulting therefrom within thirty (30) days after written demand from Landlord made at any time when Tenant does not have the right to such Exterior Signage, or (b) prior to the Expiration Date.

(b) **Building Lobby and Elevator Lobby Signage.** Landlord shall provide Tenant's Share of building standard signage for Tenant in any multi-tenant directory or other lobby signage provided by Landlord to tenants of the Building in the main lobby of the Building, all in accordance with Landlord's signage program, and provided that Tenant shall pay the cost of installing its name and logo to

any such signage. Subject to Landlord's signage program, Tenant shall have the exclusive right to install, at its sole expense, signage in the elevator lobbies within the 4th floor Premises for so long as Tenant occupies the entire 4th floor of the Building. To the extent Tenant ceases to occupy the entire 4th floor of the Building, Tenant's right to elevator lobby signage shall be non-exclusive.

39. **OPTION TO RENEW.**

Provided that no Tenant Default exists at the time Tenant gives its Exercise Notice (defined below) for the Extension Term or at the commencement of the Extension Term, then Tenant shall have the right to extend the Term for the Extension Term (the "Extension Term") following the Expiration Date, by giving written notice (an "Exercise Notice") to Landlord at least twelve (12) months prior to the then applicable Expiration Date of the Term. If Tenant effectively exercises its option for the Extension Term, all references herein to the "Term" shall include both the initial term provided for in Section 2(a) (the "Initial Term") and the Extended Term.

40. **RENT DURING EXTENSION TERM.**

The monthly Base Rent during the Extension Term(s) shall be the greater of (i) [***] per rentable square foot of the Premises per month, or (ii) Fair Market Rental Value for the Premises as of the commencement of the Extension Term, as determined below:

(a) **Determination of Fair Market Rental Value.** Within thirty (30) days after receipt of Tenant's Exercise Notice, Landlord shall notify Tenant of Landlord's estimate of the Fair Market Rental Value for the Premises, as determined below, for determining monthly Base Rent during the ensuing Extension Term; provided, however, if Tenant's Exercise Notice is given more than fifteen (15) months before the Expiration Date, then Landlord may, at Landlord's sole discretion, defer giving its estimate of Fair Market Rental Value until any date which is at least fifteen (15) months before the Expiration Date. Within thirty (30) days after receipt of such notice from Landlord, Tenant shall notify Landlord in writing that it: (i) agrees with such rental rate; (ii) disagrees with such rental rate; or (iii) withdraws its Exercise Notice, provided, however, Tenant shall only have the right to withdraw its Exercise Notice after the earlier of (A) the date which is thirty (30) days after the date of Landlord's estimate of the Fair Market Rental Value, or (B) the date which is twelve (12) months prior to the then applicable Expiration Date (which means that Tenant will have no right to revoke Tenant's Exercise Notice if Tenant's Exercise Notice is not given more than thirteen (13) months prior to the then applicable Expiration Date). Tenant's failure to respond within such thirty (30) day period shall constitute Tenant's disagreement with such rental rate. If Tenant disagrees with Landlord's estimate of Fair Market Rental Value for the Premises (either by timely written notice to Landlord or by failing to respond within the thirty (30) day period described above), then the parties shall meet and endeavor to agree within fifteen (15) days after (i) Landlord Tenant give notice that it disagrees with the rental rate or (ii) the expiration of the thirty (30) day period described above if Tenant fails to respond. If the parties cannot agree upon the Fair Market Rental Value within said fifteen (15) day period, then the parties shall submit the matter to binding appraisal in accordance with the following procedure except that in any event neither party shall be obligated to start such procedure sooner than twelve (12) months before the expiration of the Term. Within fifteen (15) days of the conclusion of the period during which the two parties fail to agree (but not sooner than twelve (12) months before the expiration of the Term), the parties shall either (i) jointly appoint an appraiser for this purpose, in which case that single appraiser shall determine Fair Market Rental Value and the determination of that appraiser shall be binding and conclusive upon the parties; or (ii) failing this joint action, each separately designate a disinterested appraiser. No person shall be appointed or designated an appraiser unless such person has at least five (5) years' experience immediately prior to the date in question in either (a) appraising major commercial property or (b) leasing commercial office space in San Mateo County and is a member of a recognized society of real estate appraisers or brokers. Within thirty (30) days after the appointment, each of the two appraisers shall

simultaneously submit to the other a sealed envelope containing such appraisers determination of the Fair Market Rental Value for the Premises. If the determinations agree on the Fair Market Rental Value for the Premises, such determinations shall be binding and conclusive upon the parties. If the two determinations do not agree, and the two appraisers cannot reach agreement on the Fair Market Rental Value for the Premises within ten (10) days after delivery of such sealed envelopes,, then the appraisers thus appointed shall appoint a third disinterested appraiser having like qualifications within five (5) days. Within thirty (30) days after the appointment of the third appraiser, such appraiser shall select which of the two determinations it believes is closest to the Fair Market Rental Value of the Premises, and the determination so selected shall be deemed to be the Fair Market Rental Value of the Premises and shall be binding and conclusive upon the parties. Each party shall pay the fees and expenses of the appraiser appointed by it and shall share equally the fees and expenses of the third appraiser. If the two appraisers appointed by the parties cannot agree on the appointment of the third appraiser, they or either of them shall give notice of such failure to agree to the parties and if the parties fail to agree upon the selection of such third appraiser within ten (10) days after the appraisers appointed by the parties give such notice, then either of the parties, upon notice to the other party, may request such appointment by the American Arbitration Association or, on its failure, refusal or inability to act, may apply for such appointment to the presiding judge of the Superior Court of San Mateo County, California.

(b) **Fair Market Rental Value Defined.** Wherever used throughout this Section 40 the term “Fair Market Rental Value” shall mean the rental amount, including periodic increases, if any, that a willing, non-equity, non-renewal, non-expansion Tenant would pay and a willing, arm’s length Landlord would accept during the applicable Extension Term in the immediate areas of downtown Redwood City, downtown Menlo Park, or downtown Mountain View for comparable first-class office space in comparable condition (“as- is” condition), of comparable quality, as of the time that the applicable Extension Term commences, with appropriate adjustments regarding taxes, insurance, operating expenses and other costs payable by Tenant hereunder as necessary to ensure comparability to this Lease, as the case may be, and also taking into consideration amount and type of parking, location, proximity to transit, leasehold improvements, proposed term of lease, amount of space leased, extent of service provided or to be provided, and any other relevant terms or conditions (including consideration of whether or not the monthly base rent is fixed), and all concessions granted to tenants for such comparable properties including, but not limited to, free rent, parking, leasing commissions paid to Tenant’s agent, tenant improvement allowances, lease assumptions, and moving or other allowances.

(c) **Appraisal Requirements.** In the event of a failure, refusal or inability of any appraiser to act, his successor shall be appointed by the party who originally appointed him, but in the case of the third appraiser, his successor shall be appointed in the same manner as provided for appointment of the third appraiser. The appraisers shall render their appraisals in writing with counterpart copies to Landlord and Tenant. The appraisers shall have no power to modify the provisions of this Lease.

(d) **Delay in Appraisal Process.** To the extent that a binding appraisal has not been completed prior to the expiration of any preceding period for which monthly Base Rent has been determined, Tenant shall pay monthly Base Rent at the rate paid at the end of the preceding period, with an adjustment to be made once Fair Market Rental Value is ultimately determined by binding appraisal.

(e) **Applicability of Lease Terms.** From and after the commencement of the Extension Term, all of the other terms, covenants and conditions of this Lease shall also apply; provided, however, that Tenant shall have no further rights to extend the Term.

41. **MISCELLANEOUS.**

(a) **Interpretation.** The Section headings herein are for convenience of reference and shall in no way define, increase, limit or describe the scope or intent of any provision of this Lease.

The term “Landlord” shall include Landlord and its successors and assigns. In any case where there is more than one Tenant or Tenant consists of more than one party or entity, the obligations hereunder of Tenant shall be joint and several among all such parties or entities. The term “Tenant” or any pronoun used in place thereof shall indicate and include the masculine or feminine, the singular or plural number, individuals, firms or corporations, and each of their respective successors, executors, administrators, and permitted assigns, according to the context hereof. As used herein, the term “including” shall not be exclusive and shall be construed to mean “including, without limitation.”

(b) **Time of the Essence.** Time is of the essence of this Lease and all of its provisions. This Lease shall in all respects be governed by the laws of the State of California. This Lease, together with its exhibits, contains all the agreements of the parties hereto and supersedes any previous negotiations. As used herein, the term “Business Day” shall mean any day other than a Saturday, Sunday or day on which banks in the state of California are authorized to be closed for business.

(c) **No Representations.** There have been no representations made by the Landlord or understandings made between the parties other than those set forth in this Lease and its exhibits.

(d) **Modification.** This Lease may not be modified except by a written instrument by the parties hereto.

(e) **Severability.** If for any reason whatsoever any of the provisions hereof shall be unenforceable or ineffective, all of the other provisions shall be and remain in full force and effect.

(f) **Quiet Enjoyment.** Upon Tenant paying the Rent, Base Additional Charges and Additional Rent and, so long as no Tenant Default exists, Tenant may peacefully and quietly enjoy the Premises during the Term as against all persons or entities lawfully claiming by or through Landlord; subject, however, to the provisions of this Lease.

(g) **Counterparts.** This Lease may be executed in counterparts, each of which shall be an original, but all of which shall constitute one (1) instrument. The parties agree that if the signature of Landlord and/or Tenant on this Lease is not an original, but is a digital, mechanical, or electronic reproduction (such as, but not limited to, a photocopy, fax, e-mail, PDF, Adobe image, jpeg, or telecopy), then such digital, mechanical, or electronic reproduction shall be as enforceable, valid, and binding as, and the legal equivalent to, an authentic and traditional ink-on-paper original wet signature penned manually by its signatory.

(h) **Notice of Right to Downtown Operations.** Tenant hereby acknowledges that it has received and read the “Notice of Right to Downtown Operations” attached here to as Exhibit I.

(i) **Confidentiality of Terms.** Landlord and Tenant each acknowledges and agrees that, except as otherwise set forth herein, it shall use commercially reasonable efforts to keep this Lease, the terms and conditions set forth herein, and Tenant’s security plans and arrangements at the Premises (collectively, the “Confidential Information”) confidential, except to the extent disclosure is required by Laws, judicial order or subpoena. Notwithstanding the foregoing, each party shall be entitled to discuss and disclose the Confidential Information to employees, agents, attorneys, consultants, lenders and partners of such party and to such other persons and entities to which such party has a legitimate business reason to discuss or disclose such information, including, without limitation, prospective (i) business partners, (ii) lenders, (iii) purchasers and transferees of Landlord’s or Tenant’s interest in this Lease or the Premises or any portion thereof or the Building or the Project. To the extent that disclosure is made to any such persons or entities, the disclosing party will obtain the agreement of any such person or entity that the Confidential Information will be kept confidential. In addition, disclosure may be made to shareholders and other investors to the extent that such disclosure is required by financial accounting standards. In addition, Landlord and Tenant each acknowledges and agrees that neither party shall issue

any press release or other announcement to the general public regarding this Lease or the terms hereof without the other party's prior written consent.

42. **LEASE EFFECTIVE DATE.**

(a) **No Option.** 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.

43. **DOGS.**

(a) **In General.** Tenant shall be permitted to bring up to a total of five (5) non-aggressive, fully domesticated, and fully-vaccinated, dogs, none of which weigh more than forty (40) pounds, into the Premises (which dogs are owned by Tenant or an officer or employee of Tenant) ("Tenant's Dogs"). Tenant's Dogs shall not include service animals (as defined under applicable Laws and accompanying guidelines) and this Section 43 shall not be applicable to such service animals, provided that the number of Tenant's Dogs allowed shall be reduced by each service animal already present in the Premises (i.e., if there is one (1) service animal in the Premises, only four (4) additional Tenant's Dogs shall be allowed). Tenant's Dogs must be on a leash while in any area of the Project outside of the Premises (including in the parking areas, elevator and all Common Areas); provided that Tenant's Dogs shall not be allowed in the main Building lobby, the elevators of the Building (other than Elevator E), the first floor restrooms, or on any floors of the Building occupied by other tenants. Within three (3) business days following Tenant's receipt of Landlord's request, Tenant shall provide Landlord with reasonable satisfactory evidence showing that all current vaccinations have been received by Tenant's Dogs. Tenant's Dogs shall not be brought to the Project if such dog has fleas or ticks, is ill or contracts a disease that could potentially threaten the health or well-being of any other dog, or any tenant or occupant of the Building (which diseases may include, but shall not be limited to, rabies, leptospirosis and Lyme disease). While in the Building, Tenant's Dogs must be taken directly to/from the Premises and Tenant shall use the Building Elevator E accessed from the rear entry (i.e., not through the main building lobby), or other elevator designated by Landlord, to bring Tenant's Dogs to/from the Premises. Tenant shall not permit any objectionable dog related odors to emanate from the Premises, and in no event shall Tenant's Dogs be at the Project overnight. Tenant's Dogs shall not be permitted to defecate or urinate at the Premises or in, on or about the Project, and shall be removed from the Building at regular times to allow defecation or urination at places other than the Project or on neighboring property. Any bodily waste generated by Tenant's Dogs in or about the Project or on neighboring property shall be promptly removed and disposed of in trash receptacles designated by Landlord, and any areas of the Project or neighboring property affected by such waste shall be cleaned and otherwise sanitized. No Tenant's Dog shall be permitted to enter the Project if such Tenant's Dog previously exhibited dangerous or aggressive behavior, as determined by Landlord in Landlord's sole discretion. Notwithstanding the foregoing, Landlord shall have the right, at any time, to prevent particular dogs from entering or accessing the Premises if dogs are in violation of the terms of this Section 43, have previously been in violation of one or more of the terms of this Section 43 or Landlord has received a complaint from any tenant regarding damage, disruption or nuisance caused by a dog in the Building or the Project, which complaint is, in Landlord's reasonable business judgment, legitimate and not intended solely to harass or frustrate Tenant's use and occupancy of the Premises or Tenant's right to bring Tenant's Dogs into the Premises in accordance with this Section 43. The indemnification provisions of this Lease shall apply to any claims relating to any of Tenant's Dogs.

(b) **Costs and Expenses.** Tenant shall pay to Landlord, within ten (10) days after demand, all costs incurred by Landlord in connection with the presence of Tenant's Dogs in the Building, Premises or Project, including, but not limited to, janitorial, waste disposal, landscaping, signage, repair, legal costs and expenses, and costs of issuing "Dog Tags" as defined in Section 43(c). In the event

Landlord receives any verbal or written complaints from any other tenant or occupant of the Project in connection with health-related issues (e.g., allergies) related to the presence of Tenant's Dogs in the Premises, the Building or the Project, Landlord and Tenant shall promptly meet and mutually confer, in good faith, to determine appropriate mitigation measures to eliminate the causes of such complaints (which mitigation measures may include, without limitation, additional and/or different air filters to be installed in the Premises HVAC system, or elsewhere in the Building), and Tenant shall cause such measures to be taken promptly at its sole cost or expense.

(c) **Registration.** Each of Tenant's employees that desires to bring a dog to the Premises other than on an emergency basis when an employee's usual dog care is unavailable, as one of the Tenant's Dogs (each, a "Dog Owner") shall be required to provide reasonable evidence to Landlord that such dog meets the requirements of Section 43(a). Such Dog Owner shall additionally be required to execute an agreement (the "Dog Agreement") assuming full responsibility for any damages or claims resulting from the presence of Dog Owner's dog at the Project, and indemnifying Landlord for any such damages or claims as provided in the Dog Agreement. At Landlord's option, each of Tenant's Dogs shall be issued an identification tag or card, which may include a photo (the "Dog Tag"). Landlord may require that if a Dog Owner does not have the applicable Dog Tag in his or her possession, Landlord may refuse to allow such dog to enter the Project. At Tenant's request, Landlord may require that each Dog Owner pay Landlord directly for issuance of a Dog Tag. At any time and from time to time Landlord may require a Dog Owner to provide reasonable evidence that the applicable dog continues to meet the requirements of Section 43(a).

(d) **Rights Personal to Original Tenant.** The right to bring Tenant's Dogs into the Premises pursuant to this Section 43 is personal to the original named tenant set forth on page one of this Lease. If Tenant assigns the Lease or sublets all or any portion of the Premises, then, as to the entire Premises, upon such assignment, or, as to the portion of the Premises sublet, upon such subletting and until the expiration of such sublease, the right to bring Tenant's Dogs into such portion the Premises shall simultaneously terminate and be of no further force or effect.

[Signatures Begin On Next Page]

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date first above written.

LANDLORD:

TENANT:

601 MARSHALL STREET OWNER, LLC,
a Delaware limited liability company

By: /s/ Authorized Signatory
Name: Authorized Signatory
Its: Authorized Signatory

CHAN ZUCKERBERG INITIATIVE, LLC,
a Delaware limited liability company

By: /s/ Authorized Signatory
Name: Authorized Signatory
Its: Authorized Signatory

Glossary of Defined Terms

Defined Term	Location
Abatement Event	13(f)
Accounting Standard	3(c)(i)(C)
Additional Charges	3(c)(i)(A)
Additional Charges for Expenses	3(c)(iii)
Additional Rent	3(e)
Affiliate	10(f)
Alterations	6(a)
Assignment	10(a)
Assignment or Sublease Profits	10(d)
Base Building Work	2(a)
Base Cap Signage	38(a)
Base Rent	3(a)
Beneficiary	32(b)
Building Hours	13(d)
Business Day	41(b)
Business Hours	28
Canopy Signage	38(a)
Capital Expense Threshold	3(c)(i)(B)
Capital Expenses	3(c)(i)(C)
Casualty	22(a)
Commencement Date	2(a)
Commencement Date Memorandum	2(d)
Common Area	Lease Agreement (2nd paragraph)
Confidential Information	41(i)
Credit Standard	32(a)
Current SNDA	16(b)
Default Damages	32(i)
Default Loan	32(i)
Default Rate	3(d)
Dog Agreement	43(c)
Dog Owner	43(c)
Dog Tag	43(c)
DPC Permit	5(b)
Draw Event	32(c)
Eligibility Period	13(f)
Environmental Laws	36(b)(i)
Environmental Reports	36(a)
Estimated Restoration Period	22(a)
Excess Amount	32(i)
Excess Wear and Tear	7(d)
Exercise Notice	39

Defined Term	Location
Expense Year	3(c)(i)(E)
Expenses	3(c)(i)(D)
Expiration Date	2(a)
Extension Term	Basic Lease Information
Exterior Building Signage	38(a)
Exterior Building Signage Plan	38(a)
Fair Market Rental Value	40(b)
Force Majeure Delays	2(c)(i)
Guarantor	32(a)
Guaranty	32(a)
Hazardous Substances	36(b)(ii)
Initial Term	39
Interest Rate	3(c)(vi)
Land	Basic Lease Information
Landlord	41(a)
Landlord Action	32(i)
Landlord's Expense Statement	3(c)(iii)
Landlord Parties	11(b)
Landlord Tax Statement	3(c)(ii)
Laws	5(a)
LC Amount	32(a)
LEED	18
LEED Conditions	18(a)
Letter of Credit	32(a)
Management Fee	3(c)(i)(D)
Management Standard	3(c)(i)(D)
Mortgage	3(c)(i)(D)
Mortgagee	3(c)(v)
Normal Wear and Tear	7(d)
Notice of Right to Downtown Operations	41(h)
Objectionable Name	38(a)
Penalty Date	2(c)(i)
Permitted Alterations	6(b)
Permitted Hazardous Substances	36(b)(iii)
Permitted Transfer	10(f)
Premises	Basic Lease Information
Prime Rate	3(c)(vi)
Public Parking Hours	34(a)
Real Estate Taxes	3(c)(i)(F)
Recapture Option	10(d)
Reduction Conditions	32(j)

Reduction Date	32(j)
Rent	3(e)
Rentable Square Feet [Footage]	Lease Agreement (2nd paragraph)
Request for Advice Regarding Removal	6(d)
Restoration Estimate Notice	22(a)

Defined Term	Location
Restoration Work	22(a)
Rules and Regulations	17
Security Deposit Laws	32(d)
SNDA	16(b)
Sublease	10(a)
Sublease Premises	10(c)
Substantially Complete [Completion]	2(a)
Tax Year	3(c)(i)(G)
TDM Plan	5(b)
Tenant	41(a)
Tenant Credit	2(c)(i)
Tenant Default	21(a)
Tenant Delays	2(a)
Tenant Parties	7(c)
Tenant's Abatement Notice	13(f)
Tenant's Broker	Basic Lease Information
Tenant's Dogs	43(a)
Tenant's Share	3(c)(i)(H)
Tenant's Termination Notice	22(c)
Tenant's Wear and Tear	7(d)
Term	2(a)
Transfer Entity	10(f)
Unused L-C Proceeds	32(e)
Work Letter	2(d)

FIRST AMENDMENT TO SUBLEASE AGREEMENT

This FIRST AMENDMENT TO SUBLEASE AGREEMENT dated as of November 8, 2021 (this "Amendment") is by and between CHAN ZUCKERBERG INITIATIVE, LLC, a Delaware limited liability company ("Sublandlord") and PUBMATIC, INC., a Delaware corporation ("Subtenant"), with regard to the Sublease described below.

RECITALS

A. Sublandlord and Subtenant entered into the Sublease Agreement dated as of October 20, 2021 ("Sublease") for the sublease of the Sublease Premises described therein. All initial-capitalized terms used but not defined herein have the meanings given to such terms in the Sublease.

B. Sublandlord and Subtenant desire to enter into this Amendment to amend the Sublease Term.

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublandlord and Subtenant agree as follows:

1. The first sentence of Section 2 of the Sublease is hereby restated as follows:

"The term of this Sublease ("Sublease Term") shall commence on December 1, 2021 (the "Sublease Commencement Date") and, unless earlier terminated as provided herein or in the Master Lease, shall expire on March 31, 2028 (the "Sublease Expiration Date")."

2. In the event that this Amendment conflicts with any provision of the Sublease, this Amendment shall control and govern. Except as modified herein, the Sublease shall remain in full force and effect. Notwithstanding anything in this Amendment to the contrary, this Amendment and the Sublease is subject Master Landlord's written consent.

3. This Amendment shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. This Amendment shall be interpreted and enforced in accordance with the laws of the state in which the Sublease Premises is located without reference to principles of conflicts laws.

4. This Amendment may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, all such counterparts together constituting but one and the same instrument. This Amendment shall not be effective unless and until the same has been executed and delivered by all parties hereto whether in one or more counterparts. The parties agree that this Amendment shall be deemed validly executed and delivered by a party if a party executes this Amendment by manual signature or by affixing its signature hereto by means of an electronic signature tool, application, or software (e.g., DocuSign). The parties may also elect to execute and exchange counterparts of signature pages by telephone facsimile or portable document format (.pdf).

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties hereto have entered into this Amendment as of the date first set forth above.

SUBLANDLORD:

CHAN ZUCKERBERG INITIATIVE, LLC, a Delaware limited liability company

By: /s/ Authorized Signatory
Name: Authorized Signatory
Its: Authorized Signatory

SUBTENANT:

PUBMATIC, INC., a Delaware corporation

By: /s/ Steve Pantelick
Name: Steve Pantelick
Its: Chief Financial Officer

CERTIFICATION OF CHIEF 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, Rajeev K. Goel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PubMatic, 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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2021

By: /s/ Rajeev K. Goel
Rajeev K. Goel
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF 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, Steven Pantelick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PubMatic, 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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2021

By: /s/ Steven Pantelick
Steven Pantelick
Chief Financial Officer
(Principal Financial Officer)

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

I, Rajeev K. Goel, Chief Executive Officer of PubMatic, Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2021

By: /s/ Rajeev K. Goel
Rajeev K. Goel
Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and is not to be incorporated by reference into any filing of PubMatic, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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

I, Steven Pantelick, Chief Financial Officer of PubMatic, Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2021

By: /s/ Steven Pantelick
Steven Pantelick
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and is not to be incorporated by reference into any filing of PubMatic, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.