

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended July 31, 2015

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 001-35594

Palo Alto Networks, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-2530195

(I.R.S. Employer
Identification No.)

4401 Great America Parkway

Santa Clara, California 95054

(Address of principal executive office, including zip code)

(408) 753-4000

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	New York Stock Exchange LLC

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"). Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

The aggregate market value of voting stock held by non-affiliates of the registrant was \$9,283,109,783 as of the end of the Registrant's second fiscal quarter (based on the closing sales price for the common stock on the New York Stock Exchange on January 31, 2015). Shares of common stock held by each executive officer, director, and holder of 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

On September 1, 2015, 85,008,892 shares of the registrant's common stock, \$0.0001 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the information called for by Part III of this Form 10-K is hereby incorporated by reference from the definitive proxy statement for the Registrant's annual meeting of stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after the Registrant's fiscal year ended July 31, 2015.

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PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including the sections entitled “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words “believe,” “may,” “will,” “potentially,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “plan,” “expect,” and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements.

These forward-looking statements include, but are not limited to, statements concerning the following:

- trends in and expectations regarding revenue (including our revenue mix), costs of revenue, gross margin, cash flows, interest expense, and operating expenses, including future share-based compensation expense;
- our expectation that we will continue to grow our installed end-customer base;
- our expectations regarding future investments in research and development, customer support, and in our sales force, including expectations regarding growth in our sales headcount;
- our expectation that we will continue to expand internationally;
- the availability of our AutoFocus and Aperture subscription offerings;
- our expectation that we will continue to introduce new subscriptions, renew existing contracts, and increase sales to our existing customer base;
- seasonal trends in our results of operations;
- our expectation that we will expand our facilities or add new facilities as we add employees and enter new geographic markets;
- the sufficiency of our cash flow from operations with existing cash and cash equivalents to meet our cash needs for the foreseeable future;
- future investments in product development, services, or technologies; and
- our ability to grow our installed end-customer base.

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in “Risk Factors” included in Part I, Item 1A and elsewhere in this Annual Report on Form 10-K. 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 Annual Report on Form 10-K may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

ITEM 1. BUSINESS

General

We have pioneered the next-generation of security with our innovative platform that empowers enterprises, service providers, and government entities to secure their organizations by safely enabling the increasingly complex and rapidly growing number of applications running on their networks and by preventing breaches in real-time that stem from targeted cyber attacks. Our platform uses an innovative traffic classification engine that identifies network traffic by application, user, and content. As a result, it provides in-depth visibility into all traffic and all applications, at the user level, at all times, and at the full speed of the network in order to control usage, content, risks, and cyber threats. We believe our platform offers superior performance compared to legacy approaches and reduces the total cost of ownership for organizations by simplifying their security infrastructure and eliminating the need for multiple, stand-alone security appliances and software products.

Our security platform consists of three major elements: our Next-Generation Firewall, our Advanced Endpoint Protection, and our Threat Intelligence Cloud. Our Next-Generation Firewall delivers application, user, and content visibility and control as well as protection against network-based cyber threats integrated within the firewall through our proprietary hardware and software

architecture. Our Advanced Endpoint Protection prevents cyber attacks that aim to exploit software vulnerabilities on a broad variety of fixed and virtual endpoints and servers. Our Threat Intelligence Cloud provides central intelligence capabilities, security for software as a service (SaaS) applications, and automated delivery of preventative measures against cyber attacks.

We sell our platform through a direct touch, channel fulfilled sales model. The network-based element of our platform is delivered in the form of a physical or virtual appliance and includes a suite of subscription services. The cyber attack prevention capabilities of our platform are delivered in the form of subscription services that can be used either in the public cloud or in a private cloud using a dedicated appliance. Our subscription services can be easily activated on any of our appliances without requiring additional hardware or processing resources, thereby providing a seamless implementation path for our end-customers.

We were incorporated in 2005 as Palo Alto Networks, Inc., a Delaware corporation. Our principal executive offices are located in Santa Clara, California.

Products and Services

Firewall Appliances. All of our firewall appliances incorporate our PAN-OS operating system and come with the same rich set of features ensuring consistent operation across the entire product line. These features include: App-ID, User-ID, site-to-site VPN, remote access Secure Sockets Layer (SSL) VPN, and Quality-of-Service (QoS). We classify our appliances based on throughput. Our firewall appliances come in a physical form factor, as well as in a virtual form factor that is available for virtualization platforms from VMware, Inc. (“VMware”), Citrix Systems, Inc., and Amazon.com, Inc. (“Amazon”).

Panorama. Panorama is our centralized security management solution for global control of all of our appliances deployed on an end-customer’s network as a virtual appliance or a physical appliance. Panorama is used for centralized policy management, device management, software licensing and updates, centralized logging and reporting, and log storage. Panorama controls the security, network address translation (NAT), QoS, policy based forwarding, decryption, application override, captive portal, and distributed denial of service/denial of service (DDoS/DoS) protection aspects of the appliances and virtual systems under management. Panorama centrally manages device software and associated updates, including SSL-VPN clients, GlobalProtect clients, dynamic content updates, and software licenses. Panorama offers the ability to view logs and run reports from all managed appliances without the need to forward the logs and to report on aggregate user activity for all users, including mobile users. Panorama reliably expands the log storage for long-term event investigation and analysis through high-availability features for central management.

Virtual System Upgrades. Virtual System Upgrades are available as extensions to the Virtual System capacity that ships with the appliance. Virtual Systems provide a virtualization solution to our large enterprise and service provider end-customers that implement large data centers, private cloud, and public cloud security infrastructures and need to support a multi-tenant firewall environment.

Subscription Services. We offer a number of subscription services as part of our platform. These services include:

- **Threat Prevention Subscription.** This service provides the intrusion detection and prevention capabilities of our platform. Our threat prevention engine blocks vulnerability exploits, viruses, spyware, buffer overflows, denial-of-service attacks, and port scans from compromising and damaging enterprise information resources. It includes mechanisms such as protocol decoder-based analysis, protocol anomaly-based protection, stateful pattern matching, statistical anomaly detection, heuristic-based analysis, custom vulnerability, and spyware phone home signatures.
- **URL Filtering Subscription.** This service provides the uniform resource locator (URL) filtering capabilities of our platform. The URL filtering database consists of millions of URLs across many categories and is designed to monitor and control employee web surfing activities. The on-appliance URL database can be augmented to suit the traffic patterns of the local user community with a custom URL database. URLs that are not categorized by the local URL database can be pulled into a separate, cache-based URL database from a very extensive, cloud-based URL database.
- **GlobalProtect Subscription.** This appliance-based service provides protection for mobile users of both traditional laptop devices and mobile devices. It expands the boundaries of the physical network, effectively establishing a logical perimeter that encompasses remote laptop and mobile device users irrespective of their location. When a remote user logs into the device, GlobalProtect automatically determines the closest gateway available to the roaming device and establishes a secure connection. Windows and Apple laptops as well as mobile devices, such as Android phones and tablets and Apple iPhones and iPads, will stay connected to the corporate network whenever they are on a network of any kind. As a result, they are protected as if they never left the corporate campus. GlobalProtect ensures that the same secure application enablement policies that protect users at the corporate site are enforced for all users, independent of their location.
- **WildFire Subscription.** This cloud-based or appliance-based service provides protection against targeted malware and advanced persistent threats. This service provides a near real-time analysis engine for detecting previously unseen malware. The core component of this service is a sandbox environment that can operate on an end-customer’s private cloud or our public cloud where files can be run and monitored for more than 100 behavioral characteristics that identify the file as malware. Once identified, preventive measures are automatically generated and delivered to all devices that

subscribe to the service. By providing this as a cloud-based service, all of our end-customers benefit from malware found on any network.

- **Traps Subscription.** This service provides protection for Windows-based fixed and virtual endpoints and servers. It protects against cyber attacks that aim to exploit software vulnerabilities through its unique capability of stopping the underlying exploit techniques and can prevent cyber attacks without relying on prior knowledge of the attack. Through its integration with WildFire, it is also capable of preventing cyber attacks that rely on malware.
- **AutoFocus Subscription.** This cloud-based service, which we expect to be generally available in fiscal 2016, provides threat intelligence capabilities to our end-customers' security operations teams. Indicators of compromise and anomalies that occur on an end-customer's network can be correlated with similar data that has been centrally collected by us in our Threat Intelligence Cloud from among all our participating end-customers. This offers our end-customers priority alerts, deep attack context, and high-fidelity threat intelligence across millions of malware samples and tens of billions of file artifacts.
- **Aperture Subscription.** This cloud-based service, which we expect to be generally available in fiscal 2016, provides content control for IT-sanctioned SaaS applications that are used to store and share end-customer's data. It offers end-customers the capability to safely use these SaaS applications and avert risks associated with improper sharing of confidential data.

Support and Maintenance. We offer Standard Support, Premium Support, and 4-hour Premium Support to our end-customers and channel partners. Our channel partners that operate a Palo Alto Networks Authorized Support Center (ASC) typically deliver level-one and level-two support. We provide level-three support 24 hours a day, seven days a week through regional support centers that are located worldwide. We also offer an annual subscription-based Technical Account Management (TAM) service that provides dedicated support for end-customers with unique or complex support requirements. We offer our end-customers ongoing maintenance services for both hardware and software in order to receive ongoing security updates, PAN-OS upgrades, bug fixes, and repair. End-customers typically purchase these services for a one-year or longer term at the time of the initial product sale and typically renew for successive one-year or longer periods. Additionally, we provide expedited replacement for any defective hardware. We use a third-party logistics provider to manage our worldwide deployment of spare appliances and other accessories.

Professional Services. Professional services are primarily delivered through our authorized channel partners and include on-location, hands-on experts who plan, design, and deploy effective security solutions tailored to our end-customers' specific requirements. These services include application traffic management, solution design and planning, configuration, and firewall migration. Our education services provide online and classroom-style training and are also primarily delivered through our authorized partners.

Major Product Development Projects

We continue to invest in innovation and strengthening our product portfolio, which resulted in several new product offerings and announcements during fiscal 2015. These new product offerings include: Traps, our Advanced Endpoint Protection service; the PA-3060 appliance, which is aimed at mid-sized data centers; the M-500 management appliance, which is aimed at data centers and large enterprise deployments; and the AutoFocus cyber threat intelligence service, which provides prioritized actionable intelligence on targeted cyber attacks and is expected to be generally available in fiscal 2016. In fiscal 2015, we also acquired CirroSecure, Inc. ("CirroSecure"), which expands the functionality of our platform by providing additional security for SaaS applications and will be the foundation for a new subscription service called Aperture that we expect to be generally available in fiscal 2016. In addition, in August 2015, we released the PA-7080 appliance, which is our top-of-the-line chassis-based appliance ideally suited for service provider customers.

Technology

We combine our proprietary hardware and software architecture, PAN-OS operating system, Traps, and Threat Intelligence Cloud to provide a comprehensive security platform. The core of our platform is our Next-Generation Firewall, which integrates application visibility and control and is comprised of three identification technologies: App-ID, User-ID, and Content-ID. These technologies allow organizations to enable the secure use of applications while managing the inherent risks of doing so. These fine-grained policy management and enforcement capabilities are delivered at low latency, multi-gigabit performance through our innovative SP3 architecture.

App-ID. App-ID is our application classification engine that uses multiple identification techniques to determine the exact identity of applications traversing the network. App-ID is the foundational classification engine that provides the core traffic classification to all other functions in our platform. The App-ID classification is used to invoke other security functions.

App-ID uses a series of classification techniques to accurately identify an application. When traffic first enters the network, App-ID applies an initial policy check based on Internet Protocol (IP) and port. Signatures are then applied to the traffic to identify the application based on application properties and related transaction characteristics. If the traffic is encrypted and a decryption policy is

in place, the application is first decrypted, then application signatures are applied. Additional context-based signature analysis is then performed to identify known protocols that may be hiding other applications. Encrypted traffic that was decrypted is then re-encrypted before being sent back into the network. For evasive applications that cannot be identified through advanced signature and protocol analysis, heuristics or behavioral analysis are used to determine the identity of the application. When an application is accurately identified during this series of successive techniques, the policy check determines how to treat the application and associated functions. The policy check can block the application, allow it and scan for threats, inspect it for unauthorized file transfer and data patterns, or shape its use of network resources by applying a quality-of-service policy.

App-ID consistently classifies all network traffic, including business applications, consumer applications, and network protocols, across all ports. Consequently, there is no need to perform a series of signature checks to look for an application that is thought to be on the network. App-ID continually monitors the state of the application to determine if the application changes. Our platform allows only those applications within the policy to enter the network, while all other applications are blocked.

Internally developed or custom applications can be managed using either an application override or custom App-IDs. End-customers can use either of these mechanisms to apply the same level of control over their internal or custom applications that they apply to common applications. Because the application landscape is constantly changing, our research teams are constantly updating our App-ID classification engine. We deliver updated App-IDs automatically to our end-customers through our weekly update service.

User-ID. User-ID integrates our platform with a wide range of enterprise user directories and technologies, including Active Directory, eDirectory, Open LDAP, Citrix Terminal Server, Microsoft Exchange, Microsoft Terminal Server, and ZENworks. A network-based, User-ID agent communicates with the domain controllers, directories, or supported enterprise applications, mapping information such as user, role, and current IP address to the firewall, making the policy integration transparent. In cases where user repository information does not include the current IP address of the user, a transparent, captive portal authentication or challenge/response mechanism can be used to tie users into the security policy. In cases where a user repository or application is in place that already has knowledge of users and their current IP address, a standards-based application programming interface (API) can be used to tie the repository to our platform.

Content-ID. Content-ID is a collection of technologies that enables many of our subscription services. Content-ID combines a real-time threat prevention engine, a cloud-based analysis service, and a comprehensive URL categorization database to limit unauthorized data and file transfers, detect and block a wide range of threats, and control non-work related web surfing.

The threat prevention engine blocks several common types of attacks, including vulnerability exploits, buffer overflows, and port scans from compromising and damaging enterprise information resources. It includes mechanisms such as protocol decoder-based analysis, protocol anomaly-based protection, stateful pattern matching, statistical anomaly detection, heuristic-based analysis, custom vulnerability, and spyware “phone home” signatures.

Our cloud-based analysis service, called WildFire, provides a near real-time analysis engine for detecting previously unseen targeted malware. The core component of WildFire is a sandbox environment that can be deployed in a customer’s private cloud or on our public cloud where files can be run and monitored for more than 100 behavioral characteristics that identify the file as malware. Once identified, signatures are automatically generated and delivered to all devices that subscribe to the WildFire service. By providing WildFire as a cloud-based service, all of our end-customers benefit from malware found on a single network.

Our URL filtering database consists of millions of URLs across many categories and is designed to monitor and control employee web surfing activities. The on-appliance URL database can be augmented to suit the traffic patterns of the local user community with a custom URL database. URLs that are not categorized by the local URL database can be pulled into an on-appliance data cache from a very extensive, cloud-based URL database. The data filtering features in our platform enable policies that reduce the risks associated with the transfer of unauthorized files and data. This can be achieved by blocking files by type, by controlling sensitive data, such as credit card and social security numbers in application content or attachments, and by controlling file transfers within applications.

SP3. SP3 is our proprietary software and hardware architecture that is comprised of two elements: single-pass software and parallel processing hardware.

Our single-pass software accomplishes two key functions in our platform. First, it performs operations once per packet. As a packet is processed, the networking functions, the policy lookup, the application identification and decoding, and the signature matching for any and all threats and content are all performed simultaneously. This significantly reduces the amount of processing required to perform multiple functions in one security device. Second, the content scanning step is stream-based and uses uniform signature matching to detect and block threats. Instead of using multiple scanning passes and file proxies, which require download prior to scanning, our single-pass software scans content once in a stream-based fashion to minimize latency. This results in very high throughput and low latency, even with all security functions active. It also offers a single, fully integrated policy, thus enabling easier management of security.

Our parallel processing hardware is designed to optimize single-pass software performance through the use of separate data and control planes, which means that heavy utilization of one does not negatively impact the performance of the other. Our hardware also uses discrete, specialized processing groups to perform critical functions. On the data plane, this includes functions such as

networking, policy enforcement, encryption and decryption, decompression, and content scanning. On the control plane, this includes configuration management, logging, and reporting.

We believe that the combination of single-pass software and parallel processing hardware is unique in the enterprise security industry and allows our platform to safely enable applications and prevent cyber threats at very high levels of performance and throughput.

WildFire. WildFire is a cloud-based malware analysis environment that offers a completely new approach to cybersecurity. Through native integration with our Next-Generation Firewall, the service brings advanced threat detection and prevention to every system deployed throughout the network, automatically sharing protections with all WildFire subscribers globally.

The service offers a unified, hybrid cloud architecture deployed via either the public cloud, a private cloud appliance that maintains all data on the local network, or a combination of the two. This allows us to perform dynamic analysis of suspicious content in a cloud-based virtual environment to discover unknown threats, automatic creation and enforcement of best-in-class, content-based malware protections, and link detection in email, proactively blocking access to malicious websites.

Advanced attacks are not point-in-time events. Adversaries deliver attacks persistently, often using non-standard ports, protocols or encryption for subsequent attack stages. Like our Next-Generation Firewall, WildFire provides complete visibility into unknown threats within all traffic across thousands of applications, including Web traffic, email protocols (SMTP, IMAP, POP), and FTP, regardless of ports or encryption (SSL).

Once WildFire discovers a new threat, the service automatically generates protections across the attack lifecycle, blocking malicious files and command-and-control traffic. Uniquely, these protections are content-based, not relying on easily changed attributes such as hash, filename or URL, allowing the service to block the initial malware and future variants without any additional action or analysis. WildFire informs the protection of our other security services, blocking threats in-line through Threat Prevention (anti-malware, DNS, command-and-control), Web Security (malicious URLs in PAN-DB), and GlobalProtect (anti-malware for mobile devices).

PAN-OS Operating System. The PAN-OS operating system provides the foundation for our security platform and contains App-ID, User-ID, and Content-ID. PAN-OS performs the core functions of our platform while also providing the networking, security, and management functions needed for implementation. The PAN-OS networking functions include dynamic routing, switching, high availability, and VPN support, which enables deployment into a broad range of networking environments.

We have the ability to enable a series of virtual firewall instances or virtual systems. Each virtual system is an independent (virtual) firewall within the device that is managed separately and cannot be accessed or viewed by any other administrator of any other virtual system. This capability allows enterprises and service providers to separate firewall instances in departmental and multi-tenant managed services scenarios.

The security functions in PAN-OS are implemented in a single security policy and include application, application function, user, group, port, and service-based elements. Policy responses can range from open (allow but monitor for activity), to moderate (enabling certain applications or functions), to closed (deny). The tight integration of application control, users, and groups, and the ability to scan the allowed traffic for a wide range of threats minimizes the number of policies.

PAN-OS also includes attack protection capabilities, such as blocking invalid or malformed packets, IP defragmentation, Transmission Control Protocol (TCP) reassembly, and network traffic normalization. PAN-OS eliminates invalid and malformed packets, while TCP reassembly and IP defragmentation is performed to ensure the utmost accuracy and protection despite any attack evasion techniques.

Traps. Traps is an Advanced Endpoint Protection product that prevents advanced attacks originating from either exploits or malicious executables before any malicious activity can successfully run, regardless of software patches in place. If an attack attempt is made, Traps will immediately block the technique or techniques, terminate the process, and notify both the user and the administrator that an attack was thwarted. Whenever a block does occur, Traps will collect detailed forensics, including the offending process, the memory state when it was prevented, and many other details that are reported to the Endpoint Security Manager (ESM).

The Traps agent injects itself into each process as it is started. When an attacker attempts to exploit a software vulnerability, the Traps protection modules cause the exploit attempt to fail because Traps has already made the process impervious to those techniques. When the attempt is prevented, the Traps agent kills the process and reports all of the details to the ESM.

Traps policy is configured to protect over 100 processes – each one with dozens of proprietary EPMs. However, unlike other products, Traps is not limited to protecting only those processes or applications. Our customers use Traps to protect all manner of processes and applications by simply adding them to the policy configuration. Processes that have been run on the endpoint automatically show up in the ESM console, making it easy to protect those processes with the click of a button. This is especially useful for those customers running industry-specific applications. Traps can protect point-of-sale (POS) systems, ATM machines, SCADA, and any other applications from exploitation.

Certifications. Many of our products have been awarded Federal Information Processing Standard (FIPS) 140-2 Level 2, Common Criteria/National Information Assurance Partnership (NIAP) Evaluation Assurance Level (EAL) 2, Common Criteria/NIAP EAL4+, Network Equipment-Building System (NEBS), and ICSA Firewall certifications.

Intellectual Property

We continue to grow our patent portfolio and own intellectual property (IP) and related IP rights around the world that relate to our products, services, research and development, and other activities, and our success depends in part upon our ability to protect our core technology and IP. We file patent applications to protect our IP and believe that the duration of our issued patents is sufficient when considering the expected lives of our products.

We actively seek to protect our global IP rights and to deter unauthorized use of our IP by controlling access to and use of our proprietary software and other confidential information through the use of internal and external controls, including contractual protections with employees, contractors, end-customers and partners, and our software is protected by U.S. and international copyright laws. Despite our efforts to protect our trade secrets and proprietary rights through intellectual property rights, licenses, and confidentiality agreements, unauthorized parties may still copy or otherwise obtain and use our software and technology, particularly in countries that provide less protection of IP rights and in the absence of harmonized international IP standards.

Our industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patent and other intellectual property rights. In particular, leading companies in the enterprise security industry have extensive patent portfolios and are regularly involved in both offensive and defensive litigation. From time to time, third parties, including certain of these leading companies, may assert patent, copyright, trademark, and other intellectual property rights against us, our channel partners, or our end-customers, which our standard license and other agreements obligate us to indemnify against such claims. Successful claims of infringement by a third party could prevent us from distributing certain products or performing certain services, require us to expend time and money to develop non-infringing solutions, or force us to pay substantial damages (including treble damages if we are found to have willfully infringed patents or copyrights), royalties or other fees. In addition, based on our greater visibility and market exposure as a public company, we face a higher risk of being the subject of intellectual property infringement claims from third parties. We cannot assure you that we do not currently infringe, or that we will not in the future infringe, upon any third-party patents or other proprietary rights. See “Risk Factors—Claims by others that we infringe their proprietary technology or other rights could harm our business” and “Legal Proceedings” below for additional information.

Customers

We primarily sell our products and services to end-customers through our channel partners and infrequently directly to end-customers. In addition, customers can also buy our VM-Series virtual firewalls directly from Amazon’s AWS (Amazon Web Services) Marketplace under a usage-based licensing model. Our end-customers are predominantly medium to large enterprises, service providers, and government entities. Our end-customers operate in a variety of industries, including education, energy, financial services, government entities, healthcare, Internet and media, manufacturing, public sector, and telecommunications. Our end-customers deploy our platform for a variety of security functions across a variety of deployment scenarios. Typical deployment scenarios include the enterprise perimeter, the enterprise data center, and the distributed enterprise perimeter. Our end-customer deployments typically involve at least one pair of our products along with one or more of our subscription services, depending on size, security needs and requirements, and network complexity. As of July 31, 2015, we had shipped our products to over 26,000 end-customers worldwide. No single end-customer accounted for more than 10% of our total revenue in fiscal 2015, 2014, or 2013.

Backlog

Orders for services for multiple years are billed upfront shortly after fulfillment of an order and are included in deferred revenue. Timing of revenue recognition for services may vary depending on the contractual service period or when the services are rendered. Products are shipped and billed shortly after receipt of an order. The majority of our product revenue comes from orders that are received and shipped in the same quarter. As such, we do not believe that our product backlog at any particular time is meaningful and it is not necessarily indicative of our future operating results.

Seasonality

Our business is affected by seasonal fluctuations in customer spending patterns. To date, we have not seen seasonality in our operating results. While we believe our rapid growth has masked the seasonality of our business, seasonal patterns may become more pronounced over the long term with our strongest sequential growth occurring in our fiscal second and fourth quarters.

Sales, Customer Support and Marketing

Sales. Our sales organization is responsible for large-account acquisition and overall market development, which includes the management of the relationships with our channel partners, working with our channel partners in winning and supporting end-customers through a direct-touch approach, and acting as the liaison between the end-customers and the marketing and product

development organizations. We expect to continue to grow our sales headcount in all of our principal markets and expand our presence into countries where we currently do not have a direct sales presence.

Our sales organization is supported by sales engineers with responsibility for pre-sales technical support, solutions engineering for our end-customers, and technical training for our channel partners.

Channel Program. Our NextWave Partner program is focused on building in-depth relationships with a smaller number of solutions-oriented distributors and resellers that have strong security expertise. The program rewards our channel partners based on a number of attainment goals, as well as provides them access to marketing funds, technical and sales training, and support. To ensure optimal productivity, we operate a formal accreditation program for our channel partners' sales and technical professionals. As of July 31, 2015, we had more than 3,000 channel partners.

We utilize a two-tier open distribution model which is comprised of value-added distributors and value-added resellers who work together on a non-exclusive basis to market our platform, identify and close sales opportunities, and provide pre-sales and post-sales services to our end-customers. Sales are subject to our standard, non-exclusive distributor agreement, which provides for an initial term of one year, one year renewal terms, termination by us with 30-90 days written notice prior to the renewal date, and payment to us from the channel partner within 30-45 calendar days of the date we issue an invoice for such sales. For fiscal 2015, 71% of our total revenue was derived from sales to three channel partners.

Customer Support. Our customer support organization is responsible for delivering support, professional, and educational services directly to our channel partners and to end-customers. We leverage the capabilities of our channel partners and train them in the delivery of support, professional, and educational services to ensure these services are locally delivered. We believe that a broad range of support services is essential to the successful customer deployment and ongoing support of our products, and we have hired support engineers with proven experience to provide those services.

Marketing. Our marketing is focused on building our brand reputation and the market awareness of our platform and driving pipeline and end-customer demand. The marketing team consists primarily of product marketing, programs marketing, field marketing, channel marketing, and public relations functions. Marketing activities include pipeline development through demand generation, social media and advertising programs, managing the corporate web site and partner portal, trade shows and conferences, press, analyst, and customer relations, and customer awareness. Every year we organize our end-customer conference "Ignite." We publish major market research papers such as the "Application Usage and Threat Report," which are based on the application and cyber threat landscape of our end-customers. These activities and tools benefit both our direct and indirect channels and are available at no cost to our channel partners.

Manufacturing

We outsource the manufacturing of our security products to various contract manufacturers and original design manufacturers. This approach allows us to reduce our costs as it reduces our manufacturing overhead and inventory and also allows us to adjust more quickly to changing end-customer demand. Our primary manufacturing partner is Flextronics International, Ltd. ("Flex"), who assembles our products using design specifications, quality assurance programs, and standards that we establish, and procures components and assembles our products based on our demand forecasts. These forecasts represent our estimates of future demand for our products based upon historical trends and analysis from our sales and product management functions as adjusted for overall market conditions.

The component parts within our products are either sourced by our contract manufacturers or by various suppliers. We do not have any long-term manufacturing contracts that guarantee us any fixed capacity or pricing, which could increase our exposure to supply shortages or price fluctuations related to raw materials.

Research and Development

Our research and development effort is focused on developing new hardware and software and on enhancing and improving our existing products. We believe that hardware and software both are critical to expanding our leadership in the enterprise security market. Our engineering team has deep networking, endpoint, and security expertise and works closely with end-customers to identify their current and future needs. In addition to our focus on hardware and software, our research and development team is focused on research into applications and threats, which allows us to respond to the rapidly changing application and threat landscape.

We believe that innovation and timely development of new features and products is essential to meeting the needs of our end-customers and improving our competitive position. We supplement our own research and development effort with technologies and products that we license from third parties. We test our products thoroughly to certify and ensure interoperability with third-party hardware and software products.

We plan to continue to significantly invest in our research and development effort. Our research and development expense was \$185.8 million, \$104.8 million, and \$62.5 million in fiscal 2015, 2014, and 2013, respectively.

Competition

We operate in the intensely competitive enterprise security market that is characterized by constant change and innovation. Changes in the application, threat, and technology landscape result in evolving customer requirements for the protection from threats and the safe enablement of applications. Our main competitors fall into four categories:

- large networking vendors such as Cisco Systems, Inc. (“Cisco”) and Juniper Networks, Inc. (“Juniper”) that incorporate security features in their products;
- large companies such as Intel Corporation (“Intel”), International Business Machines (“IBM”), and Hewlett-Packard Company (“HP”) that have acquired large network and endpoint security specialist vendors in recent years and have the technical and financial resources to bring competitive solutions to the market;
- independent security vendors such as Check Point Software Technologies Ltd. (“Check Point”), Fortinet, Inc. (“Fortinet”), and FireEye, Inc. (“FireEye”), that offer a mix of network and endpoint security products; and Symantec Corporation (“Symantec”), that offers endpoint security products; and
- small and large companies that offer point solutions that compete with some of the features present in our platform.

As our market grows, it will attract more highly specialized vendors as well as larger vendors that may continue to acquire or bundle their products more effectively.

The principal competitive factors in our market include:

- product features, reliability, performance, and effectiveness;
- product line breadth, diversity, and applicability;
- product extensibility and ability to integrate with other technology infrastructures;
- price and total cost of ownership;
- adherence to industry standards and certifications;
- strength of sales and marketing efforts; and
- brand awareness and reputation.

We believe we generally compete favorably with our competitors on the basis of these factors as a result of the features and performance of our platform, the ease of integration of our products with technological infrastructures, and the relatively low total cost of ownership of our products. However, many of our competitors have substantially greater financial, technical, and other resources, greater name recognition, larger sales and marketing budgets, broader distribution, more diversified product lines, and larger and more mature intellectual property portfolios.

Employees

As of July 31, 2015, we had 2,637 employees. Competition for qualified personnel in our industry is intense, and we believe that our future success depends in part on our continued ability to hire, motivate, and retain such personnel. None of our employees are represented by a labor organization or are a party to any collective bargaining arrangement. We have never had a work stoppage, and we consider our relationship with our employees to be good.

Segment and Geographic Information

Our business is geographically diversified, with 69% of our total revenue from the Americas, 19% from Europe, the Middle East, and Africa (EMEA), and 12% from Asia Pacific and Japan (APAC) in fiscal 2015. Refer to Note 15. Segment Information of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for more information about segments and revenue and assets by geographic region.

Available Information

Our website is located at www.paloaltonetworks.com, and our investor relations website is located at investors.paloaltonetworks.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are available free of charge on the Investors portion of our web site as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). We also provide a link to the section of the SEC’s website at www.sec.gov that has all of our public filings, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, our Proxy Statements, and other ownership related filings. Further, a copy of this Annual Report on Form 10-K is located at the SEC’s Public Reference Room at 100 F Street,

NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

We also use our investor relations website as a channel of distribution for important company information. For example, webcasts of our earnings calls and certain events we participate in or host with members of the investment community are on our investor relations website. Additionally, we announce investor information, including news and commentary about our business and financial performance, SEC filings, notices of investor events, and our press and earnings releases, on our investor relations website. Investors and others can receive notifications of new information posted on our investor relations website in real time by signing up for email alerts and RSS feeds. Further corporate governance information, including our corporate governance guidelines, board committee charters, and code of conduct, is also available on our investor relations website under the heading "Corporate Governance." The contents of our websites are not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties including those described below. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, also may become important factors that affect us. If any of the following risks or others not specified below materialize, our business, financial condition, and operating results could be materially adversely affected. In that case, the market price of our common stock could decline.

Risks Related to Our Business and Our Industry

Our business and operations have experienced rapid growth in recent periods, and if we do not effectively manage any future growth or are unable to improve our systems, processes, and controls, our operating results will be adversely affected.

We have experienced rapid growth and increased demand for our products over the last few years. Our employee headcount and number of end-customers have increased significantly, and we expect to continue to grow our headcount significantly over the next year. For example, from the end of fiscal 2014 to the end of fiscal 2015, our headcount increased from 1,722 to 2,637 employees, and our number of end-customers increased from over 19,000 to over 26,000. The growth and expansion of our business and product and service offerings places a continuous significant strain on our management, operational, and financial resources. As we have grown, we have increasingly managed more complex deployments of our products and services with larger end-customers. To manage any future growth effectively, we must continue to improve and expand our information technology and financial infrastructure, our operating and administrative systems, and our ability to manage headcount, capital, and processes in an efficient manner.

We may not be able to successfully scale improvements to our enterprise resource planning system or implement or scale improvements to our other systems, processes, and controls in an efficient or timely manner or in a manner that does not negatively affect our operating results. In addition, our existing systems, processes, and controls may not prevent or detect all errors, omissions, or fraud. We have licensed technology from third parties to help us accomplish this objective. We may experience difficulties in managing improvements to our systems, processes, and controls or in connection with third-party software, which could disrupt existing customer relationships, cause us to lose customers, limit us to smaller deployments of our products, or increase our technical support costs. Our failure to improve our systems, processes, and controls, or their failure to operate in the intended manner, may result in our inability to manage the growth of our business and to accurately forecast our revenue, expenses, and earnings, or to prevent certain losses. For example, we are implementing certain new enterprise management systems and any failure to implement these systems may disrupt our operations and our operating expenses could increase. Additionally, our productivity and the quality of our products and services may be adversely affected if we do not integrate and train our new employees quickly and effectively, including employees we acquired in connection with our acquisition of CirroSecure. Any future growth would add complexity to our organization and require effective coordination throughout our organization. Failure to manage any future growth effectively could result in increased costs, negatively impact our end-customers' satisfaction with our products and services, and harm our operating results.

Our operating results may vary significantly from period to period and be unpredictable, which could cause the market price of our common stock to decline.

Our operating results, in particular, our revenues, gross margins, operating margins, and operating expenses, have historically varied from period to period, and we expect that this trend will continue as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including:

- our ability to attract and retain new end-customers;
- the budgeting cycles and purchasing practices of end-customers;

- changes in end-customer, distributor or reseller requirements, or market needs;
- price competition;
- the timing and success of new product and service introductions by us or our competitors or any other change in the competitive landscape of our industry, including consolidation among our competitors or end-customers;
- changes in the mix of our products and services, including increases in multi-year subscriptions and support and maintenance;
- changes in the growth rate of the enterprise security market;
- deferral of orders from end-customers in anticipation of new products or product enhancements announced by us or our competitors;
- our ability to successfully expand our business domestically and internationally;
- the timing and costs related to the development or acquisition of technologies or businesses;
- lack of synergy, or the inability to realize expected synergies, resulting from recent acquisitions;
- our inability to complete or integrate efficiently any acquisitions that we have completed, or that we may undertake;
- our ability to increase the size of our distribution channel;
- decisions by potential end-customers to purchase security solutions from larger, more established security vendors or from their primary network equipment vendors;
- changes in end-customer attach rates and renewal rates for our services;
- timing of revenue recognition and revenue deferrals;
- our ability to manage production and manufacturing related costs, global customer service organization costs, inventory excess and obsolescence costs, and warranty costs;
- insolvency or credit difficulties confronting our customers, which could adversely affect their ability to purchase or pay for our products and services, or confronting our key suppliers, including our sole source suppliers, which could disrupt our supply chain;
- any disruption in our channel or termination of our relationships with important channel partners, including as a result of consolidation among distributors and resellers of security solutions;
- our inability to fulfill our end-customers' orders due to supply chain delays or events that impact our manufacturers or their suppliers;
- increased expenses, unforeseen liabilities, or write-downs and any impact on our operating results from any acquisitions we consummate;
- the cost and potential outcomes of litigation, which could have a material adverse effect on our business;
- seasonality or cyclical fluctuations in our markets;
- future accounting pronouncements or changes in our accounting policies, including the potential impact of the adoption and implementation of the Financial Accounting Standards Board's new standard regarding revenue recognition;
- the impact on our overall effective tax rate caused by any reorganization in our corporate structure or any changes in our valuation allowance for domestic deferred assets;
- increases or decreases in our expenses or fluctuations in our sales cycle caused by fluctuations in foreign currency exchange rates, as an increasing amount of our expenses is incurred and paid in currencies other than the U.S. dollar;
- political, economic and social instability, including continued hostilities in the Middle East, terrorist activities, and any disruption these events may cause to the broader global industrial economy; and
- general macroeconomic conditions, both domestically and in our foreign markets.

Any one of the factors above, or the cumulative effect of some of the factors referred to above, may result in significant fluctuations in our financial and other operating results. This variability and unpredictability could result in our failure to meet our revenue, margin, or other operating result expectations or those of securities analysts or investors for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

Our revenue growth rate in recent periods may not be indicative of our future performance.

We have recently experienced revenue growth rates of 55% and 51% in fiscal 2015 and 2014, respectively. You should not rely on our revenue for any prior quarterly or annual periods as any indication of our future revenue or revenue growth. If we are unable to maintain consistent revenue or revenue growth, the market price of our common stock could be volatile, and it may be difficult for us to achieve and maintain profitability.

We have a history of losses, anticipate increasing our operating expenses in the future, and may not be able to achieve or maintain profitability or maintain or increase cash flow on a consistent basis. If we cannot achieve or maintain profitability or maintain or increase our cash flow, our business, financial condition, and operating results may suffer.

Other than fiscal 2012, we have incurred losses in all fiscal years since our inception. We incurred a net loss of \$165.0 million, \$226.5 million, and \$29.2 million in fiscal 2015, 2014, and 2013, respectively. As a result, we had an accumulated deficit of \$500.7 million at July 31, 2015. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to enhance our product and service offerings, broaden our installed end-customer base, expand our sales channels, expand our operations, hire additional employees, and continue to develop our technology. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenues sufficiently, or at all, to offset these higher expenses. Revenue growth may slow or revenue may decline for a number of possible reasons, including slowing demand for our products or services, increasing competition, a decrease in the growth of our overall market, or a failure to capitalize on growth opportunities. Any failure to increase our revenues as we grow our business could prevent us from achieving or maintaining profitability or maintaining or increasing cash flow on a consistent basis. If we are unable to meet these risks and challenges as we encounter them, our business, financial condition, and operating results may suffer.

Our limited operating history makes it difficult to evaluate our current business and future prospects, and may increase the risk of your investment.

We were founded in 2005 and shipped our first products in 2007. The majority of our revenue growth has occurred since 2009. Our limited operating history makes it difficult to evaluate our current business and our future prospects, including our ability to plan for and model future growth. We have encountered and will continue to encounter risks and difficulties frequently experienced by rapidly growing companies in constantly evolving industries, including the risks described in this Annual Report on Form 10-K. If we do not address these risks successfully, our business and operating results will be adversely affected, and the market price of our common stock could decline. Further, we have limited historical financial data and we operate in a rapidly evolving market. As such, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market.

If we are unable to sell additional products and services to our end-customers or maintain or increase our installed end-customer base, our future revenue and operating results will be harmed.

Our future success depends, in part, on our ability to expand the deployment of our platform with existing end-customers by selling additional products, to secure other areas of our end-customers' network and endpoints, and to upsell additional subscription services. This may require increasingly sophisticated and costly sales efforts that may not result in additional sales. In addition, the rate at which our end-customers purchase additional products and services depends on a number of factors, including the perceived need for additional security products and services as well as general economic conditions. If our efforts to sell additional products and services to our end-customers are not successful, our business may suffer.

Further, existing end-customers that purchase our subscription services have no contractual obligation to renew their contracts after the completion of their initial contract period, which is typically one year, and we cannot accurately predict renewal rates. Our end-customers' renewal rates may decline or fluctuate as a result of a number of factors, including their satisfaction with our services and our end-customer support, the frequency and severity of subscription outages, our product uptime or latency, and the pricing of our, or competing, services. If our end-customers renew their subscriptions, they may renew for shorter contract lengths or on other terms that are less economically beneficial to us. We have limited historical data with respect to rates of end-customer renewals, so we may not accurately predict future renewal trends. We cannot be certain that our end-customers will renew their subscriptions. If our end-customers do not renew their agreements or renew on less favorable terms, our revenues may grow more slowly than expected or decline.

We also depend on our installed end-customer base for future support and maintenance revenues. Our support and maintenance agreements are typically one year. If end-customers choose not to renew their support and maintenance agreements, or seek to renegotiate the terms of their support and maintenance agreements prior to renewing such agreements, our revenue may grow more slowly than expected or decline.

We face intense competition in our market, especially from larger, well-established companies, and we may lack sufficient financial or other resources to maintain or improve our competitive position.

The market for enterprise security products is intensely competitive, and we expect competition to increase in the future from established competitors and new market entrants. Our main competitors fall into four categories:

- large networking vendors such as Cisco and Juniper that incorporate security features in their products;
- large companies such as Intel, IBM, and HP that have acquired large network and endpoint security specialist vendors in recent years and have the technical and financial resources to bring competitive solutions to the market;
- independent security vendors such as Check Point, Fortinet, and FireEye, that offer a mix of network and endpoint security products; and Symantec, that offers endpoint security products; and
- small and large companies that offer point solutions that compete with some of the features present in our platform.

Many of our existing competitors have, and some of our potential competitors could have, substantial competitive advantages such as:

- greater name recognition and longer operating histories;
- larger sales and marketing budgets and resources;
- broader distribution and established relationships with distribution partners and end-customers;
- greater customer support resources;
- greater resources to make acquisitions;
- lower labor and development costs;
- larger and more mature intellectual property portfolios; and
- substantially greater financial, technical, and other resources.

In addition, some of our larger competitors have substantially broader and more diverse product offerings and leverage their relationships based on other products or incorporate functionality into existing products to gain business in a manner that discourages users from purchasing our products, including through selling at zero or negative margins, product bundling, or closed technology platforms. Potential end-customers may also prefer to purchase from their existing suppliers rather than a new supplier regardless of product performance or features. These larger competitors often have broader product lines and market focus and may therefore not be as susceptible to downturns in a particular market. Many of our smaller competitors that specialize in providing protection from a single type of security threat are often able to deliver these specialized security products to the market more quickly than we can. Conditions in our market could change rapidly and significantly as a result of technological advancements, partnering by our competitors, or continuing market consolidation. New start-up companies that innovate and large competitors that are making significant investments in research and development may invent similar or superior products and technologies that compete with our products and technology. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources.

Some of our competitors have made acquisitions of businesses that may allow them to offer more directly competitive and comprehensive solutions than they had previously offered, such as Intel's acquisition of Stonesoft Oyj, Cisco's acquisition of SourceFire, Inc., and FireEye's acquisitions of Mandiant Corporation and nPulse Technologies, Inc. As a result of such acquisitions, our current or potential competitors might be able to adapt more quickly to new technologies and end-customer needs, devote greater resources to the promotion or sale of their products and services, initiate or withstand substantial price competition, take advantage of acquisitions or other opportunities more readily, or develop and expand their product and service offerings more quickly than we do. Due to various reasons, organizations may be more willing to incrementally add solutions to their existing security infrastructure from competitors than to replace it with our solutions. These competitive pressures in our market or our failure to compete effectively may result in price reductions, fewer orders, reduced revenue and gross margins, and loss of market share. Any failure to meet and address these factors could seriously harm our business and operating results.

A network or data security incident may allow unauthorized access to our network or data, harm our reputation, create additional liability and adversely impact our financial results.

Increasingly, companies are subject to a wide variety of attacks on their networks on an ongoing basis. In addition to traditional computer "hackers," malicious code (such as viruses and worms), employee theft or misuse, denial of service attacks, and sophisticated nation-state and nation-state supported actors now engage in intrusions and attacks (including advanced persistent threat intrusions), and add to the risks to our internal networks and the information they store and process. Despite significant efforts to create security barriers to such threats, it is virtually impossible for us to entirely mitigate these risks.

Furthermore, as a well-known provider of security solutions, any such breach could compromise our networks, creating system disruptions or slowdowns and exploiting security vulnerabilities of our products, and the information stored on our networks could be accessed, publicly disclosed, lost, or stolen, which could subject us to liability and cause us financial harm. These breaches, or any perceived breach, may also result in damage to our reputation, negative publicity, loss of channel partners, end-customers and sales, increased costs to remedy any problem, and costly litigation and may therefore adversely impact market acceptance of our products and could seriously harm our business or operating results.

If functionality similar to that offered by our products is incorporated into existing network infrastructure products, organizations may decide against adding our appliances to their network, which would have an adverse effect on our business.

Large, well-established providers of networking equipment such as Cisco and Juniper offer, and may continue to introduce, security features that compete with our products, either in stand-alone security products or as additional features in their network infrastructure products. The inclusion of, or the announcement of an intent to include, functionality perceived to be similar to that offered by our security solutions in networking products that are already generally accepted as necessary components of network architecture may have an adverse effect on our ability to market and sell our products. Furthermore, even if the functionality offered by network infrastructure providers is more limited than our products, a significant number of end-customers may elect to accept such limited functionality in lieu of adding appliances from an additional vendor such as us. Many organizations have invested substantial personnel and financial resources to design and operate their networks and have established deep relationships with other providers of networking products, which may make them reluctant to add new components to their networks, particularly from other vendors such as us. In addition, an organization's existing vendors or new vendors with a broad product offering may be able to offer concessions that we are not able to match because we currently offer only security products and have fewer resources than many of our competitors. If organizations are reluctant to add additional network infrastructure from new vendors or otherwise decide to work with their existing vendors, our ability to increase our market share and improve our financial condition and operating results will be adversely affected.

Reliance on shipments at the end of the quarter could cause our revenue for the applicable period to fall below expected levels.

As a result of end-customer buying patterns and the efforts of our sales force and channel partners to meet or exceed their sales objectives, we have historically received a substantial portion of sales orders and generated a substantial portion of revenue during the last few weeks of each fiscal quarter. If expected revenue at the end of any fiscal quarter is delayed for any reason, including the failure of anticipated purchase orders to materialize, our logistics partners' inability to ship products prior to fiscal quarter-end to fulfill purchase orders received near the end of the fiscal quarter, our failure to manage inventory to meet demand, our inability to release new products on schedule, any failure of our systems related to order review and processing, or any delays in shipments based on trade compliance requirements, our revenue for that quarter could fall below our expectations and the estimates of analysts, which could adversely impact our business and operating results and cause a decline in the market price of our common stock.

If we are unable to hire, retain, train, and motivate qualified personnel and senior management, our business could suffer.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. The loss of the services of any of our key personnel, the inability to attract or retain qualified personnel, or delays in hiring required personnel, particularly in engineering and sales, may seriously harm our business, financial condition, and operating results. Although we have entered into employment offer letters with our key personnel, these agreements have no specific duration and constitute at-will employment. We are also substantially dependent on the continued service of our existing development personnel because of the complexity of our platform. Additionally, any failure to hire, train, and adequately incentivize our sales personnel could negatively impact our growth. Further, the inability of our recently hired sales personnel to effectively ramp to target productivity levels could negatively impact our operating margins. If we are not effective in managing any leadership transition in our sales organization, our business could be adversely impacted and our operating results and financial condition could be harmed.

Competition for highly skilled personnel, particularly engineering personnel, is often intense, especially in the San Francisco Bay Area, where we have a substantial presence and need for highly skilled personnel. Additionally, the industry in which we operate generally experiences high employee attrition. We may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. Also, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited, that they have divulged proprietary or other confidential information, or that their former employers own their inventions or other work product.

Our future performance also depends on the continued services and continuing contributions of our senior management to execute on our business plan and to identify and pursue new opportunities and product innovations. The loss of services of senior management could significantly delay or prevent the achievement of our development and strategic objectives, which could adversely affect our business, financial condition, and operating results.

Our employees do not have employment arrangements that require them to continue to work for us for any specified period, and therefore, they could terminate their employment with us at any time. We do not maintain key person life insurance policies on any of our employees. The loss of one or more of our key employees could seriously harm our business.

We rely on third-party channel partners to sell substantially all of our products, and if these partners fail to perform, our ability to sell and distribute our products and services will be limited, and our operating results will be harmed.

Substantially all of our revenue is generated by sales through our channel partners, including distributors and resellers. We provide our sales channel partners with specific training and programs to assist them in selling our products, but there can be no assurance that these steps will be effective. In addition, our channel partners may be unsuccessful in marketing, selling, and supporting our products and services. If we are unable to develop and maintain effective sales incentive programs for our channel partners, we may not be able to incentivize these partners to sell our products to end-customers and, in particular, to large enterprises. These partners may also market, sell, and support products and services that are competitive with ours and may devote more resources to the marketing, sales, and support of such competitive products. These partners may have incentives to promote our competitors' products to the detriment of our own or may cease selling our products altogether. Our agreements with our channel partners may generally be terminated for any reason by either party with advance notice prior to each annual renewal date. We cannot assure you that we will retain these channel partners or that we will be able to secure additional or replacement channel partners. The loss of one or more of our significant channel partners or a decline in the number or size of orders from any of them could harm our operating results. In addition, any new sales channel partner requires extensive training and may take several months or more to achieve productivity. Our channel partner sales structure could subject us to lawsuits, potential liability, and reputational harm if, for example, any of our channel partners misrepresent the functionality of our products or services to end-customers or violate laws or our corporate policies. If we fail to effectively manage our existing sales channels, if our channel partners are unsuccessful in fulfilling the orders for our products, or if we are unable to enter into arrangements with, and retain a sufficient number of, high quality channel partners in each of the regions in which we sell products and services and keep them motivated to sell our products, our ability to sell our products and operating results will be harmed.

Because we depend on third-party manufacturers to build and ship our products, we are susceptible to manufacturing and logistics delays and pricing fluctuations that could prevent us from shipping customer orders on time, if at all, or on a cost-effective basis, which may result in the loss of sales and customers.

We depend on third-party manufacturers, primarily Flex, our contract manufacturer, as sole source manufacturers for our product lines. Our reliance on these third-party manufacturers reduces our control over the manufacturing process and exposes us to risks, including reduced control over quality assurance, product costs, and product supply and timing, as well as the risk that minerals which originate from the Democratic Republic of the Congo and adjoining countries, or conflict minerals, may be included in our products. In addition, while the majority of our products are manufactured by our contract manufacturers at facilities located in the United States, any growth or expansion of such manufacturing at facilities in foreign countries may subject us to additional risks associated with complying with local rules and regulations. Any manufacturing and logistics disruption by these third-party manufacturers could severely impair our ability to fulfill orders. In addition, we are subject to requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 that require us to diligence, disclose, and report whether or not our products contain conflict minerals. Under these rules, we are required to obtain sourcing data from suppliers, perform supply chain due diligence, and file annually with the SEC a specialized disclosure report on Form SD covering the prior calendar year. We have incurred and expect to incur additional costs to comply with these disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products.

These requirements could adversely affect the sourcing, availability, and pricing of minerals used in the manufacture of semiconductor devices or other components used in our products. We may also encounter customers who require that all of the components of our products be certified as conflict free. If we are not able to meet this requirement, such customers may choose not to purchase our products, which could adversely impact sales of our products.

Our third-party manufacturers typically fulfill our supply requirements on the basis of individual orders. We do not have long-term contracts with these manufacturers that guarantee capacity, the continuation of particular pricing terms, or the extension of credit limits. Accordingly, they are not obligated to continue to fulfill our supply requirements, which could result in supply shortages, and the prices we pay for manufacturing services could be increased on short notice. Our contract with Flex permits them to terminate the agreement for their convenience, subject to prior notice requirements. If we are required to change contract manufacturers, our ability to meet our scheduled product deliveries to our customers could be adversely affected, which could cause the loss of sales to existing or potential customers, delayed revenue or an increase in our costs which could adversely affect our gross margins. Any production interruptions for any reason, such as a natural disaster, epidemic, capacity shortages, or quality problems, at one of our manufacturing partners would negatively affect sales of our product lines manufactured by that manufacturing partner and adversely affect our business and operating results.

Managing the supply of our products and product components is complex. Insufficient supply and inventory may result in lost sales opportunities or delayed revenue, while excess inventory may harm our gross margins.

Our third-party manufacturers procure components and build our products based on our forecasts, and we generally do not hold inventory for a prolonged period of time. These forecasts are based on estimates of future demand for our products, which are in turn based on historical trends and analyses from our sales and marketing organizations, adjusted for overall market conditions. In order to reduce manufacturing lead times and plan for adequate component supply, from time to time we may issue forecasts for components and products that are non-cancelable and non-returnable.

Our inventory management systems and related supply chain visibility tools may be inadequate to enable us to forecast accurately and effectively manage supply of our products and product components. Supply management remains an increased area of focus as we balance the need to maintain supply levels that are sufficient to ensure competitive lead times against the risk of obsolescence because of rapidly changing technology and end-customer requirements. If we ultimately determine that we have excess supply, we may have to reduce our prices and write-down inventory, which in turn could result in lower gross margins. If our actual component usage and product demand are lower than the forecast we provide to our third-party manufacturers, we accrue for losses on manufacturing commitments in excess of forecasted demand. Alternatively, insufficient supply levels may lead to shortages that result in delayed revenue or loss of sales opportunities altogether as potential end-customers turn to competitors' products that are readily available. Additionally, any increases in the time required to manufacture our products or ship products could result in supply shortfalls. If we are unable to effectively manage our supply and inventory, our operating results could be adversely affected.

Because some of the key components in our products come from limited sources of supply, we are susceptible to supply shortages or supply changes, which could disrupt or delay our scheduled product deliveries to our customers and may result in the loss of sales and customers.

Our products rely on key components, including integrated circuit components, which our contract manufacturers purchase on our behalf from a limited number of suppliers, including sole source providers. The manufacturing operations of some of our component suppliers are geographically concentrated in Asia and elsewhere, which makes our supply chain vulnerable to regional disruptions. A fire, flood, earthquake, tsunami or other disaster, condition or event such as political instability, civil unrest or a power outage that adversely affects any of these component suppliers' facilities could significantly affect our ability to obtain the necessary components for our products, which could result in a substantial loss of sales and revenue and a substantial harm to our operating results. Similarly, a localized health risk affecting employees at these facilities, such as the spread of a pandemic influenza, could impair the volume of components that we are able to obtain, which could result in substantial harm to our operating results.

We do not have volume purchase contracts with any of our component suppliers, and they could cease selling to us at any time. In addition, our component suppliers change their selling prices frequently in response to market trends, including industry-wide increases in demand, and because we do not have volume purchase contracts with these suppliers, we are susceptible to price fluctuations related to raw materials and components. If we are unable to pass component price increases along to our end-customers or maintain stable pricing, our gross margins and operating results could be negatively impacted. If we are unable to obtain a sufficient quantity of these components in a timely manner for any reason, sales of our products could be delayed or halted or we could be forced to expedite shipment of such components or our products at dramatically increased costs, which would negatively impact our revenue and gross margins. Additionally, poor quality in any of the sole-sourced components in our products could result in lost sales or lost sales opportunities. If the quality of the components does not meet our or our end-customers' requirements, if we are unable to obtain components from our existing suppliers on commercially reasonable terms, or if any of our sole source providers cease to remain in business or manufacture such components, we could be forced to redesign our products and qualify new components from alternate suppliers. The resulting stoppage or delay in selling our products and the expense of redesigning our products could result in lost sales opportunities and damage to customer relationships, which would adversely affect our business and operating results.

If we are not successful in executing our strategy to increase sales of our products and services to new and existing medium and large enterprise end-customers, our operating results may suffer.

Our growth strategy is dependent, in part, upon increasing sales of our products to medium and large enterprises. Sales to these types of end-customers involve risks that may not be present (or that are present to a lesser extent) with sales to smaller entities. These risks include:

- competition from larger competitors, such as Cisco, Check Point, and Juniper, that traditionally target larger enterprises, service providers, and government entities and that may have pre-existing relationships or purchase commitments from those end-customers;
- increased purchasing power and leverage held by large end-customers in negotiating contractual arrangements with us;

- more stringent requirements in our worldwide support and maintenance service contracts, including stricter support response times and penalties for any failure to meet support requirements; and
- longer sales cycles and the associated risk that substantial time and resources may be spent on a potential end-customer that elects not to purchase our products and services.

Large enterprises often undertake a significant evaluation process that results in a lengthy sales cycle, in some cases over 12 months. Although we have a channel sales model, our sales representatives typically engage in direct interaction with our distributors and resellers in connection with sales to larger end-customers. Because these evaluations are often lengthy, with significant size and scope and stringent requirements, we typically provide evaluation products to these end-customers. We may spend substantial time, effort, and money in our sales efforts without being successful in generating any sales. In addition, product purchases by large enterprises are frequently subject to budget constraints, multiple approvals, and unplanned administrative, processing, and other delays. Finally, large enterprises typically have longer implementation cycles, require greater product functionality and scalability and a broader range of services, demand that vendors take on a larger share of risks, sometimes require acceptance provisions that can lead to a delay in revenue recognition, and expect greater payment flexibility from vendors. All of these factors can add further risk to business conducted with these end-customers. If we fail to realize an expected sale from a large end-customer in a particular quarter or at all, our business, operating results, and financial condition could be materially and adversely affected.

We rely on revenue from subscription and support and maintenance services, which may decline, and because we recognize revenue from subscriptions and support and maintenance services over the term of the relevant service period, downturns or upturns in sales of these subscription and support and maintenance services are not immediately reflected in full in our operating results.

Services revenue accounts for a significant portion of our revenue, comprising 47% and 43% of total revenue in fiscal 2015 and fiscal 2014, respectively. Sales of new or renewal subscription and support and maintenance contracts may decline and fluctuate as a result of a number of factors, including end-customers' level of satisfaction with our products and services, the prices of our products and services, the prices of products and services offered by our competitors, and reductions in our end-customers' spending levels. If our sales of new or renewal subscription and support and maintenance contracts decline, our total revenue and revenue growth rate may decline and our business will suffer. In addition, we recognize subscription and support and maintenance revenue monthly over the term of the relevant service period, which is typically one year and can be up to five years. As a result, much of the subscription and support and maintenance revenue we report each fiscal quarter is the recognition of deferred revenue from subscription and support and maintenance contracts entered into during previous fiscal quarters. Consequently, a decline in new or renewed subscription or support and maintenance contracts in any one fiscal quarter will not be fully or immediately reflected in revenue in that fiscal quarter but will negatively affect our revenue in future fiscal quarters. Accordingly, the effect of significant downturns in new or renewed sales of our subscriptions or support and maintenance is not reflected in full in our operating results until future periods. Also, it is difficult for us to rapidly increase our services revenue through additional services sales in any period, as revenue from new and renewal subscription and support and maintenance contracts must be recognized over the applicable service period. Furthermore, any increase in the average term of subscription and support and maintenance contracts would result in revenue for such contracts being recognized over longer periods of time.

Defects, errors, or vulnerabilities in our products or services or the failure of our products or services to block a virus or prevent a security breach could harm our reputation and adversely impact our operating results.

Because our products and services are complex, they have contained and may contain design or manufacturing defects or errors that are not detected until after their commercial release and deployment by our end-customers. For example, from time to time, certain of our end-customers have reported defects in our products related to performance, scalability, and compatibility that were not detected before shipping the product. Additionally, defects may cause our products or services to be vulnerable to security attacks, cause them to fail to help secure networks, or temporarily interrupt end-customers' networking traffic. Because the techniques used by computer hackers to access or sabotage networks change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques and provide a solution in time to protect our end-customers' networks. Furthermore, as a well-known provider of security solutions, our networks, products, including cloud-based technology, and services could be targeted by attacks specifically designed to disrupt our business and harm our reputation. In addition, defects or errors in our subscription updates or our products could result in a failure of our services to effectively update end-customers' hardware and cloud-based products and thereby leave our end-customers vulnerable to attacks. Our data centers and networks may experience technical failures and downtime, may fail to distribute appropriate updates, or may fail to meet the increased requirements of a growing installed end-customer base, any of which could temporarily or permanently expose our end-customers' networks, leaving their networks unprotected against the latest security threats.

Any defects, errors, or vulnerabilities in our products, whether real or perceived, could result in:

- expenditure of significant financial and product development resources in efforts to analyze, correct, eliminate, or work-around errors or defects or to address and eliminate vulnerabilities;
- loss of existing or potential end-customers or channel partners;
- delayed or lost revenue;
- delay or failure to attain market acceptance;
- an increase in warranty claims compared with our historical experience, or an increased cost of servicing warranty claims, either of which would adversely affect our gross margins; and
- litigation, regulatory inquiries, or investigations that may be costly and harm our reputation.

Our business is subject to the risks of warranty claims, product returns, product liability, and product defects.

Our products are very complex and, despite testing prior to their release, they have contained and may contain undetected defects or errors, especially when first introduced or when new versions are released. Product defects or errors could affect the performance of our products and could delay the development or release of new products or new versions of products, adversely affect our reputation and our end-customers' willingness to buy products from us, and adversely affect market acceptance or perception of our products. Any such errors or delays in releasing new products or new versions of products or allegations of unsatisfactory performance could cause us to lose revenue or market share, increase our service costs, cause us to incur substantial costs in redesigning the products, cause us to lose significant end-customers, subject us to liability for damages, and divert our resources from other tasks, any one of which could materially and adversely affect our business, operating results, and financial condition. Our products must successfully interoperate with products from other vendors. As a result, when problems occur in a network, it may be difficult to identify the sources of these problems. For example, from time to time, certain of our end-customers have experienced temporary delays or interoperability issues when implementing our products in large complex global deployments where our products are required to interoperate with a complex environment of third-party products. The occurrence of hardware or software errors, whether or not caused by our products, could delay or reduce market acceptance of our products, and have an adverse effect on our business and financial performance, and any necessary revisions may cause us to incur significant expenses. The occurrence of any such problems could harm our business, financial condition, and operating results.

The limitation of liability provisions in our standard terms and conditions of sale may not fully or effectively protect us from claims as a result of federal, state, or local laws or ordinances, or unfavorable judicial decisions in the United States or other countries. The sale and support of our products also entails the risk of product liability claims. Although we may be indemnified by our third-party manufacturers for product liability claims arising out of manufacturing defects, because we control the design of our products, we may not be indemnified for product liability claims arising out of design defects. We maintain insurance to protect against certain claims associated with the use of our products, but our insurance coverage may not adequately cover any claim asserted against us. In addition, even claims that ultimately are unsuccessful could result in our expenditure of funds in litigation, divert management's time and other resources, and harm our reputation.

If the enterprise security market does not continue to adopt our security platform, our sales will not grow as quickly as anticipated, and the market price of our common stock could decline.

We are seeking to disrupt the enterprise security market with our security platform. However, organizations that use legacy products and services for their security needs may believe that these products and services sufficiently achieve their purpose. Organizations may also believe that our products and services only serve the needs of a portion of the enterprise security market. Accordingly, organizations may continue allocating their information technology budgets for legacy products and services and may not adopt our security platform. If the enterprise security market does not continue to adopt our security platform, if end-customers do not recognize the value of our platform compared to legacy products and services, or if we are otherwise unable to sell our products and services to organizations, then our revenue may not grow or may decline and the market price of our common stock could decline.

If we do not accurately predict, prepare for, and respond promptly to the rapidly evolving technological and market developments and changing end-customer needs in the enterprise security market, our competitive position and prospects will be harmed.

The enterprise security market is expected to continue to evolve rapidly. Moreover, many of our end-customers operate in markets characterized by rapidly changing technologies and business plans, which require them to add numerous network access points and adapt increasingly complex enterprise networks, incorporating a variety of hardware, software applications, operating systems, and networking protocols. The technology in our products is especially complex because it needs to effectively identify and respond to new and increasingly sophisticated methods of attack, while minimizing the impact on network performance.

Additionally, some of our new products and enhancements may require us to develop new hardware architectures that involve complex, expensive, and time-consuming research and development processes. Although the market expects rapid introduction of new products or product enhancements to respond to new threats, the development of these products is difficult and the timetable for commercial release and availability is uncertain as there can be long time periods between releases and availability of new products. We may experience unanticipated delays in the availability of new products and services and fail to meet customer expectations for such availability. If we do not quickly respond to the rapidly changing and rigorous needs of our end-customers by developing, releasing, and making available on a timely basis new products and services or enhancements that can respond adequately to new security threats, our competitive position and business prospects will be harmed.

Additionally, the process of developing new technology is complex and uncertain, and if we fail to accurately predict end-customers' changing needs and emerging technological trends in the enterprise security industry, including the areas of mobility, virtualization, cloud computing, and software defined networks (SDN), our business could be harmed. We must commit significant resources to developing new products before knowing whether our investments will result in products the market will accept. For example, in September 2014, we released Traps, our Advanced Endpoint Protection offering, which protects against cyber attacks that aim to exploit software vulnerabilities on a broad variety of fixed and virtual Microsoft Windows-based endpoints and servers; however, there is no assurance that this new offering will gain market acceptance. The success of new products depends on several factors, including appropriate new product definition, component costs, timely completion and introduction of these products, differentiation of new products from those of our competitors, and market acceptance of these products. There can be no assurance that we will successfully identify new product opportunities, develop and bring new products to market in a timely manner, or achieve market acceptance of our products, or that products and technologies developed by others will not render our products or technologies obsolete or noncompetitive.

To remain competitive, we must successfully manage product introductions and transitions.

Due to the highly volatile and competitive nature of the industries in which we compete, we must continually introduce new products, services and technologies, and enhance existing products and services. The success of new product introductions depends on a number of factors including, but not limited to, timely and successful product development, market acceptance, our ability to manage the risks associated with new product production ramp-up issues, the availability of application software for new products, the effective management of purchase commitments and inventory in line with anticipated product demand, the availability of products in appropriate quantities and costs to meet anticipated demand, and the risk that new products may have quality or other defects or deficiencies in the early stages of introduction. Accordingly, we cannot determine in advance the ultimate effect of new product introductions and transitions on our business and operating results.

Our current research and development efforts may not produce successful products or features that result in significant revenue, cost savings or other benefits in the near future, if at all.

Developing our products and related enhancements is expensive. Our investments in research and development may not result in significant design improvements, marketable products or features, or may result in products that are more expensive than anticipated. Additionally, we may not achieve the cost savings or the anticipated performance improvements we expect, and we may take longer to generate revenue, or generate less revenue, than we anticipate. Our future plans include significant investments in research and development and related product opportunities. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain our competitive position. However, we may not receive significant revenue from these investments in the near future, if at all, or these investments may not yield the expected benefits, either of which could adversely affect our business and operating results.

The sales prices of our products and services may decrease, which may reduce our gross profits and adversely impact our financial results.

The sales prices for our products and services may decline for a variety of reasons, including competitive pricing pressures, discounts, a change in our mix of products and services, anticipation of the introduction of new products or services, or promotional programs. Competition continues to increase in the market segments in which we participate, and we expect competition to further increase in the future, thereby leading to increased pricing pressures. Larger competitors with more diverse product and service offerings may reduce the price of products or services that compete with ours or may bundle them with other products and services. Additionally, although we price our products and services worldwide in U.S. dollars, currency fluctuations in certain countries and regions may negatively impact actual prices that channel partners and end-customers are willing to pay in those countries and regions. Furthermore, we anticipate that the sales prices and gross profits for our products will decrease over product life cycles. We cannot assure you that we will be successful in developing and introducing new offerings with enhanced functionality on a timely basis, or that our product and service offerings, if introduced, will enable us to maintain our prices and gross profits at levels that will allow us to achieve and maintain profitability.

We generate a significant amount of revenue from sales to distributors, resellers, and end-customers outside of the United States, and we are therefore subject to a number of risks associated with international sales and operations.

We have a limited history of marketing, selling, and supporting our products and services internationally. As a result, we must hire and train experienced personnel to staff and manage our foreign operations. To the extent that we experience difficulties in recruiting, training, managing, and retaining an international staff, and specifically staff related to sales management and sales personnel, we may experience difficulties in sales productivity in foreign markets. We also enter into strategic distributor and reseller relationships with companies in certain international markets where we do not have a local presence. If we are not able to maintain successful strategic distributor relationships internationally or recruit additional companies to enter into strategic distributor relationships, our future success in these international markets could be limited. Business practices in the international markets that we serve may differ from those in the United States and may require us in the future to include terms other than our standard terms in customer contracts. To the extent that we may enter into customer contracts in the future that include non-standard terms related to payment, warranties, or performance obligations, our operating results may be adversely impacted.

Additionally, our international sales and operations are subject to a number of risks, including the following:

- political, economic and social uncertainty around the world, in particular, macroeconomic challenges in Europe, terrorist activities, and continued hostilities in the Middle East;
- greater difficulty in enforcing contracts and accounts receivable collection and longer collection periods;
- the uncertainty of protection for intellectual property rights in some countries;
- greater risk of unexpected changes in regulatory practices, tariffs, and tax laws and treaties;
- risks associated with trade restrictions and foreign legal requirements, including the importation, certification, and localization of our products required in foreign countries;
- greater risk of a failure of foreign employees, channel partners, distributors, and resellers to comply with both U.S. and foreign laws, including antitrust regulations, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, U.S. or foreign sanctions regimes and export or import control laws, and any trade regulations ensuring fair trade practices;
- heightened risk of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements;
- increased expenses incurred in establishing and maintaining office space and equipment for our international operations;
- greater difficulty in recruiting local experienced personnel, and the costs and expenses associated with such activities;
- management communication and integration problems resulting from cultural and geographic dispersion;
- fluctuations in exchange rates between the U.S. dollar and foreign currencies in markets where we do business; and
- general economic and political conditions in these foreign markets.

These factors and other factors could harm our ability to gain future international revenues and, consequently, materially impact our business, operating results, 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 successfully manage our international operations and the associated risks effectively could limit the future growth of our business.

We are exposed to the credit and liquidity risk of some of our channel partners and to credit exposure in weakened markets, which could result in material losses.

For fiscal 2015, three channel partners represented 71% of our total revenue, and as of July 31, 2015, two channel partners represented 66% of our gross accounts receivable. Most of our sales to our channel partners are made on an open credit basis. Although we have programs in place that are designed to monitor and mitigate these risks, we cannot assure you these programs will be effective in reducing our credit risks, especially as we expand our business internationally. If we are unable to adequately control these risks, our business, operating results, and financial condition could be harmed.

A portion of our revenue is generated by sales to government entities, which are subject to a number of challenges and risks.

Sales to government entities are subject to a number of risks. Selling to government entities can be highly competitive, expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Government certification requirements for products like ours may change, thereby restricting our ability to sell into the federal government sector until we have attained the revised certification. Government demand and payment for our products and services may be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays

adversely affecting public sector demand for our products and services. For example, the U.S. Congress may take additional action in 2015 to further reduce federal spending and the deficit, which could further impact our business and operating results.

The substantial majority of our sales to date to government entities have been made indirectly through our channel partners. Government entities may have statutory, contractual, or other legal rights to terminate contracts with our distributors and resellers for convenience or due to a default, and any such termination may adversely impact our future operating results. Governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our products and services, a reduction of revenue, or fines or civil or criminal liability if the audit uncovers improper or illegal activities, which could adversely impact our operating results in a material way. Finally, the U.S. government may require certain products purchased by it to be manufactured in the United States and other relatively high cost manufacturing locations, and we may not manufacture all products in locations that meet such requirements, affecting our ability to sell these products to the U.S. government.

If our products do not interoperate with our end-customers' infrastructure, sales of our products and services could be negatively affected, which would harm our business.

Our products must interoperate with our end-customers' existing infrastructure, which often have different specifications, utilize multiple protocol standards, deploy products from multiple vendors, and contain multiple generations of products that have been added over time. As a result, when problems occur in a network, it may be difficult to identify the sources of these problems. If we find defects in the hardware, we replace the hardware as part of our normal warranty process. If we find errors in the existing software that create problematic network configurations or settings, as we have in the past, we may have to issue software updates as part of our normal maintenance process. Any delays in identifying the sources of problems or in providing necessary modifications to our software or hardware could have a negative impact on our reputation and our end-customers' satisfaction with our products and services, and our ability to sell products and services could be adversely affected. In addition, governments and other end-customers may require our products to comply with certain security or other certifications and standards. If our products are late in achieving or fail to achieve compliance with these certifications and standards, or our competitors achieve compliance with these certifications and standards, we may be disqualified from selling our products to such end-customers, or be at a competitive disadvantage, which would harm our business, operating results, and financial condition.

Our ability to sell our products is dependent on the quality of our technical support services and those of our channel partners, and the failure to offer high-quality technical support services could have a material adverse effect on our end-customers' satisfaction with our products and services, our sales, and our operating results.

After our products are deployed within our end-customers' networks, our end-customers depend on our technical support services, as well as the support of our channel partners, to resolve any issues relating to our products. Our channel partners often provide similar technical support for third parties' products, and may therefore have fewer resources to dedicate to the support of our products. If we or our channel partners do not effectively assist our end-customers in deploying our products, succeed in helping our end-customers quickly resolve post-deployment issues, or provide effective ongoing support, our ability to sell additional products and services to existing end-customers would be adversely affected and our reputation with potential end-customers could be damaged. Many larger enterprise, service provider, and government entity end-customers have more complex networks and require higher levels of support than smaller end-customers. If we or our channel partners fail to meet the requirements of these larger end-customers, it may be more difficult to execute on our strategy to increase our coverage with larger end-customers. Additionally, if our channel partners do not effectively provide support to the satisfaction of our end-customers, we may be required to provide direct support to such end-customers, which would require us to hire additional personnel and to invest in additional resources. It can take several months to recruit, hire, and train qualified technical support employees. We may not be able to hire such resources fast enough to keep up with unexpected demand, particularly if the sales of our products exceed our internal forecasts. To the extent that we or our channel partners are unsuccessful in hiring, training, and retaining adequate support resources, our and our channel partners' ability to provide adequate and timely support to our end-customers will be negatively impacted, and our end-customers' satisfaction with our products and services will be adversely affected. Additionally, to the extent that we may need to rely on our sales engineers to provide post-sales support while we are ramping our support resources, our sales productivity will be negatively impacted, which would harm our revenues. Our or our channel partners' failure to provide and maintain high-quality support services would have a material adverse effect on our business, financial condition, and operating results.

We face risks associated with having operations and employees located in Israel.

As a result of our acquisition of Cyvera Ltd. ("Cyvera"), we have offices and employees located in Israel. As a result, political, economic, and military conditions in Israel directly affect our operations. The future of peace efforts between Israel and its Arab neighbors remains uncertain. There has been a significant increase in hostilities and political unrest between Hamas and Israel in the past year. The effects of these hostilities and violence on the Israeli economy and our operations in Israel are unclear, and we cannot predict the effect on us of further increases in these hostilities or future armed conflict, political instability or

violence in the region. Current or future tensions and conflicts in the Middle East could adversely affect our business, operating results, financial condition and cash flows.

In addition, many of our employees in Israel are obligated to perform annual reserve duty in the Israeli military and are subject to being called for active duty under emergency circumstances. We cannot predict the full impact of these conditions on us in the future, particularly if emergency circumstances or an escalation in the political situation occurs. If many of our employees in Israel are called for active duty for a significant period of time, our operations and our business could be disrupted and may not be able to function at full capacity. Any disruption in our operations in Israel could adversely affect our business.

We may acquire other businesses, which could require significant management attention, disrupt our business, dilute stockholder value, and adversely affect our operating results.

As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies. For example, in December 2013, we acquired Morta Security, Inc. (“Morta”), in April 2014, we acquired Cyvera, and in May 2015, we acquired CirroSecure, all of which were cybersecurity companies. However, we have not made any other significant acquisitions to date, and as a result, our ability as an organization to acquire and integrate other companies, products, or technologies in a successful manner is unproven. The identification of suitable acquisition candidates is difficult, and we may not be able to complete such acquisitions on favorable terms, if at all. If we do complete future acquisitions, we may not ultimately strengthen our competitive position or achieve our goals and business strategy, we may be subject to claims or liabilities assumed from an acquired company, product, or technology, and any acquisitions we complete could be viewed negatively by our end-customers, investors, and securities analysts. In addition, if we are unsuccessful at integrating past or future acquisitions, or the technologies associated with such acquisitions, into our company, the revenue and operating results of the combined company could be adversely affected. Any integration process may require significant time and resources, which may disrupt our ongoing business and divert management’s attention, and we may not be able to manage the integration process successfully. We may not successfully evaluate or utilize the acquired technology or personnel, realize anticipated synergies from the acquisition, or accurately forecast the financial impact of an acquisition transaction and integration of such acquisition, including accounting charges. We may have to pay cash, incur debt, or issue equity or equity-linked securities to pay for any future acquisitions, each of which could adversely affect our financial condition or the market price of our common stock. The sale of equity or issuance of equity-linked debt to finance any future acquisitions could result in dilution to our stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations. The occurrence of any of these risks could harm our business, operating results, and financial condition.

False detection of applications, viruses, spyware, vulnerability exploits, data patterns, or URL categories could adversely affect our business.

Our classifications of application type, virus, spyware, vulnerability exploits, data, or URL categories may falsely detect applications, content, or threats that do not actually exist. This risk is heightened by the inclusion of a “heuristics” feature in our products, which attempts to identify applications and other threats not based on any known signatures but based on characteristics or anomalies which indicate that a particular item may be a threat. These false positives may impair the perceived reliability of our products and may therefore adversely impact market acceptance of our products. If our products restrict important files or applications based on falsely identifying them as malware or some other item that should be restricted, this could adversely affect end-customers’ systems and cause material system failures. Any such false identification of important files or applications could result in damage to our reputation, negative publicity, loss of channel partners, end-customers and sales, increased costs to remedy any problem, and costly litigation.

Claims by others that we infringe their proprietary technology or other rights could harm our business.

Companies in the enterprise security industry own large numbers of patents, copyrights, trademarks, domain names, and trade secrets and frequently enter into litigation based on allegations of infringement, misappropriation, or other violations of intellectual property or other rights. As we face increasing competition and gain an increasingly high profile, the possibility of intellectual property rights claims against us grows. Third parties have asserted and may in the future assert claims of infringement of intellectual property rights against us. For example, in December 2011, Juniper, one of our competitors, filed a lawsuit against us alleging patent infringement. In September 2013, we filed a lawsuit against Juniper alleging patent infringement. In May 2014, we entered into a Settlement, Release and Cross-License Agreement (the “Settlement Agreement”) with Juniper to resolve all pending disputes between Juniper and us, including dismissal of all pending litigation. Please refer to the discussion under “Legal Proceedings” included in Part I, Item 3 of this Annual Report on Form 10-K for more information related to our intellectual property litigation and settlement with Juniper.

Third parties may also assert such claims against our end-customers or channel partners, whom our standard license and other agreements obligate us to indemnify against claims that our products infringe the intellectual property rights of third parties. Furthermore, we may be unaware of the intellectual property rights of others that may cover some or all of our technology or

products. As the number of products and competitors in our market increases and overlaps occur, infringement claims may increase. While we intend to increase the size of our patent portfolio, our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. In addition, future litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue and against whom our own patents may therefore provide little or no deterrence or protection. In addition, we have not registered our trademarks in all of our geographic markets and failure to secure those registrations could adversely affect our ability to enforce and defend our trademark rights. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim, could distract our management from our business, and could require us to cease use of such intellectual property. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

Although third parties may offer a license to their technology or other intellectual property, the terms of any offered license may not be acceptable and the failure to obtain a license or the costs associated with any license could cause our business, financial condition, and operating results to be materially and adversely affected. In addition, some licenses may be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. If a third party does not offer us a license to its technology or other intellectual property on reasonable terms, or at all, we could be enjoined from continued use of such intellectual property. As a result, we may be required to develop alternative, non-infringing technology, which could require significant time (during which we would be unable to continue to offer our affected products or services), effort, and expense and may ultimately not be successful. Furthermore, a successful claimant could secure a judgment or we may agree to a settlement that prevents us from distributing certain products or performing certain services or that requires us to pay substantial damages, royalties, or other fees. Any of these events could seriously harm our business, financial condition, and operating results.

In addition, although we have settled our litigation with Juniper, there is no guarantee that future claims of infringement will not arise between us and Juniper or other third parties. Under the Settlement Agreement with Juniper, the parties agreed to a mutual dismissal of all pending litigation, a cross-license of the patents in suit for the life of the patents, and an eight-year mutual covenant not to sue for infringement of any other patents. We also agreed to pay Juniper a one-time settlement amount consisting of \$75.0 million in cash, 1.1 million shares of our common stock, and a warrant to purchase 0.5 million shares of our common stock. After the eight-year covenant not to sue period, Juniper could file additional lawsuits against us, asserting patent infringement for other patents that are not subject to the cross-license.

Our proprietary rights may be difficult to enforce or protect, which could enable others to copy or use aspects of our products without compensating us.

We rely and expect to continue to rely on a combination of confidentiality and license agreements with our employees, consultants, and third parties with whom we have relationships, as well as trademark, copyright, patent, and trade secret protection laws, to protect our proprietary rights. We have filed various applications for certain aspects of our intellectual property. Valid patents may not issue from our pending applications, and the claims eventually allowed on any patents may not be sufficiently broad to protect our technology or products. 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. Patent applications in the United States are typically not published until 18 months after filing, or, in some cases, not at all, and publications of discoveries in industry-related literature lag behind actual discoveries. We cannot be certain that we were the first to make the inventions claimed in our pending patent applications or that we were the first to file for patent protection, which could prevent our patent applications from issuing as patents or invalidate our patents following issuance. 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. Additional uncertainty may result from changes to patent-related laws enacted in the United States and other jurisdictions, including the America Invents Act and changes that may bring into question the validity of certain categories of software patents, and from interpretations of the intellectual property laws of the United States and other countries by applicable courts and agencies. As a result, we may not be able to obtain adequate patent protection or effectively enforce any issued patents.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information that we regard as proprietary. We generally enter into confidentiality or license agreements with our employees, consultants, vendors, and customers, and generally limit access to and distribution of our proprietary information. However, we cannot assure you that we have entered into such agreements with all parties who may have or have had access to our confidential information or that the agreements we have entered into will not be breached. We cannot guarantee that any of the measures we have taken will prevent misappropriation of our technology. Because we may be an attractive target for computer hackers, we may have a greater risk of unauthorized access to, and misappropriation of, our proprietary information. In addition, the laws of some foreign countries do not protect our proprietary rights to as great an extent as the laws of the United States, and many foreign countries do not enforce these laws as diligently as government agencies and private parties in the United States. From time to time, we may need to take legal action to enforce our patents and other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or

invalidity. Such litigation could result in substantial costs and diversion of resources and could negatively affect our business, operating results, and financial condition. Attempts to enforce our rights against third parties could also provoke these third parties to assert their own intellectual property or other rights against us, or result in a holding that invalidates or narrows the scope of our rights, in whole or in part. If we are unable to protect our proprietary rights (including aspects of our software and products protected other than by patent rights), we may find ourselves at a competitive disadvantage to others who need not incur the additional expense, time, and effort required to create the innovative products that have enabled us to be successful to date. Any of these events would have a material adverse effect on our business, financial condition, and operating results.

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

Our products contain software modules licensed to us by third-party authors under “open source” licenses. 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 certain manner, we could, under certain 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 products with lower development effort and time and ultimately could result in a loss of product sales for us.

Although we monitor our use of open source software to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by United States courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our products. From time to time, there have been claims against companies that distribute or use open source software in their products and services, asserting that open source software infringes the claimants’ intellectual property rights. We could be subject to suits by parties claiming infringement of intellectual property rights in what we believe to be licensed open source software. Moreover, we cannot assure you that our processes for controlling our use of open source software in our products 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 offering our products on terms that are not economically feasible, to re-engineer our products, to discontinue the sale of our products if re-engineering could not be accomplished on a timely basis, or to make generally available, in source code form, our proprietary code, any of which could adversely affect our business, operating results, and financial condition.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or assurance of title or controls on origin of the software. In addition, many of the risks associated with usage of open source software, such as the lack of warranties or assurances of title, cannot be eliminated, and could, if not properly addressed, negatively affect our business. We have established processes to help alleviate these risks, including a review process for screening requests from our development organizations for the use of open source software, but we cannot be sure that all open source software is submitted for approval prior to use in our products.

Our failure to adequately protect personal information could have a material adverse effect on our business.

A wide variety of provincial, state, national, and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, and other processing of personal data. These data protection and privacy-related laws and regulations are evolving and being tested in courts and may result in ever-increasing regulatory and public scrutiny as well as escalating levels of enforcement and sanctions. Our failure to comply with applicable laws and regulations, or to protect such data, could result in enforcement action against us, including fines, imprisonment of company officials and public censure, claims for damages by end-customers and other affected individuals, damage to our reputation and loss of goodwill (both in relation to existing end-customers and prospective end-customers), any of which could have a material adverse effect on our operations, financial performance, and business. Evolving and changing definitions of personal data and personal information, within the European Union, the United States, and elsewhere, especially relating to classification of IP addresses, machine identification, location data, and other information, may limit or inhibit our ability to operate or expand our business, including limiting strategic partnerships that may involve the sharing of data. Even the perception of privacy concerns, whether or not valid, may harm our reputation and inhibit adoption of our products by current and future end-customers.

We license technology from third parties, and our inability to maintain those licenses could harm our business.

We incorporate technology that we license from third parties, including software, into our products and services. We cannot be certain that our licensors are not infringing the intellectual property rights of third parties or that our licensors have sufficient rights to the licensed intellectual property in all jurisdictions in which we may sell our products. Some of our agreements with our licensors may be terminated for convenience by them. If we are unable to continue to license any of this technology because of intellectual property infringement claims brought by third parties against our licensors or against us, or if we are unable to continue our license agreements or enter into new licenses on commercially reasonable terms, our ability to develop and sell products and

services containing that technology would be severely limited, and our business could be harmed. Additionally, if we are unable to license necessary technology from third parties, we may be forced to acquire or develop alternative technology, which we may be unable to do in a commercially feasible manner or at all, and that may require us to use alternative technology of lower quality or performance standards. This would limit and delay our ability to offer new or competitive products and services and increase our costs of production. As a result, our margins, market share, and operating results could be significantly harmed.

Misuse of our products could harm our reputation and divert resources.

Our products may be misused by end-customers or third parties that obtain access to our products. For example, our products could be used to censor private access to certain information on the Internet. Such use of our products for censorship could result in negative press coverage and negatively affect our reputation.

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

Because we incorporate encryption technology into our products, certain of our products are subject to U.S. export controls and may be exported outside the United States only with the required export license or through an export license exception. If we were to fail to comply with U.S. export licensing requirements, U.S. customs regulations, U.S. economic sanctions, or other laws, we could be subject to substantial civil and criminal penalties, including fines, incarceration for responsible employees and managers, and the possible loss of export or import privileges. Obtaining the necessary export license for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities. Furthermore, U.S. export control laws and economic sanctions prohibit the shipment of certain products to U.S. embargoed or sanctioned countries, governments, and persons. Even though we take precautions to ensure that our channel partners comply with all relevant regulations, any failure by our channel partners to comply with such regulations could have negative consequences for us, including reputational harm, government investigations, and penalties.

In addition, various countries regulate the import of certain encryption technology, including through import permit and license requirements, and have enacted laws that could limit our ability to distribute our products or could limit our end-customers' ability to implement our products in those countries. Changes in our products or changes in export and import regulations may create delays in the introduction of our products into international markets, prevent our end-customers with international operations from deploying our products globally or, in some cases, prevent or delay the export or import of our products to certain countries, governments, or persons altogether. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential end-customers with international operations. Any decreased use of our products or limitation on our ability to export to or sell our products in international markets would likely adversely affect our business, financial condition, and operating results.

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

We believe that a critical contributor to our success has been our corporate culture, which we believe fosters innovation, teamwork, passion for customers, and focus on execution, as well as facilitating critical knowledge transfer and knowledge sharing. As we grow and change, we may find it difficult to maintain these important aspects of our corporate culture, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to retain and recruit personnel, continue to perform at current levels or execute on our business strategy.

Our financial condition and operating results could suffer if there is an impairment of goodwill or intangible assets.

As of July 31, 2015, our goodwill and intangible assets were \$216.2 million, and we have not recorded any goodwill or intangible assets impairments to date. We evaluate our goodwill for impairment on an annual basis in the fourth quarter of our fiscal year, and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. Any excess of the goodwill carrying amount over its implied fair value is recognized as an impairment loss. This would result in incremental expense in the period in which the impairment was determined to have occurred. We cannot accurately predict the amount and timing of an impairment loss and any such impairment would have an adverse effect on our operating results.

Our failure to raise additional capital or generate the significant capital necessary to expand our operations and invest in new products could reduce our ability to compete and could harm our business.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features to enhance our platform, improve our operating infrastructure, or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure

additional funds. If we raise additional equity or equity-linked financing, our stockholders may experience significant dilution of their ownership interests and the market price of our common stock could decline. For example, in June 2014, we issued 0.0% Convertible Senior Notes due 2019 (the “Notes”) and any conversion of some or all of the Notes into common stock will dilute the ownership interests of existing stockholders to the extent we deliver shares upon conversion of any of the Notes. See the risk factor entitled “The issuance of additional stock in connection with financings, acquisitions, investments, our stock incentive plans, the conversion of our Notes, or otherwise will dilute all other stockholders.” Furthermore, if we engage in additional debt financing, the holders of our debt would have priority over the holders of our common stock, and we may be required to accept terms that restrict our ability to incur additional indebtedness. We may also be required to take other actions that would otherwise be in the interests of the debt holders and would require us to maintain specified liquidity or other ratios, any of which could harm our business, operating results, and financial condition. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be adversely affected.

We have a corporate structure aligned with the international nature of our business activities, and if we do not achieve increased tax benefits as a result of our corporate structure, our financial condition and operating results could be adversely affected.

We have reorganized our corporate structure and intercompany relationships to more closely align with the international nature of our business activities. This corporate structure may allow us to reduce our overall effective tax rate through changes in how we use our intellectual property, international procurement, and sales operations. This corporate structure may also allow us to obtain financial and operational efficiencies. These efforts require us to incur expenses in the near term for which we may not realize related benefits. If the structure is not accepted by the applicable taxing authorities, if there are any changes in domestic and international tax laws that negatively impact the structure, including proposed legislation to reform U.S. taxation of international business activities and recent guidance regarding base erosion and profit shifting (“BEPS”) provided by the Organisation for Economic Co-operation and Development, or if we do not operate our business consistent with the structure and applicable tax provisions, we may fail to achieve the reduction in our overall effective tax rate and the other financial and operational efficiencies that we anticipate as a result of the structure and our future financial condition and operating results may be negatively impacted.

We may have exposure to greater than anticipated tax liabilities.

Our income tax obligations are based in part on our corporate structure and intercompany arrangements, including the manner in which we develop, value, and use our intellectual property and the valuations of our intercompany transactions. The tax laws applicable to our business, including the laws of the United States and other jurisdictions, are subject to interpretation and certain jurisdictions may aggressively interpret their laws in an effort to raise additional tax revenue. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, which could increase our worldwide effective tax rate and harm our financial position and operating results. It is possible that tax authorities may disagree with certain positions we have taken and any adverse outcome of such a review or audit could have a negative effect on our financial position and operating results. Further, the determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our consolidated financial statements and may materially affect our financial results in the period or periods for which such determination is made.

If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our operating results could fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part II, Item 7 of this Annual Report on Form 10-K, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue, and expenses that are not readily apparent from other sources. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, share-based compensation, contract manufacturing liabilities, warranties, loss contingencies, income taxes, and, with respect to

business combinations, determining purchase price allocation and estimating the fair value of assets acquired and liabilities assumed.

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

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

If we fail to comply with environmental requirements, our business, financial condition, operating results, and reputation could be adversely affected.

We are subject to various environmental laws and regulations including laws governing the hazardous material content of our products and laws relating to the collection of and recycling of electrical and electronic equipment. Examples of these laws and regulations include the European Union (EU) Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive (RoHS) and the EU Waste Electrical and Electronic Equipment Directive (WEEE Directive), as well as the implementing legislation of the EU member states. Similar laws and regulations have been passed or are pending in China, South Korea, Norway, and Japan and may be enacted in other regions, including in the United States, and we are, or may in the future be, subject to these laws and regulations.

The EU RoHS and the similar laws of other jurisdictions limit the content of certain hazardous materials such as lead, mercury, and cadmium in the manufacture of electrical equipment, including our products. Currently, our products comply with the EU RoHS requirements. However, if there are changes to this or other laws (or their interpretation) or if new similar laws are passed in other jurisdictions, we may be required to reengineer our products to use components compatible with these regulations. This reengineering and component substitution could result in additional costs to us or disrupt our operations or logistics.

The WEEE Directive requires electronic goods producers to be responsible for the collection, recycling, and treatment of such products. Changes in interpretation of the directive may cause us to incur costs or have additional regulatory requirements to meet in the future in order to comply with this directive, or with any similar laws adopted in other jurisdictions.

We are also subject to environmental laws and regulations governing the management of hazardous materials, which we use in small quantities in our engineering labs. Our failure to comply with past, present, and future similar laws could result in reduced sales of our products, substantial product inventory write-offs, reputational damage, penalties, and other sanctions, any of which could harm our business and financial condition. We also expect that our products will be affected by new environmental laws and regulations on an ongoing basis. To date, our expenditures for environmental compliance have not had a material impact on our operating results or cash flows, and although we cannot predict the future impact of such laws or regulations, they will likely result in additional costs and may increase penalties associated with violations or require us to change the content of our products or how they are manufactured, which could have a material adverse effect on our business, operating results, and financial condition.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and operating results.

Our sales contracts are primarily denominated in U.S. dollars, and therefore, substantially all of our revenue is not subject to foreign currency risk. However, strengthening of the U.S. dollar increases the real cost of our products to our end-customers outside of the United States, leading to delays in the purchase of our products and the lengthening of our sales cycle. If the U.S. dollar continues to strengthen, this could adversely affect our financial condition and operating results. In addition, increased international sales in the future, including through our channel partners and other partnerships, may result in greater foreign currency denominated sales, increasing our foreign currency risk. Moreover, operating expenses incurred outside the United States and denominated in foreign currencies are increasing and are subject to fluctuations due to changes in foreign currency exchange rates. If we are not able to successfully hedge against the risks associated with currency fluctuations, our financial condition and operating results could be adversely affected. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedging transactions may be limited and we may not be able to successfully hedge our exposure, which could adversely affect our financial condition and operating results.

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

A significant natural disaster, such as an earthquake, fire, flood, or significant power outage could have a material adverse impact on our business, operating results, and financial condition. Both our corporate headquarters and the location where our products are manufactured are located in the San Francisco Bay Area, a region known for seismic activity. In addition, natural disasters could affect our supply chain, manufacturing vendors, or logistics providers' ability to provide materials and perform services such as manufacturing products or assisting with shipments on a timely basis. In the event our or our service providers' information technology systems or manufacturing or logistics abilities are hindered by any of the events discussed above, shipments could be delayed, resulting in missed financial targets, such as revenue and shipment targets, for a particular quarter. In addition, acts of terrorism and other geo-political unrest could cause disruptions in our business or the business of our supply chain, manufacturers, logistics providers, channel partners, or end-customers or the economy as a whole. Any disruption in the business of our supply chain, manufacturers, logistics providers, channel partners, or end-customers that impacts sales at the end of a fiscal quarter could have a significant adverse impact on our future quarterly results. All of the aforementioned risks may be further increased if the disaster recovery plans for us and our suppliers prove to be inadequate. To the extent that any of the above should result in delays or cancellations of customer orders, or the delay in the manufacture, deployment, or shipment of our products, our business, financial condition, and operating results would be adversely affected.

Risks Related to Our Notes

We may not have the ability to raise the funds necessary to settle conversions of the Notes or to repurchase the Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the Notes.

Holders of the Notes will have the right to require us to repurchase all or a portion of their Notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid special interest, if any, to, but excluding, the fundamental change repurchase date. In addition, upon conversion of the Notes, we will be required to make cash payments for each \$1,000 in principal amount of Notes converted of at least the lesser of \$1,000 and the sum of the daily conversion values. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Notes surrendered therefor or pay cash with respect to Notes being converted.

In addition, our ability to repurchase or to pay cash upon conversion of the Notes may be limited by law, regulatory authority or agreements governing our future indebtedness. Our failure to repurchase the Notes at a time when the repurchase is required by the indenture governing the Notes or to pay cash upon conversion of the Notes as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or to pay cash upon conversion of the Notes.

We may still incur substantially more debt or take other actions which would diminish our ability to make payments on the Notes when due.

We and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt. We are not restricted under the terms of the indenture governing the Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indenture governing the Notes that could have the effect of diminishing our ability to make payments on the Notes when due. While the terms of any future indebtedness we may incur could restrict our ability to incur additional indebtedness, any such restrictions will indirectly benefit holders of the Notes only to the extent any such indebtedness or credit facility is not repaid or does not mature while the Notes are outstanding.

The accounting method for convertible debt securities that may be settled in cash, such as the Notes, could have a material effect on our reported financial results.

Under GAAP, we must separately account for the liability and equity components of convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects our economic interest cost. GAAP further requires the equity component of the Notes to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet, and the value of the equity component is treated as a debt discount for purposes of accounting for the debt component of the Notes. As a result, we are required to record non-cash interest expense in current and future periods as a result of the amortization of the discounted carrying value of the Notes to their face amount over the term of the Notes.

In addition, under certain circumstances, convertible debt instruments (such as the Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the Notes, then our diluted earnings per share would be adversely affected.

Risks Related to Ownership of Our Common Stock

Our actual operating results may differ significantly from our guidance.

From time to time, we have released, and may continue to release, guidance in our quarterly earnings releases, quarterly earnings conference call, or otherwise, regarding our future performance that represents our management's estimates as of the date of release. This guidance, which includes forward-looking statements, has been and will be based on projections prepared by our management. These projections are not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our registered public accountants nor any other independent expert or outside party compiles or examines the projections. Accordingly, no such person expresses any opinion or any other form of assurance with respect to the projections.

Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We intend to state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to imply that actual results could not fall outside of the suggested ranges. The principal reason that we release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from our guidance and the variations may be material. In light of the foregoing, investors are urged not to rely upon our guidance in making an investment decision regarding our common stock.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in this "Risk Factors" section in this Annual Report on Form 10-K could result in the actual operating results being different from our guidance, and the differences may be adverse and material.

The market price of our common stock historically has been volatile and the value of your investment could decline.

The market price of our common stock has been volatile since our initial public offering (IPO). Since shares of our common stock were sold in our IPO in July 2012 at a price of \$42.00 per share, the reported high and low sales prices of our common stock has ranged from \$200.55 to \$39.08, through September 1, 2015. The market price of our common stock may fluctuate widely in response to various factors, some of which are beyond our control. These factors include:

- announcements of new products, services 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;
- news announcements that affect investor perception of our industry, including reports related to the discovery of significant cyber attacks;
- significant volatility in the market price and trading volume of technology companies in general and of companies in our industry;
- fluctuations in the trading volume of our shares or the size of our public float;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- whether our operating results meet the expectations of securities analysts or investors;
- actual or anticipated changes in the expectations of securities analysts or investors;
- litigation involving us, our industry, or both;

- regulatory developments in the United States, foreign countries or both;
- major catastrophic events;
- sales of large blocks of our stock;
- departures of key personnel; or
- economic uncertainty around the world, in particular, macroeconomic challenges in Europe.

In addition, if the market for technology stocks or the stock market in general experiences loss of investor confidence, the market price of our common stock could decline for reasons unrelated to our business, operating results, or financial condition. The market price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. The market price of our common stock could also be affected by possible sales of our common stock by investors who view the Notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving our common stock as a result of the existence of the Notes. 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. Securities litigation could result in substantial costs and divert our management's attention and resources from our business. This could have a material adverse effect on our business, operating results, and financial condition.

The convertible note hedge and warrant transactions may affect the value of our common stock.

In connection with the sale of the Notes, we entered into convertible note hedge transactions with certain counterparties. We also entered into warrant transactions with the counterparties pursuant to which we sold warrants for the purchase of our common stock. The convertible note hedge transactions are expected generally to reduce the potential dilution to our common stock upon any conversion of Notes and/or offset any cash payments we are required to make in excess of the principal amount of any converted Notes, as the case may be. The warrants could separately have a dilutive effect to the extent that the market price per share of our common stock exceeds the strike price of the warrants unless, subject to certain conditions, we elect to cash settle the warrants.

The counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the Notes (and are likely to do so during any observation period related to a conversion of Notes). This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the Notes, which could affect a Note holder's ability to convert the Notes and, to the extent the activity occurs during any observation period related to a conversion of Notes, it could affect the amount and value of the consideration that such Note holder will receive upon conversion of the Notes.

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of the Notes or our common stock. In addition, we do not make any representation that the counterparties or their respective affiliates will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Substantial future sales of shares of our common stock could cause the market price of our common stock to decline.

The market price of our common stock could decline as a result of substantial sales of our common stock, particularly sales by our directors, executive officers, employees and significant stockholders, a large number of shares of our common stock becoming available for sale, or the perception in the market that holders of a large number of shares intend to sell their shares. As of July 31, 2015, we had approximately 84.8 million shares of our common stock outstanding.

We have also registered shares of our common stock that we may issue under our employee equity incentive plans. These shares will be able to be sold freely in the public market upon issuance.

The issuance of additional stock in connection with financings, acquisitions, investments, our stock incentive plans, the conversion of our Notes, or otherwise will dilute all other stockholders.

Our amended and restated certificate of incorporation authorizes us to issue up to 1,000,000,000 shares of common stock and up to 100,000,000 shares of preferred stock with such rights and preferences as may be determined by our board of directors. Subject to compliance with applicable rules and regulations, we may issue shares of common stock or securities convertible into shares of our common stock from time to time in connection with a financing, acquisition, investment, our stock incentive plans, the conversion of our Notes, or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the market price of our common stock to decline.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any dividends on our common stock. We 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 future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases.

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

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the listing requirements of the New York Stock Exchange (NYSE), and other applicable securities rules and regulations. Compliance with these rules and regulations have increased our legal and financial compliance costs, made some activities more difficult, time-consuming or costly, and increased demand on our systems and resources. Among other things, the Exchange Act requires that we file annual, quarterly, and current reports with respect to our business and operating results and maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business and operating results. Although we have already hired additional employees to comply with these requirements, we may need to hire even more employees in the future, which will increase our costs and expenses.

We are also subject to the independent auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act ("Section 404"), enhanced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. While we were able to determine in our management's report for fiscal 2015 that our internal control over financial reporting is effective, as well as provide an unqualified attestation report from our independent registered public accounting firm to that effect, we have and will continue to consume management resources and incur significant expenses for Section 404 compliance on an ongoing basis. In the event that our chief executive officer, chief financial officer, or independent registered public accounting firm determines in the future that our internal control over financial reporting is not effective as defined under Section 404, we could be subject to one or more investigations or enforcement actions by state or federal regulatory agencies, stockholder lawsuits or other adverse actions requiring us to incur defense costs, pay fines, settlements or judgments and causing investor perceptions to be adversely affected and potentially resulting in a decline in the market price of our stock.

In addition, changing laws, regulations, and standards related to corporate governance and public disclosure, such as continued rulemaking pursuant to the Dodd-Frank Act of 2010 and related rules and regulations regarding the disclosure of conflict minerals that are mandated by the Dodd-Frank Act, are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time-consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expense and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain and maintain director and officer liability insurance, and in the future, 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.

We are obligated to maintain proper and effective internal control over financial reporting. We may not complete our analysis of our internal control over financial reporting in a timely manner, or this internal control may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We are required, pursuant to the Exchange Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our auditors have issued an attestation report on our internal controls.

While we were able to determine in our management's report for fiscal 2015 that our internal control over financial reporting is effective, as well as provide an unqualified attestation report from our independent registered public accounting firm to

that effect, we may not be able to complete our evaluation, testing, and any required remediation in a timely fashion or our independent registered public accounting firm may not be able to formally attest to the effectiveness of our internal control over financial reporting in the future. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting that we are unable to remediate before the end of the same fiscal year in which the material weakness is identified, we will be unable to assert that our internal controls are effective. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to attest to the effectiveness of our internal controls or determine we have a material weakness in our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline.

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

The trading market for our common stock, to some extent, depends 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 or change their opinion of our shares, industry sector, or products, our share price would likely decline. If one or more of these analysts should cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Our charter documents and Delaware law, as well as certain provisions of our Notes, could discourage takeover attempts and lead to management entrenchment, which could also reduce the market price of our common stock.

Our amended and restated certificate of incorporation and amended 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 that 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:

- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of our board of directors, our president, our secretary, or a majority vote of our board of directors, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- 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 the provisions of our amended and restated certificate of incorporation relating to the issuance of preferred stock and management of our business or our amended and restated bylaws, which may inhibit the ability of an acquiror to effect such amendments to facilitate an unsolicited takeover attempt;
- the ability of our board of directors, by majority vote, to amend the bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquiror to amend the bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time. Additionally, certain provisions of our Notes could make it more difficult or more expensive for a third party to acquire us. The application of Section 203 or certain provisions of our Notes also could have

the effect of delaying or preventing a change in control of us. Any of these provisions could, under certain circumstances, depress the market price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Santa Clara, California where we currently lease approximately 300,000 square feet of space under a lease agreement that expires in July 2023, with two separate five-year options to extend the lease term. We also lease space for operations and sales personnel in locations throughout the United States and various international locations, including the Netherlands, Singapore, Israel, the United Kingdom, Japan, Australia, and France.

In May 2015, we entered into three lease agreements for an aggregate of approximately 752,000 square feet of space in Santa Clara, California to serve as our future corporate headquarters. The property is currently under construction. In August 2015, we executed an expansion notice under one of these lease agreements. Refer to Note 8. Commitments and Contingencies of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for more information.

We believe that our current facilities are adequate to meet our current needs. We intend to expand our facilities or add new facilities as we add employees and enter new geographic markets, and we believe that suitable additional or alternative space will be available as needed to accommodate ongoing operations and any such growth. However, we expect to incur additional expenses in connection with such new or expanded facilities.

ITEM 3. LEGAL PROCEEDINGS

The information set forth under the "Litigation" subheading in Note 8. Commitments and Contingencies of Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our common stock, \$0.0001 par value per share, began trading on the New York Stock Exchange (NYSE) on July 20, 2012, where its prices are quoted under the symbol "PANW."

Holders of Record

As of September 1, 2015, there were 87 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Price Range of Our Common Stock

The following table sets forth the reported high and low sales prices of our common stock for the periods indicated, as regularly quoted on the NYSE:

	High	Low
Year Ended July 31, 2014		
First Quarter	\$ 50.50	\$ 42.04
Second Quarter	\$ 64.92	\$ 40.36
Third Quarter	\$ 80.84	\$ 57.02
Fourth Quarter	\$ 85.78	\$ 57.47
Year Ended July 31, 2015		
First Quarter	\$ 108.50	\$ 76.86
Second Quarter	\$ 130.00	\$ 102.02
Third Quarter	\$ 158.24	\$ 121.31
Fourth Quarter	\$ 200.55	\$ 144.42

Dividend Policy

We have never declared or paid, and do not anticipate declaring or paying in the foreseeable future, any cash dividends on our capital stock. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors, subject to applicable laws and will depend on then existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects, and other factors our board of directors may deem relevant.

Securities Authorized for Issuance under Equity Compensation Plans

See Part III, Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this Annual Report on Form 10-K for more information regarding securities authorized for issuance.

Recent Sale of Unregistered Securities

There were no sales of unregistered securities during fiscal 2015 other than those transactions previously reported to the SEC on our Current Reports on Form 8-K.

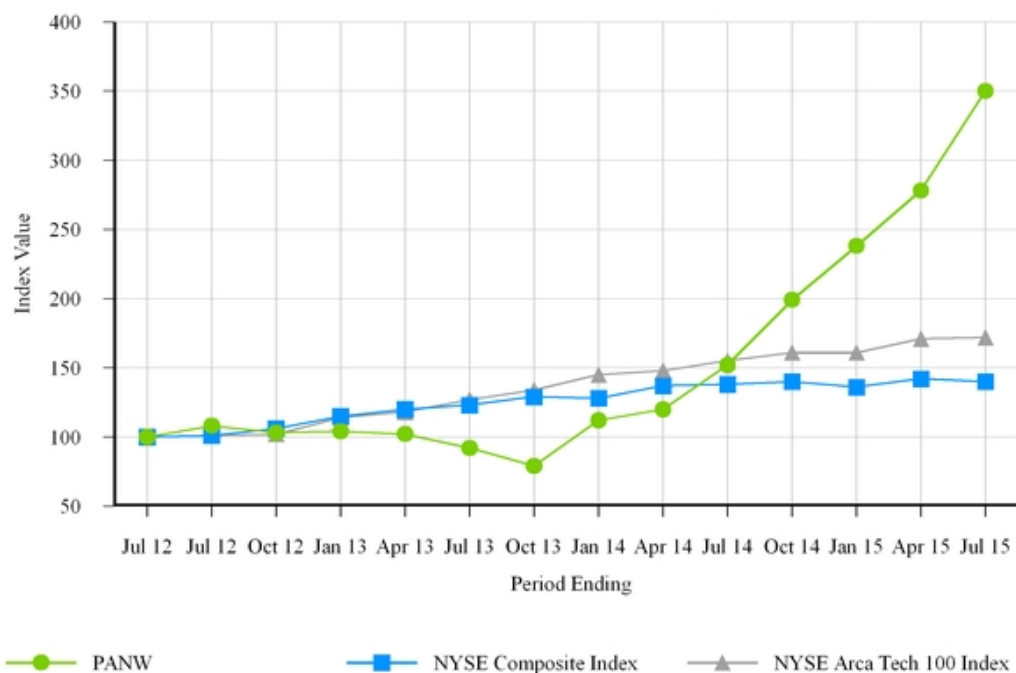
Stock Price Performance Graph

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference into any filing of Palo Alto Networks, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

This performance graph compares the cumulative total return on our common stock with that of the NYSE Composite Index and the NYSE Arca Tech 100 Index. This performance graph assumes \$100 was invested on July 20, 2012, the date our common stock commenced trading on the NYSE, in each of the common stock of Palo Alto Networks, Inc., the NYSE Composite Index,

and the NYSE Arca Tech 100 Index, and assumes the reinvestment of any dividends. The stock price performance on this performance graph is not necessarily indicative of future stock price performance.

Palo Alto Networks, Inc. Comparison of Total Return Performance



Company/Index	7/20/2012	7/31/2012	7/31/2013	7/31/2014	7/31/2015
Palo Alto Networks, Inc.	\$ 100.00	\$ 107.55	\$ 92.11	\$ 152.19	\$ 349.76
NYSE Composite Index	\$ 100.00	\$ 101.34	\$ 123.19	\$ 138.23	\$ 140.24
NYSE Arca Tech 100 Index	\$ 100.00	\$ 101.35	\$ 127.39	\$ 154.80	\$ 171.76

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated statement of operations data for fiscal 2015, 2014, and 2013 and the consolidated balance sheet data as of July 31, 2015 and 2014 are derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated statement of operations data for fiscal 2012 and 2011 and the consolidated balance sheet data as of July 31, 2013, 2012, and 2011 are derived from audited financial statements not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results that may be expected in the future. The selected consolidated financial data below should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part II, Item 7 of this Annual Report on Form 10-K and our consolidated financial statements and related notes included in Part II, Item 8 of this Annual Report on Form 10-K.

	Year Ended July 31,				
	2015	2014	2013	2012	2011
(in thousands)					
Selected Consolidated Statements of Operations Data:					
Revenue:					
Product	\$ 492,658	\$ 340,143	\$ 243,707	\$ 174,462	\$ 84,800
Services	435,394	258,036	152,400	80,676	33,797
Total revenue	928,052	598,179	396,107	255,138	118,597
Cost of revenue:					
Product ⁽¹⁾	131,094	85,503	63,412	44,615	21,766
Services ⁽¹⁾	120,405	74,125	46,344	25,938	10,507
Total cost of revenue	251,499	159,628	109,756	70,553	32,273
Total gross profit	676,553	438,551	286,351	184,585	86,324
Operating expenses:					
Research and development ⁽¹⁾	185,828	104,813	62,482	38,570	21,366
Sales and marketing ⁽¹⁾	522,696	334,763	199,771	115,917	62,254
General and administrative ⁽¹⁾	101,565	73,149	42,719	26,207	13,108
Legal settlement	—	141,173	—	—	—
Total operating expenses	810,089	653,898	304,972	180,694	96,728
Operating income (loss)	(133,536)	(215,347)	(18,621)	3,891	(10,404)
Interest expense	(22,325)	(1,883)	(74)	(36)	(25)
Other income (expense), net	284	(4,930)	39	(1,056)	(1,623)
Income (loss) before income taxes	(155,577)	(222,160)	(18,656)	2,799	(12,052)
Provision for income taxes	9,405	4,292	10,590	2,062	476
Net income (loss)	\$ (164,982)	\$ (226,452)	\$ (29,246)	\$ 737	\$ (12,528)
Net income (loss) attributable to common stockholders, basic and diluted	\$ (164,982)	\$ (226,452)	\$ (29,246)	\$ —	\$ (12,528)
Net income (loss) per share attributable to common stockholders, basic and diluted	\$ (2.02)	\$ (3.05)	\$ (0.43)	\$ 0.00	\$ (0.88)
Weighted-average shares used to compute net income (loss) per share attributable to common stockholders, basic and diluted	81,619	74,291	68,682	19,569	14,201

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

	Year Ended July 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Cost of product revenue	\$ 3,858	\$ 1,636	\$ 765	\$ 121	\$ 27
Cost of services revenue	20,425	9,434	3,586	653	179
Research and development	74,837	29,524	9,931	3,733	1,020
Sales and marketing	84,113	42,647	20,493	4,267	1,133
General and administrative	38,198	16,668	9,101	5,151	2,374
Total share-based compensation	\$ 221,431	\$ 99,909	\$ 43,876	\$ 13,925	\$ 4,733

	July 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Selected Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 375,814	\$ 653,812	\$ 310,614	\$ 322,642	\$ 40,517
Investments	952,006	320,570	126,321	—	—
Working capital	41,803	610,155	323,597	259,651	9,739
Total assets	1,965,178	1,478,466	585,606	407,804	91,172
Convertible senior notes, net	—	466,875	—	—	—
Preferred stock warrant liability	—	—	—	—	2,068
Redeemable convertible preferred stock	—	—	—	—	64,491
Common stock including additional paid-in capital	988,695	804,414	381,710	309,099	9,311
Total stockholders' equity (deficit)	\$ 487,899	\$ 468,583	\$ 272,420	\$ 229,071	\$ (71,454)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. The following discussion and analysis contains forward-looking statements based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially from those anticipated or implied by any forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Annual Report on Form 10-K, and in particular, the risks discussed under the caption "Risk Factors" in Part I, Item 1A of this report.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is organized as follows:

- **Overview.** A discussion of our business and overall analysis of financial and other highlights in order to provide context for the remainder of MD&A.
- **Key Financial Metrics.** A summary of our GAAP and non-GAAP key financial metrics, which management monitors to evaluate our performance.
- **Results of Operations.** A discussion of the nature and trends of the components of our financial results and an analysis of our financial results comparing fiscal 2015 to 2014 and fiscal 2014 to 2013.
- **Liquidity and Capital Resources.** An analysis of changes in our balance sheets and cash flows, and a discussion of our financial condition and our ability to meet cash needs.
- **Contractual Obligations and Commitments.** An overview of our contractual obligations, contingent liabilities, commitments, and off-balance sheet arrangements outstanding as of July 31, 2015, including expected payment schedule.
- **Critical Accounting Policies and Estimates.** A discussion of accounting policies that require critical estimates, assumptions, and judgments.
- **Recent Accounting Pronouncements.** A discussion of expected impacts of impending accounting changes on financial information to be reported in the future.

Overview

We have pioneered the next-generation of security with our innovative platform that empowers enterprises, service providers, and government entities to secure their organizations by safely enabling the increasingly complex and rapidly growing number of applications running on their networks and by preventing breaches in real-time that stem from targeted cyber attacks. Our platform uses an innovative traffic classification engine that identifies network traffic by application, user, and content. As a result, it provides in-depth visibility into all traffic and all applications, at the user level, at all times, and at the full speed of the network in order to control usage, content, risks, and cyber threats. Our security platform consists of three major elements: our Next-Generation Firewall, our Advanced Endpoint Protection, and our Threat Intelligence Cloud. Our Next-Generation Firewall delivers application, user, and content visibility and control as well as protection against network-based cyber threats integrated within the firewall through our proprietary hardware and software architecture. Our Advanced Endpoint Protection prevents cyber attacks that aim to exploit software vulnerabilities on a broad variety of fixed and virtual endpoints and servers. Our Threat Intelligence Cloud provides central intelligence capabilities, security for SaaS applications, and automated delivery of preventative measures against cyber attacks.

The network-based element of our platform is delivered in the form of a physical or virtual appliance and includes a suite of subscription services. The cyber attack prevention capabilities of our platform are delivered in the form of subscription services that can be used either in the public cloud or in a private cloud using a dedicated appliance. Our subscription services can be easily activated on any of our appliances without requiring additional hardware or processing resources, thereby providing a seamless implementation path for our end-customers.

For fiscal 2015, 2014, and 2013, revenues were \$928.1 million, \$598.2 million, and \$396.1 million, respectively, representing year over year growth of 55.1% for fiscal 2015 and 51.0% for fiscal 2014. All three components of our hybrid SaaS revenue model experienced year over year growth, led by revenue from subscription services, which grew 72.6% to \$212.7 million, followed by support and maintenance services, which grew 65.2% to \$222.7 million, and product, which grew 44.8% to \$492.7 million.

Our growth reflects the rapid adoption of our hybrid SaaS revenue model, which consists of product, subscriptions, and support and maintenance. We believe this model will enable us to benefit from recurring revenues as we continue to grow our installed end-customer base. Our growth was also driven by increased security spending by customers, as security continues to be a critical business imperative for every business in the world. As of July 31, 2015, we had sold our products and services to more than 26,000 end-customers in over 140 countries. Our end-customers represent a broad range of industries including education, energy, financial services, government entities, healthcare, Internet and media, manufacturing, public sector, and telecommunications, and include some of the largest Fortune 100 and Global 2000 companies in the world.

Product revenue is generated from sales of our appliances, primarily our Next-Generation Firewall, which is available in physical and virtualized form. Our Next-Generation Firewall incorporates our proprietary PAN-OS operating system, which provides a consistent set of capabilities across our entire product line. Our products are designed for different performance requirements throughout an organization, ranging from the PA-200, which is designed for enterprise remote offices, to the PA-7080, which is especially suited for service provider customers. The same firewall functionality that is delivered in our physical appliances is also available in our VM-Series virtual firewalls, which secure virtualized and cloud-based computing environments.

Services revenue is generated from sales of subscriptions and support and maintenance, which together provide us with a source of recurring services revenue. Our subscriptions provide our end-customers with real-time access to the latest antivirus, intrusion prevention, web filtering, and modern malware prevention capabilities across fixed and mobile devices.

We maintain a field sales force that works closely with our channel partners in developing sales opportunities. We use a two-tier, indirect fulfillment model whereby we sell our products and services to our global distributor channel partners, which, in turn, sell our products and services to our reseller network, which then sell to our end-customers. We leverage our appliances to sell SaaS subscription services to meet our customers' evolving security requirements. When end-customers purchase an appliance, they typically purchase one or more of our subscriptions for additional functionality, as well as support and maintenance in order to receive ongoing security updates, upgrades, bug fixes, and repairs.

We continue to invest in innovation and strengthening our product portfolio, which resulted in several new product offerings and announcements during fiscal 2015. These new product offerings include: Traps, our Advanced Endpoint Protection service; the PA-3060 appliance, which is aimed at mid-sized datacenters; the M-500 management appliance, which is aimed at data centers and large enterprise deployments; and the AutoFocus cyber threat intelligence service, which provides prioritized actionable intelligence on targeted cyber attacks and is expected to be generally available in fiscal 2016. In August 2015, we announced the launch of the PA-7080 appliance, which is our top-of-the-line chassis-based appliance ideally suited for service provider customers. Additionally, in May 2015, we acquired CirroSecure, which expands the functionality of our platform by providing additional security for SaaS applications. The CirroSecure technology will be the foundation for a new subscription service called Aperture, which we expect to launch in fiscal 2016.

We believe that the growth of our business and our short-term and long-term success are dependent upon many factors, including our ability to extend our technology leadership, grow our base of end-customers, expand deployment of our platform and services within existing end-customers, extend the length of service terms within existing end-customers, and focus on end-customer satisfaction. While these areas present significant opportunities for us, they also pose challenges and risks that we must successfully address in order to sustain the growth of our business and improve our operating results.

To manage any future growth effectively, we must continue to improve and expand our information technology and financial infrastructure, our operating and administrative systems and controls, and our ability to manage headcount, capital, and processes in an efficient manner. Additionally, we face intense competition in our market, and to succeed, we need to innovate and offer products that are differentiated from existing infrastructure products, as well as effectively hire, retain, train, and motivate qualified personnel and senior management. If we are unable to successfully address these challenges, our business, operating results, and prospects could be adversely affected.

Key Financial Metrics

We monitor the key financial metrics set forth below to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts, and assess operational efficiencies. We discuss revenue, gross margin, and the components of operating loss and margin below under “—Financial Overview” and “—Results of Operations.” The following tables summarize deferred revenue, cash flow provided by operating activities, free cash flow (non-GAAP), and billings (non-GAAP).

	July 31,	
	2015	2014
(in thousands)		
Total deferred revenue	\$ 713,654	\$ 422,578
Cash, cash equivalents, and investments	\$ 1,327,820	\$ 974,382

	Year Ended July 31,		
	2015	2014	2013
(dollars in thousands)			
Total revenue	\$ 928,052	\$ 598,179	\$ 396,107
Year over year percentage increase	55.1 %	51.0 %	55.3 %
Gross margin percentage	72.9 %	73.3 %	72.3 %
Operating loss	\$ (133,536)	\$ (215,347)	\$ (18,621)
Operating margin percentage	(14.4)%	(36.0)%	(4.7)%
Billings (non-GAAP)	\$ 1,219,128	\$ 771,375	\$ 509,529
Cash flow provided by operating activities	\$ 350,304	\$ 88,406	\$ 114,519
Free cash flow (non-GAAP)	\$ 316,476	\$ 52,299	\$ 92,077

- **Deferred Revenue.** Our deferred revenue consists of amounts that have been invoiced, but have not been recognized as revenue as of the period end. The majority of our deferred revenue balance consists of subscription and support and maintenance revenue that is recognized ratably over the contractual service period. We monitor our deferred revenue balance because it represents a significant portion of revenue to be recognized in future periods.
- **Cash Flow Provided by Operating Activities.** We monitor cash flow provided by operating activities as a measure of our overall business performance. Our cash flow provided by operating activities is driven in large part by sales of our products and from up-front payments for both subscriptions and support and maintenance services. Monitoring cash flow provided by operating activities enables us to analyze our financial performance without the non-cash effects of certain items such as depreciation, amortization, and share-based compensation costs, thereby allowing us to better understand and manage the cash needs of our business.
- **Free Cash Flow (non-GAAP).** We define free cash flow, a non-GAAP financial measure, as cash provided by operating activities less purchases of property, equipment, and other assets. We consider free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that, after the purchases of property, equipment, and other productive assets, can be used for strategic opportunities, including investing in our business, making strategic acquisitions, and strengthening the balance sheet.

A limitation of the utility of free cash flow as a measure of our financial performance and liquidity is that it does not represent the total increase or decrease in our cash balance for the period. In addition, it is important to note that other companies, including companies in our industry, may not use free cash flow, may calculate free cash flow in a different manner than we do, or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of free cash flow as a comparative measure. A reconciliation of free cash flow to cash flow provided by operating activities, the most directly comparable financial measure calculated and presented in accordance with GAAP, is provided below:

	Year Ended July 31,		
	2015	2014	2013
(in thousands)			
Free cash flow (non-GAAP):			
Cash flow provided by operating activities	\$ 350,304	\$ 88,406	\$ 114,519
Less: purchases of property, equipment, and other assets	33,828	36,107	22,442
Free cash flow (non-GAAP) ⁽¹⁾	\$ 316,476	\$ 52,299	\$ 92,077
Net cash used in investing activities	\$ (679,006)	\$ (320,348)	\$ (151,565)
Net cash provided by financing activities	\$ 50,704	\$ 575,140	\$ 25,018

(1) Includes our cash payments of \$75.0 million and \$20.0 million in fiscal 2014 for the legal settlement with Juniper and the Mutual Covenant Not to Sue and Release Agreement with Fortinet, respectively.

- Billings (non-GAAP).** We define billings, a non-GAAP financial measure, as total revenue plus the change in deferred revenue, net of acquired deferred revenue, during the period. Billings is a key measure used by our management to manage our business because billings drive deferred revenue, which is an important indicator of the health and visibility of our business. We consider billings to be a useful metric for management and investors, particularly as we experience increased sales of subscriptions and strong renewal rates for subscriptions and support and maintenance services, and monitor our near term cash flows. We believe that billings provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management. However, it is important to note that other companies, including companies in our industry, may not use billings, may calculate billings differently, may have different billing frequencies, or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of billings as a comparative measure. A reconciliation of billings to revenue, the most directly comparable financial measure calculated and presented in accordance with GAAP, is provided below:

	Year Ended July 31,		
	2015	2014	2013
(in thousands)			
Billings (non-GAAP):			
Total revenue	\$ 928,052	\$ 598,179	\$ 396,107
Add: change in total deferred revenue, net of acquired deferred revenue	291,076	173,196	113,422
Billings (non-GAAP)	\$ 1,219,128	\$ 771,375	\$ 509,529

Results of Operations

The following tables summarize our results of operations for the periods presented and as a percentage of our total revenue for those periods. The period to period comparison of results is not necessarily indicative of results for future periods.

	Year Ended July 31,					
	2015		2014		2013	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
(dollars in thousands)						
Consolidated Statements of Operations Data:						
Revenue:						
Product	\$ 492,658	53.1 %	\$ 340,143	56.9 %	\$ 243,707	61.5 %
Services	435,394	46.9 %	258,036	43.1 %	152,400	38.5 %
Total revenue	928,052	100.0 %	598,179	100.0 %	396,107	100.0 %
Cost of revenue:						
Product	131,094	14.1 %	85,503	14.3 %	63,412	16.0 %
Services	120,405	13.0 %	74,125	12.4 %	46,344	11.7 %
Total cost of revenue	251,499	27.1 %	159,628	26.7 %	109,756	27.7 %
Total gross profit	676,553	72.9 %	438,551	73.3 %	286,351	72.3 %
Operating expenses:						
Research and development	185,828	20.0 %	104,813	17.5 %	62,482	15.8 %
Sales and marketing	522,696	56.3 %	334,763	56.0 %	199,771	50.4 %
General and administrative	101,565	11.0 %	73,149	12.2 %	42,719	10.8 %
Legal settlement	—	— %	141,173	23.6 %	—	— %
Total operating expenses	810,089	87.3 %	653,898	109.3 %	304,972	77.0 %
Operating loss	(133,536)	(14.4)%	(215,347)	(36.0)%	(18,621)	(4.7)%
Interest expense	(22,325)	(2.4)%	(1,883)	(0.3)%	(74)	— %
Other income (expense), net	284	— %	(4,930)	(0.8)%	39	— %
Loss before income taxes	(155,577)	(16.8)%	(222,160)	(37.1)%	(18,656)	(4.7)%
Provision for income taxes	9,405	1.0 %	4,292	0.8 %	10,590	2.7 %
Net loss	\$ (164,982)	(17.8)%	\$ (226,452)	(37.9)%	\$ (29,246)	(7.4)%
Number of employees at period end	2,637		1,722		1,147	

Revenue

We derive revenue from sales of our products and services. Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured.

Our total revenue is comprised of the following:

- Product Revenue.** Product revenue is derived primarily from sales of our appliances. Product revenue also includes revenue derived from software licenses of Panorama, GlobalProtect, and the VM-Series. We recognize product revenue at the time of shipment, provided that all other revenue recognition criteria have been met. As a percentage of total revenue, we expect our product revenue to vary from quarter to quarter based on seasonal and cyclical factors.
- Services Revenue.** Services revenue is derived primarily from sales of our subscriptions and support and maintenance. Our contractual subscription and support and maintenance terms are typically one year, although we also offer three to five year terms. We recognize revenue from subscriptions and support and maintenance over the contractual service period. As a percentage of total revenue, we expect our services revenue to vary from quarter to quarter and increase over the long term as we introduce new subscriptions, renew existing services contracts, and expand our installed end-customer base.

	Year Ended July 31,				Year Ended July 31,			
	2015	2014	Change		2014	2013	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
(dollars in thousands)								
Revenue:								
Product	\$ 492,658	\$ 340,143	\$ 152,515	44.8%	\$ 340,143	\$ 243,707	\$ 96,436	39.6%
Services								
Subscription	212,676	123,236	89,440	72.6%	123,236	71,203	52,033	73.1%
Support and maintenance	222,718	134,800	87,918	65.2%	134,800	81,197	53,603	66.0%
Total services	435,394	258,036	177,358	68.7%	258,036	152,400	105,636	69.3%
Total revenue	\$ 928,052	\$ 598,179	\$ 329,873	55.1%	\$ 598,179	\$ 396,107	\$ 202,072	51.0%
Revenue by geographic theater:								
Americas	\$ 639,328	\$ 396,626	\$ 242,702	61.2%	\$ 396,626	\$ 247,616	\$ 149,010	60.2%
EMEA	178,719	126,915	51,804	40.8%	126,915	91,496	35,419	38.7%
APAC	110,005	74,638	35,367	47.4%	74,638	56,995	17,643	31.0%
Total revenue	\$ 928,052	\$ 598,179	\$ 329,873	55.1%	\$ 598,179	\$ 396,107	\$ 202,072	51.0%

Product revenue increased \$152.5 million, or 44.8%, for fiscal 2015 compared to fiscal 2014 and increased \$96.4 million, or 39.6%, for fiscal 2014 compared to fiscal 2013. The increases in both periods were driven by increased demand for our higher end appliances. The impact of changes in pricing on our product revenue was insignificant.

Services revenue increased \$177.4 million, or 68.7%, for fiscal 2015 compared to fiscal 2014 and increased \$105.6 million, or 69.3%, for fiscal 2014 compared to fiscal 2013. The increases in both periods were due to increased sales to new and existing end-customers. The relative increases in subscription revenue and support and maintenance revenue will fluctuate over time, depending on the mix of services revenue and the introduction of new subscription offerings. The impact of changes in pricing on our services revenue was insignificant.

With respect to geographic theaters, the Americas contributed the largest portion of the year over year increases in revenue for both fiscal 2015 and fiscal 2014 due to its larger and more established sales force compared to our other theaters. Revenue from both EMEA and APAC increased year over year for both fiscal 2015 and fiscal 2014 due to our investment in increasing the size of our sales force and number of channel partners in these theaters.

Cost of Revenue

Our cost of revenue consists of cost of product revenue and cost of services revenue. Our cost of revenue includes costs paid to our third-party contract manufacturer and personnel costs, which consist of salaries, benefits, bonuses, and share-based compensation associated with our operations, global customer support, and technical operations organizations. Our cost of revenue also includes allocated costs, which consist of certain facilities, depreciation, benefits, recruiting, and information technology costs that we allocate based on headcount, as well as amortization of intellectual property licenses and intangible assets.

- **Cost of Product Revenue.** Cost of product revenue primarily includes costs paid to our third-party contract manufacturer. Our cost of product revenue also includes amortization of intellectual property licenses, product testing costs, allocated costs, warranty costs, shipping costs, and personnel costs associated with logistics and quality control. We expect our cost of product revenue to increase as our product revenue increases.
- **Cost of Services Revenue.** Cost of services revenue includes personnel costs for our global customer support and technical operations organizations, amortization of acquired intangible assets, allocated costs, and URL filtering database service fees. We expect our cost of services revenue to increase as our installed end-customer base grows.

	Year Ended July 31,				Year Ended July 31,			
	2015	2014	Change		2014	2013	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
(dollars in thousands)								
Cost of revenue:								
Product	\$ 131,094	\$ 85,503	\$ 45,591	53.3%	\$ 85,503	\$ 63,412	\$ 22,091	34.8%
Services	120,405	74,125	46,280	62.4%	74,125	46,344	27,781	59.9%
Total cost of revenue	<u>\$ 251,499</u>	<u>\$ 159,628</u>	<u>\$ 91,871</u>	57.6%	<u>\$ 159,628</u>	<u>\$ 109,756</u>	<u>\$ 49,872</u>	45.4%
Includes share-based compensation of:								
Product	\$ 3,858	\$ 1,636	\$ 2,222	135.8%	\$ 1,636	\$ 765	\$ 871	113.9%
Services	20,425	9,434	10,991	116.5%	9,434	3,586	5,848	163.1%
Total share-based compensation included in cost of revenue	<u>\$ 24,283</u>	<u>\$ 11,070</u>	<u>\$ 13,213</u>	119.4%	<u>\$ 11,070</u>	<u>\$ 4,351</u>	<u>\$ 6,719</u>	154.4%

Product cost increased \$45.6 million, or 53.3%, for fiscal 2015 compared to fiscal 2014 due to an increase in product unit volume, as well as amortization of intellectual property licenses of \$10.2 million.

Product cost increased \$22.1 million, or 34.8%, for fiscal 2014 compared to fiscal 2013 due to an increase in product unit volume. Product cost for fiscal 2014 also includes amortization of intellectual property licenses of \$2.0 million.

Services cost increased \$46.3 million, or 62.4%, for fiscal 2015 compared to fiscal 2014 due to increases in personnel costs of \$25.8 million related to increasing our headcount, third-party professional services costs of \$4.8 million to expand our customer service capabilities to support our growing installed end-customer base, amortization of acquired intangible assets of \$4.5 million, and allocated costs of \$4.2 million.

Services cost increased \$27.8 million, or 59.9%, for fiscal 2014 compared to fiscal 2013 due to an increase in personnel costs of \$14.8 million related to increasing our headcount, allocated costs of \$5.5 million, professional services costs of \$2.1 million, amortization of acquired intangible assets of \$1.6 million, and other costs incurred to expand our customer service capabilities to support our growing installed end-customer base.

Gross Margin

Gross margin, or gross profit as a percentage of revenue, has been and will continue to be affected by a variety of factors, including the average sales price of our products, manufacturing costs, the mix of products sold, and the mix of revenue between products and services. For sales of our products, our higher throughput firewall products generally have higher gross margins than our lower throughput firewall products within each product series. For sales of our services, our subscriptions typically have higher gross margins than our support and maintenance. We expect our gross margins to fluctuate over time depending on the factors described above.

	Year Ended July 31,					
	2015		2014		2013	
	Amount	Gross Margin	Amount	Gross Margin	Amount	Gross Margin
(dollars in thousands)						
Gross profit:						
Product	\$ 361,564	73.4%	\$ 254,640	74.9%	\$ 180,295	74.0%
Services	314,989	72.3%	183,911	71.3%	106,056	69.6%
Total gross profit	<u>\$ 676,553</u>	72.9%	<u>\$ 438,551</u>	73.3%	<u>\$ 286,351</u>	72.3%

Gross margin decreased 40 basis points for fiscal 2015 compared to fiscal 2014. The decrease of 150 basis points in product margin was due to increased amortization of intellectual property licenses. The increase of 100 basis points in services margin was due to contributions from our higher margin subscription services, partially offset by an 80 basis points decrease due to amortization of purchased intangible assets.

Gross margin increased 100 basis points for fiscal 2014 compared to fiscal 2013. The increase of 90 basis points in product margin was due to continued focus on material cost reductions, partially offset by amortization of intellectual property licenses of \$2.0 million. The increase of 170 basis points in services margin was due to contributions from our higher margin subscription services.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing, general and administrative, and legal settlement expense. Personnel costs are the most significant component of operating expenses and consist of salaries, benefits, bonuses, share-based compensation, and with regard to sales and marketing expense, sales commissions. Our operating expenses also include allocated costs, which consist of certain facilities, depreciation, benefits, recruiting, and information technology costs that we allocate based on headcount. We expect operating expenses to increase in absolute dollars and decrease over the long term as a percentage of revenue as we continue to scale our business. As of July 31, 2015, we expect to recognize approximately \$557.0 million of share-based compensation expense over a weighted-average period of approximately three years, excluding additional share-based compensation expense related to any future grants of share-based awards. Share-based compensation expense, net of forfeitures, is recognized on a straight-line basis over the requisite service periods of the awards.

- ***Research and Development.*** Research and development expense consists primarily of personnel costs. Research and development expense also includes prototype related expenses and allocated costs. We expect research and development expense to increase in absolute dollars as we continue to invest in our future products and services, although our research and development expense may fluctuate as a percentage of total revenue.
- ***Sales and Marketing.*** Sales and marketing expense consists primarily of personnel costs, including commission costs. We expense commission costs as incurred. Sales and marketing expense also includes costs for market development programs, promotional and other marketing costs, travel costs, professional services, and allocated costs. We continue to increase the size of our sales force and have also substantially grown our sales presence internationally. We expect sales and marketing expense to continue to increase in absolute dollars as we increase the size of our sales and marketing organizations to increase touch points with end-customers and to expand our international presence, although our sales and marketing expense may fluctuate as a percentage of total revenue.
- ***General and Administrative.*** General and administrative expense consists of personnel costs for our executive, finance, human resources, legal, and information technology organizations, professional services, and certain non-recurring general expenses. Professional services consist primarily of legal, auditing, accounting, and other consulting costs. We expect general and administrative expense to increase in absolute dollars due to additional costs associated with accounting, compliance, insurance, and investor relations, although our general and administrative expense may fluctuate as a percentage of total revenue.
- ***Legal Settlement.*** Legal settlement expense consists of charges related to the Settlement Agreement with Juniper and the Mutual Covenant Not to Sue and Release Agreement with Fortinet. Refer to the discussion under Note 9. Legal Settlement of Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K for information related to these matters.

	Year Ended July 31,				Year Ended July 31,			
	2015	2014	Change		2014	2013	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
(dollars in thousands)								
Operating expenses:								
Research and development	\$ 185,828	\$ 104,813	\$ 81,015	77.3 %	\$ 104,813	\$ 62,482	\$ 42,331	67.7%
Sales and marketing	522,696	334,763	187,933	56.1 %	334,763	199,771	134,992	67.6%
General and administrative	101,565	73,149	28,416	38.8 %	73,149	42,719	30,430	71.2%
Legal settlement	—	141,173	(141,173)	(100.0)%	141,173	—	141,173	NM
Total operating expenses	<u>\$ 810,089</u>	<u>\$ 653,898</u>	<u>\$ 156,191</u>	23.9 %	<u>\$ 653,898</u>	<u>\$ 304,972</u>	<u>\$ 348,926</u>	114.4%
Includes share-based compensation of:								
Research and development	\$ 74,837	\$ 29,524	\$ 45,313	153.5 %	\$ 29,524	\$ 9,931	\$ 19,593	197.3%
Sales and marketing	84,113	42,647	41,466	97.2 %	42,647	20,493	22,154	108.1%
General and administrative	38,198	16,668	21,530	129.2 %	16,668	9,101	7,567	83.1%
Total share-based compensation included in operating expenses	<u>\$ 197,148</u>	<u>\$ 88,839</u>	<u>\$ 108,309</u>	121.9 %	<u>\$ 88,839</u>	<u>\$ 39,525</u>	<u>\$ 49,314</u>	124.8%

Research and development expense increased \$81.0 million, or 77.3%, for fiscal 2015 compared to fiscal 2014 due to an increase in personnel costs of \$73.7 million largely due to an increase in headcount and an increase in allocated costs of \$5.3 million.

Research and development expense increased \$42.3 million, or 67.7%, for fiscal 2014 compared to fiscal 2013 due to an increase in personnel costs of \$31.4 million largely due to an increase in headcount, an increase in allocated costs of \$6.4 million, and an increase in development costs of \$2.5 million to support continued investment in our future product and service offerings.

Sales and marketing expense increased \$187.9 million, or 56.1%, for fiscal 2015 compared to fiscal 2014 due to an increase in personnel costs of \$140.4 million largely due to an increase in headcount, an increase in allocated costs of \$12.3 million, an increase in demand generation activities, trade shows, and other marketing activities of \$11.8 million, and an increase in travel and entertainment costs of \$11.8 million.

Sales and marketing expense increased \$135.0 million, or 67.6%, for fiscal 2014 compared to fiscal 2013 due to an increase in personnel costs of \$94.6 million largely due to an increase in headcount, an increase in allocated costs of \$13.9 million, an increase in travel and entertainment costs of \$8.9 million, an increase in professional services costs of \$7.6 million, and an increase in demand generation activities, trade shows, and other marketing activities of \$6.1 million.

General and administrative expense increased \$28.4 million, or 38.8%, for fiscal 2015 compared to fiscal 2014 due to an increase in personnel costs of \$31.4 million largely due to an increase in headcount and an increase in professional services costs of \$7.5 million. In addition, in fiscal 2014, we recognized expenses related to the intellectual property litigation with Juniper of \$11.3 million and expenses related to our acquisitions of Cyvera and Morta of \$4.4 million.

General and administrative expense increased \$30.4 million, or 71.2%, for fiscal 2014 compared to fiscal 2013 due to an increase in professional services costs of \$12.5 million, including expenses related to the intellectual property litigation with Juniper of \$7.7 million and expenses related to our acquisitions of Cyvera and Morta of \$4.4 million, an increase in personnel costs of \$12.3 million, largely due to an increase in headcount, and an increase in allocated costs of \$2.4 million.

We incurred legal settlement expenses of \$121.2 million and \$20.0 million in fiscal 2014 related to the Settlement Agreement with Juniper and the Mutual Covenant Not to Sue and Release Agreement with Fortinet, respectively.

Interest Expense

Interest expense primarily consists of the amortization of the debt discount and debt issuance costs related to the Notes issued on June 30, 2014. This interest expense is non-cash and will range from \$23.4 million to \$25.7 million per year through fiscal 2019.

	Year Ended July 31,				Year Ended July 31,							
	2015		2014		Change		2014		2013		Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%				
(dollars in thousands)												
Interest expense	\$ 22,325	\$ 1,883	\$ 20,442	NM	\$ 1,883	\$ 74	\$ 1,809	NM				

Interest expense increased \$20.4 million for fiscal 2015 compared to fiscal 2014 and increased \$1.8 million for fiscal 2014 compared to fiscal 2013 due to the amortization of the debt discount and debt issuance costs related to the Notes.

Other Income (Expense), Net

Other income (expense), net includes interest income earned on our cash, cash equivalents, and investments, foreign currency remeasurement gains and losses, and foreign currency transaction gains and losses.

	Year Ended July 31,				Year Ended July 31,							
	2015		2014		Change		2014		2013		Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%				
(dollars in thousands)												
Other income (expense), net	\$ 284	\$ (4,930)	\$ 5,214	NM	\$ (4,930)	\$ 39	\$ (4,969)	NM				

In fiscal 2014, we recorded an expense of \$5.9 million in other income (expense), net to record the change in fair value of the warrant issued to Juniper in connection with the Settlement Agreement. The warrant was classified as a liability on our consolidated balance sheets and remeasured to fair value from June 3, 2014, the issuance date of the warrant, through July 1, 2014, the date the warrant was exercised. In addition, for fiscal 2015 compared to fiscal 2014, our interest income and our foreign currency remeasurement losses increased by \$2.9 million and \$3.3 million, respectively.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes in foreign jurisdictions in which we conduct business, withholding taxes, federal and state income taxes in the United States, and amortization of our deferred tax charges. We maintain a full valuation allowance for domestic deferred tax assets, including net operating loss carryforwards and tax credits.

In fiscal 2015, we recorded deferred tax charges of \$36.8 million. The current portion of the deferred tax charges is included in prepaid expenses and other current assets and the remainder in other assets in our consolidated balance sheets. The deferred tax charges are being amortized on a straight-line basis over approximately seven years as a component of provision for income taxes.

	Year Ended July 31,				Year Ended July 31,							
	2015		2014		Change		2014		2013		Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%				
(dollars in thousands)												
Provision for income taxes	\$ 9,405	\$ 4,292	\$ 5,113	119.1%	\$ 4,292	\$ 10,590	\$ (6,298)	(59.5)%				
Effective tax rate	(6.0)%	(1.9)%	(1.9)%	(56.8)%								

We recorded an income tax provision for fiscal 2015 due to federal, state, and foreign income taxes, foreign withholding taxes, and amortization of our deferred tax charges. The provision for income taxes increased \$5.1 million for fiscal 2015 compared to fiscal 2014 due to amortization of our deferred tax charges and a shift in geographical mix of income, partially offset by the tax benefit from a partial release of the valuation allowance in connection with the acquisition of CirroSecure.

We recorded an income tax provision for fiscal 2014 due to foreign income taxes and foreign withholding taxes. The provision for income taxes decreased \$6.3 million for fiscal 2014 compared to fiscal 2013 due to decreased U.S. taxable income, primarily attributable to the Settlement Agreement with Juniper and the Mutual Covenant Not to Sue and Release Agreement with Fortinet.

Liquidity and Capital Resources

	July 31,	
	2015	2014
	(in thousands)	
Working capital ⁽¹⁾	\$ 41,803	\$ 610,155
Cash, cash equivalents, and investments:		
Cash and cash equivalents	\$ 375,814	\$ 653,812
Investments	952,006	320,570
Total cash, cash equivalents, and investments	<u>\$ 1,327,820</u>	<u>\$ 974,382</u>

- (1) As of July 31, 2015, the net carrying amount of the Notes and related debt issuance costs were classified as current liabilities and current assets, respectively, in our consolidated balance sheets. Refer to Note 7. Convertible Senior Notes of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for more information.

At July 31, 2015, our cash and cash equivalents and investments of \$1.3 billion were held for working capital purposes, of which approximately \$84.0 million was held outside of the United States. We do not provide for federal income taxes on the undistributed earnings of our foreign subsidiaries, all of which we expect to reinvest outside of the United States indefinitely. However, if these funds were needed for our domestic operations, we would be required to accrue and pay U.S. taxes on undistributed earnings of foreign subsidiaries. There are no other restrictions on the use of these funds. If we were to repatriate these earnings to the United States, any associated income tax liability would be insignificant.

In June 2014, we issued the Notes, which mature on July 1, 2019, with an aggregate principal amount of \$575.0 million. Prior to January 1, 2019, holders may surrender their Notes for early conversion under certain circumstances. Upon conversion of the Notes, we will pay cash up to the aggregate principal amount of the Notes to be converted, and we may choose to pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock with respect to the remainder of our conversion obligation in excess of the aggregate principal amount of the Notes being converted.

During the fiscal quarter ended July 31, 2015, the last reported sale price of our common stock was greater than or equal to 130% of the conversion price of the Notes for at least 20 of the last 30 consecutive trading days of such quarter. As a result, holders may convert their Notes at any time during the fiscal quarter ending October 31, 2015. Refer to Note 7. Convertible Senior Notes of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for information on the Notes.

The following table summarizes our cash flows for the years ended July 31, 2015, 2014, and 2013.

	Year Ended July 31,		
	2015	2014	2013
	(in thousands)		
Cash provided by operating activities	\$ 350,304	\$ 88,406	\$ 114,519
Cash used in investing activities	(679,006)	(320,348)	(151,565)
Cash provided by financing activities	50,704	575,140	25,018
Net increase (decrease) in cash and cash equivalents	<u>\$ (277,998)</u>	<u>\$ 343,198</u>	<u>\$ (12,028)</u>

We believe that our cash flow from operations with existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for the foreseeable future. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced products and services offerings, the costs to acquire or invest in complementary businesses and technologies, the costs to ensure access to adequate manufacturing capacity, and the continuing market acceptance of our products. In addition, from time to time we may incur additional tax liability in connection with certain tax structuring decisions.

We may also choose to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results, and financial condition may be adversely affected.

Operating Activities

Our operating activities have consisted of net loss adjusted for certain non-cash items and changes in assets and liabilities.

Cash provided by operating activities in fiscal 2015 was \$350.3 million, an increase of \$261.9 million compared to fiscal 2014. The increase was due to growth of our business and changes in our assets and liabilities during fiscal 2015. Additionally, in fiscal 2014, we made a total of \$95.0 million in payments related to legal settlements. Changes in assets and liabilities for fiscal 2015 compared to fiscal 2014 include an increase in sales of subscriptions and support and maintenance contracts to new and existing customers as reflected by an increase in deferred revenue. In addition, during fiscal 2015, we made a tax payment of \$12.8 million in connection with an intercompany transfer of intellectual property.

Cash provided by operating activities in fiscal 2014 was \$88.4 million, a decrease of \$26.1 million compared to fiscal 2013, due to payments of \$75.0 million and \$20.0 million in fiscal 2014 for the legal settlement with Juniper and the Mutual Covenant Not to Sue and Release Agreement with Fortinet, respectively. The decrease was partially offset by an increase in sales of subscriptions and support and maintenance contracts to new and existing customers as reflected by an increase in deferred revenue.

Investing Activities

Our investing activities have consisted of capital expenditures, net investment purchases, sales, and maturities, and business acquisitions. We expect to continue such activities as our business grows.

Cash used in investing activities during fiscal 2015 was \$679.0 million, an increase of \$358.7 million compared to fiscal 2014. The increase was due to higher net purchases of available-for-sale investments in fiscal 2015, partially offset by higher payments made in fiscal 2014 related to our acquisitions.

Cash used in investing activities during fiscal 2014 was \$320.3 million, an increase of \$168.8 million compared to fiscal 2013. The increase was due to net cash payments of \$85.7 million related to our acquisitions in fiscal 2014, an increase of \$69.4 million in net purchases of available-for-sale investments, and an increase of \$13.7 million in purchases of property, equipment, and other assets.

Financing Activities

Our financing activities have consisted of proceeds from the issuance of the Notes and proceeds from sales of shares through employee equity incentive plans.

Cash provided by financing activities during fiscal 2015 was \$50.7 million, a decrease of \$524.4 million compared to fiscal 2014. The decrease was due to net proceeds from the issuance of the Notes of \$527.7 million in fiscal 2014.

Cash provided by financing activities during fiscal 2014 was \$575.1 million, an increase of \$550.1 million compared to fiscal 2013. The increase was primarily due to net proceeds from the issuance of the Notes of \$527.7 million. The remaining increase was due to higher proceeds from the sale of shares through employee equity incentive plans during fiscal 2014 and the last payments of our initial public offering costs in fiscal 2013.

Contractual Obligations and Commitments

The following summarizes our contractual obligations and commitments as of July 31, 2015:

	Payments Due by Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
	(in thousands)				
0.0% Convertible Senior Notes due 2019 ⁽¹⁾	\$ 575,000	\$ —	\$ —	\$ —	\$ 575,000
Operating lease obligations ⁽²⁾⁽³⁾	409,156	20,821	51,507	83,626	253,202
Purchase obligations ⁽⁴⁾	42,805	42,805	—	—	—
Total ⁽⁵⁾	\$ 1,026,961	\$ 63,626	\$ 51,507	\$ 83,626	\$ 828,202

- (1) As of July 31, 2015, holders may convert their Notes at any time during the fiscal quarter ending October 31, 2015. Refer to Note 7. Convertible Senior Notes of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for more information.

- (2) Consists of contractual obligations from our non-cancelable operating leases. In August 2015, we executed an expansion notice under one of our existing lease agreements in Santa Clara, California. As the related lease has not yet been executed, future non-cancelable minimum rental payments related to the expansion notice are not included in the table above. Refer to Note 8. Commitments and Contingencies of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for more information.
- (3) Excludes contractual sublease proceeds of \$8.2 million, of which \$3.0 million will be received in less than one year and \$5.2 million will be received in one to three years.
- (4) Consists of minimum purchase commitments of products and components with our independent contract manufacturer and original design manufacturers. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.
- (5) No amounts related to income taxes are included. As of July 31, 2015, we had approximately \$40.6 million of tax liabilities recorded related to uncertainty in income tax positions.

Off-Balance Sheet Arrangements

Through July 31, 2015, 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

Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected.

The critical accounting policies requiring estimates, assumptions, and judgments that we believe have the most significant impact on our consolidated financial statements are described below.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. Most of our arrangements, other than renewals of subscriptions and support and maintenance, are multiple-element arrangements with a combination of hardware, software, subscriptions, support and maintenance, and other services. For multiple-element arrangements, we allocate revenue to each unit of accounting based on an estimated selling price at the arrangement inception. The estimated selling price for each element is based upon the following hierarchy:

- Vendor-specific objective evidence (VSOE) of selling price, if available,
- Third-party evidence (TPE) of selling price, if VSOE of selling price is not available, or
- Best estimate of selling price (BESP), if neither VSOE of selling price nor TPE of selling price are available.

We establish VSOE of selling price using the prices charged for a deliverable when sold separately. We establish TPE of selling price by evaluating similar and interchangeable competitor products or services in standalone arrangements with similarly situated partners. We establish BESP primarily based on historical transaction pricing, whereby historical transactions are segregated based on our pricing model and our go-to-market strategy, which include factors such as type of sales channel (reseller, distributor, or end-customer), the geographies in which our products and services were sold (domestic or international), and offering type (products or services). To further support the best estimate of selling price as determined by the historical transaction pricing or when such information is unavailable, such as when there are limited sales of a new product or service, we consider the same factors we have established through our pricing model and go-to-market strategy. The determination of BESP is made through consultation with and approval by our management. In determining BESP, we rely on certain assumptions and apply significant judgment. As our business offerings evolve over time, we may be required to modify our estimated selling prices in subsequent periods, and the timing of our revenue recognition could be affected.

Share-Based Compensation

Compensation expense related to share-based transactions is measured and recognized in the financial statements based on fair value estimated on the grant date. The fair value of restricted stock units (RSUs) is based on the closing market price of our

common stock on the date of grant. The fair value of stock options and shares sold through our employee stock purchase plan (ESPP) are estimated on the grant date using the Black Scholes option pricing model, which requires the use of subjective assumptions, including the expected term of the award and the expected volatility of the price of our common stock.

We recognize share-based compensation expense on a straight-line basis over the requisite service periods of the awards, net of estimated forfeitures. Our estimated forfeiture rate is based on an analysis of our actual historical forfeitures. A change in our estimated forfeiture rate could have a significant impact on our share-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate is changed.

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

Income Taxes

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and research and development credit carryforwards. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence, including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

We apply the authoritative accounting guidance prescribing a threshold and measurement attribute for the financial recognition and measurement of a tax position taken or expected to be taken in a tax return. We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more likely than not to be realized upon ultimate settlement.

Significant judgment is also required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences may impact the provision for income taxes in the period in which such determination is made.

Contract Manufacturer Liabilities

We outsource most of our manufacturing, repair, and supply chain management operations to our independent contract manufacturer, which procures components and assembles our products based on our demand forecasts. These forecasts of future demand are based upon historical trends and analysis from our sales and product management functions as adjusted for overall market conditions. We accrue for costs for manufacturing commitments in excess of our forecasted demand, including costs for excess components or for carrying costs incurred by our contract manufacturer. Actual component usage and product demand may be materially different from our forecast, and could be caused by factors outside of our control, which could have an adverse impact on our results of operations. To date, we have not accrued significant costs associated with this exposure.

Loss Contingencies

We are subject to the possibility of various loss contingencies arising in the ordinary course of business. We accrue for loss contingencies when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If we determine that a loss is possible and the range of the loss can be reasonably determined, then we disclose the range of the possible loss. We regularly evaluate current information available to us to determine whether an accrual is required, an accrual should be adjusted or a range of possible loss should be disclosed.

From time to time, we are involved in disputes, litigation, and other legal actions. However, there are many uncertainties associated with any litigation, and these actions or other third-party claims against us may cause us to incur substantial settlement charges, which are inherently difficult to estimate and could adversely affect our results of operations. The actual liability in any

such matters may be materially different from our estimates, which could result in the need to adjust our liability and record additional expenses.

Goodwill, Intangibles, and Other Long-Lived Assets

We make significant estimates, assumptions, and judgments when valuing goodwill and other purchased intangible assets in connection with the initial purchase price allocation of an acquired entity, as well as when evaluating impairment of goodwill and other purchased intangible assets on an ongoing basis. These estimates are based upon a number of factors, including historical experience, market conditions, and information obtained from the management of the acquired company. Critical estimates in valuing certain intangible assets include, but are not limited to, cash flows that an asset is expected to generate in the future, discount rates, the time and expense that would be necessary to recreate the assets, and the profit margin a market participant would receive. The amounts and useful lives assigned to identified intangible assets impacts the amount and timing of future amortization expense.

We evaluate goodwill for impairment on an annual basis in our fourth fiscal quarter or more frequently if we believe impairment indicators exist. We first analyze qualitative factors, which include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting unit. If qualitative factors indicate that it is more likely than not that the reporting unit's fair value is less than its carrying amount, then we will perform the quantitative analysis required under the two-step goodwill impairment test.

Under the two-step goodwill impairment test, we first compare the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair value of the reporting unit is estimated using significant judgment based on a combination of the income and the market approaches. If the fair value of the reporting unit does not exceed the carrying amount of the net assets assigned to the reporting unit, then we perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. When the carrying amount of a reporting unit's goodwill exceeds its implied fair value, we record an impairment loss equal to the difference. Determining the fair value of a reporting unit is highly judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, operating trends, risk-adjusted discount rates, future economic and market conditions, and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

We evaluate long-lived assets, such as property, equipment, and purchased intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Such events or changes in circumstances include, but are not limited to, a significant decrease in the fair value of the underlying asset or asset group, a significant decrease in the benefits realized from the acquired assets, difficulty and delays in integrating the business, or a significant change in the operations of the acquired assets or use of an asset. A long-lived asset is considered impaired if its carrying amount exceeds the estimated future undiscounted cash flows the asset or asset group is expected to generate. If a long-lived asset is considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the asset exceeds the fair value of the asset or asset group.

To date, we have not recognized any impairment losses on our goodwill, intangible assets, and long-lived assets.

Recent Accounting Pronouncements

Refer to "Recent Accounting Pronouncements" in Note 1. Description of Business and Summary of Significant Accounting Policies of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

Our sales contracts are primarily denominated in U.S. dollars. A portion of our operating expenses are incurred outside of the United States and are denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro, British Pound, Singapore Dollar, Israeli Shekel, and Japanese Yen. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statement of operations. The effect of an immediate 10% adverse change in foreign exchange rates on monetary assets and liabilities at July 31, 2015 would not be material to our financial condition or results of operations. To date, foreign currency transaction gains and losses and exchange rate fluctuations have not been material to our financial statements, and we have not engaged in any foreign currency hedging transactions.

As our international operations grow, our risks associated with fluctuation in currency rates will become greater, and we will continue to reassess our approach to managing this risk. In addition, currency fluctuations or a weakening U.S. dollar can increase the costs of our international expansion.

Interest Rate Risk

The primary objectives of our investment activities are to preserve principal, provide liquidity, and maximize income without significantly increasing risk. Some of the securities we invest in are subject to interest risk. To minimize this risk, we maintain our portfolio of cash, cash equivalents, and short-term investments in a variety of securities, including commercial paper, money market funds, U.S. government and agency securities, and corporate debt securities. Due to the short duration and conservative nature of our investment portfolio, a movement of 10% in market interest rates would not have a material impact on our operating results and the total value of the portfolio. The effect of an immediate 10% change in interest rates at July 31, 2015 would not have been material to our operating results and the total value of the portfolio assuming consistent investment levels.

Market Risk and Market Interest Risk

In June 2014, we issued \$575.0 million aggregate principal amount of 0.0% convertible senior notes due 2019 (the "Notes"). We carry this instrument at face value less unamortized discount on our balance sheet. As this instrument does not bear interest, we have no financial and economic interest exposure associated with changes in interest rates. However, the fair value of fixed rate instruments fluctuate when interest rates change, and additionally, in the case of the Notes, when the market price of our common stock fluctuates.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Palo Alto Networks, Inc.

We have audited the accompanying consolidated balance sheets of Palo Alto Networks, Inc. as of July 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended July 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Palo Alto Networks, Inc. at July 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended July 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Palo Alto Networks, Inc.'s internal control over financial reporting as of July 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated September 17, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Jose, California
September 17, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Palo Alto Networks, Inc.

We have audited Palo Alto Networks, Inc.'s internal control over financial reporting as of July 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Palo Alto Networks, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Palo Alto Networks, Inc. maintained, in all material respects, effective internal control over financial reporting as of July 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Palo Alto Networks, Inc. as of July 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended July 31, 2015 of Palo Alto Networks, Inc. and our report dated September 17, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Jose, California
September 17, 2015

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management's Report on Internal Control Over Financial Reporting

The management of Palo Alto Networks, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 for the Company. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Consolidated Financial Statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of July 31, 2015, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013 framework). Based on that assessment, management concluded that, as of July 31, 2015, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of July 31, 2015, has been audited by Ernst & Young LLP, the independent registered public accounting firm that audits the Company's Consolidated Financial Statements, as stated in their report preceding this report, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of July 31, 2015.

PALO ALTO NETWORKS, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	July 31,	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 375,814	\$ 653,812
Short-term investments	413,165	118,690
Accounts receivable, net of allowance for doubtful accounts of \$723 and \$471 at July 31, 2015 and July 31, 2014, respectively	212,366	135,518
Prepaid expenses and other current assets	72,685	50,306
Total current assets	1,074,030	958,326
Property and equipment, net	62,878	48,744
Long-term investments	538,841	201,880
Goodwill	163,522	155,033
Intangible assets, net	52,656	47,955
Other assets	73,251	66,528
Total assets	\$ 1,965,178	\$ 1,478,466
Liabilities, temporary equity, and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 13,204	\$ 14,526
Accrued compensation	79,795	48,727
Accrued and other liabilities	28,291	25,000
Deferred revenue	423,853	259,918
Convertible senior notes, net	487,084	—
Total current liabilities	1,032,227	348,171
Convertible senior notes, net	—	466,875
Long-term deferred revenue	289,801	162,660
Other long-term liabilities	67,335	32,177
Commitments and contingencies (Note 8)		
Temporary equity	87,916	—
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 100,000 shares authorized; none issued and outstanding at July 31, 2015 and July 31, 2014	—	—
Common stock, \$0.0001 par value; 1,000,000 shares authorized; 84,788 and 79,519 shares issued and outstanding at July 31, 2015 and July 31, 2014, respectively	8	8
Additional paid-in capital	988,687	804,406
Accumulated other comprehensive loss	(88)	(105)
Accumulated deficit	(500,708)	(335,726)
Total stockholders' equity	487,899	468,583
Total liabilities, temporary equity, and stockholders' equity	\$ 1,965,178	\$ 1,478,466

See notes to consolidated financial statements.

PALO ALTO NETWORKS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended July 31,		
	2015	2014	2013
Revenue:			
Product	\$ 492,658	\$ 340,143	\$ 243,707
Services	435,394	258,036	152,400
Total revenue	928,052	598,179	396,107
Cost of revenue:			
Product	131,094	85,503	63,412
Services	120,405	74,125	46,344
Total cost of revenue	251,499	159,628	109,756
Total gross profit	676,553	438,551	286,351
Operating expenses:			
Research and development	185,828	104,813	62,482
Sales and marketing	522,696	334,763	199,771
General and administrative	101,565	73,149	42,719
Legal settlement (Note 9)	—	141,173	—
Total operating expenses	810,089	653,898	304,972
Operating loss	(133,536)	(215,347)	(18,621)
Interest expense	(22,325)	(1,883)	(74)
Other income (expense), net	284	(4,930)	39
Loss before income taxes	(155,577)	(222,160)	(18,656)
Provision for income taxes	9,405	4,292	10,590
Net loss	\$ (164,982)	\$ (226,452)	\$ (29,246)
Net loss per share, basic and diluted	\$ (2.02)	\$ (3.05)	\$ (0.43)
Weighted-average shares used to compute net loss per share, basic and diluted	81,619	74,291	68,682

See notes to consolidated financial statements.

PALO ALTO NETWORKS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	Year Ended July 31,		
	2015	2014	2013
Net loss	\$ (164,982)	\$ (226,452)	\$ (29,246)
Other comprehensive income (loss), net of tax:			
Change in unrealized gains (losses) on investments	30	(72)	(15)
Reclassification adjustment for realized net gains on investments included in net loss	(13)	(17)	(1)
Net change	17	(89)	(16)
Comprehensive loss	\$ (164,965)	\$ (226,541)	\$ (29,262)

See notes to consolidated financial statements.

PALO ALTO NETWORKS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance as of July 31, 2012	67,852	\$ 7	\$ 309,092	\$ —	\$ (80,028)	\$ 229,071
Net loss	—	—	—	—	(29,246)	(29,246)
Other comprehensive loss	—	—	—	(16)	—	(16)
Issuance of common stock in connection with employee equity incentive plans and related excess tax benefit	3,760	—	28,907	—	—	28,907
Share-based compensation for equity based awards	—	—	43,704	—	—	43,704
Balance as of July 31, 2013	71,612	7	381,703	(16)	(109,274)	272,420
Net loss	—	—	—	—	(226,452)	(226,452)
Other comprehensive loss	—	—	—	(89)	—	(89)
Issuance of common stock in connection with employee equity incentive plans and related excess tax benefit	4,806	1	48,001	—	—	48,002
Share-based compensation for equity based awards	—	—	99,774	—	—	99,774
Issuance of common stock in connection with legal settlement	1,544	—	113,332	—	—	113,332
Issuance of common stock in connection with acquisition	1,557	—	87,477	—	—	87,477
Equity component of convertible senior notes, net	—	—	106,836	—	—	106,836
Purchase of convertible senior note hedges	—	—	(110,975)	—	—	(110,975)
Issuance of warrants	—	—	78,258	—	—	78,258
Balance as of July 31, 2014	79,519	8	804,406	(105)	(335,726)	468,583
Net loss	—	—	—	—	(164,982)	(164,982)
Other comprehensive income	—	—	—	17	—	17
Issuance of common stock in connection with employee equity incentive plans and related excess tax benefit	5,269	—	50,882	—	—	50,882
Share-based compensation for equity based awards	—	—	221,315	—	—	221,315
Temporary equity reclassification	—	—	(87,916)	—	—	(87,916)
Balance as of July 31, 2015	84,788	\$ 8	\$ 988,687	\$ (88)	\$ (500,708)	\$ 487,899

See notes to consolidated financial statements.

PALO ALTO NETWORKS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended July 31,		
	2015	2014	2013
Cash flows from operating activities			
Net loss	\$ (164,982)	\$ (226,452)	\$ (29,246)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Share-based compensation for equity based awards	221,315	99,774	43,704
Issuance of common stock for legal settlement	—	46,173	—
Depreciation and amortization	28,881	19,419	9,892
Amortization of investment premiums, net of accretion of purchase discounts	3,161	1,518	1,943
Amortization of debt discount and debt issuance costs	22,265	1,826	—
Change in fair value of common stock warrant	—	5,859	—
Excess tax benefit from share-based compensation arrangements	(2,455)	(957)	(6,762)
Loss on facility sublease	—	—	262
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(76,830)	(47,949)	(41,819)
Prepaid expenses and other assets	(34,185)	(10,308)	(8,865)
Accounts payable	(3,498)	(1,100)	5,830
Accrued compensation	31,068	26,331	10,697
Accrued and other liabilities	34,488	1,076	15,461
Deferred revenue	291,076	173,196	113,422
Net cash provided by operating activities	350,304	88,406	114,519
Cash flows from investing activities			
Purchases of investments	(987,598)	(506,642)	(345,324)
Proceeds from sales of investments	18,508	74,597	13,491
Proceeds from maturities of investments	339,040	233,530	202,710
Business acquisitions, net of cash acquired	(15,128)	(85,726)	—
Purchases of property, equipment, and other assets	(33,828)	(36,107)	(22,442)
Net cash used in investing activities	(679,006)	(320,348)	(151,565)
Cash flows from financing activities			
Proceeds from borrowings on convertible senior notes, net	—	560,433	—
Proceeds from issuance of warrants	—	78,258	—
Purchase of convertible note hedges	—	(110,975)	—
Proceeds from sales of shares through employee equity incentive plans	48,249	46,599	21,032
Excess tax benefit from share-based compensation arrangements	2,455	957	6,762
Payments of initial public offering costs	—	—	(2,698)
Repurchases of restricted common stock from terminated employees	—	(132)	(78)
Net cash provided by financing activities	50,704	575,140	25,018
Net increase (decrease) in cash and cash equivalents	(277,998)	343,198	(12,028)
Cash and cash equivalents—beginning of period	653,812	310,614	322,642
Cash and cash equivalents—end of period	\$ 375,814	\$ 653,812	\$ 310,614
Supplemental disclosures of cash flow information			
Cash paid for income taxes	\$ 17,530	\$ 1,523	\$ 304
Cash paid for interest	\$ 61	\$ 44	\$ 58
Non-cash investing and financing activities			
Issuance of common stock in connection with acquisition	\$ —	\$ 87,477	\$ —

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Palo Alto Networks, Inc. (the “Company,” “we,” “us,” or “our”), located in Santa Clara, California, was incorporated in March 2005 under the laws of the State of Delaware and commenced operations in April 2005. We offer a next-generation security platform that empowers enterprises, service providers, and government entities to secure their organizations by safely enabling the increasingly complex and rapidly growing number of applications running on their networks and by preventing breaches in real-time that stem from targeted cyber attacks.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP). The consolidated financial statements include all adjustments necessary for a fair presentation of our annual results. All adjustments are of a normal recurring nature. Certain prior period amounts have been reclassified to conform with current period presentation.

Principles of Consolidation

The consolidated financial statements include our accounts and our wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such management estimates include, but are not limited to the best estimate of selling price for our products and services, share-based compensation, fair value of assets acquired and liabilities assumed in business combinations, the assessment of recoverability of our property and equipment, identified intangibles and goodwill, future taxable income, contract manufacturer liabilities, and loss contingencies. We base our estimates on historical experience and also on assumptions that we believe are reasonable. Actual results could differ materially from those estimates.

Concentrations

Financial instruments that subject us to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and accounts receivable. We invest only in high-quality credit instruments and maintain our cash and cash equivalents and available-for-sale investments in fixed income securities. Management believes that the financial institutions that hold our investments are financially sound and, accordingly, are subject to minimal credit risk. Deposits held with banks may exceed the amount of insurance provided on such deposits.

Our accounts receivables are primarily derived from our channel partners representing various geographical locations. We perform ongoing credit evaluations of our channel partners and generally do not require collateral on accounts receivable. We maintain an allowance for doubtful accounts for estimated potential credit losses. As of July 31, 2015, two channel partners represented 36% and 30% of our gross accounts receivable. For fiscal 2015, three channel partners represented 31%, 29%, and 11% of our total revenue. We rely on an independent contract manufacturer to assemble most of our products and sole suppliers for a certain number of our components.

Comprehensive Loss

Comprehensive loss is comprised of net loss and other comprehensive income (loss). Unrealized gains and losses on available-for-sale investments are included in our other comprehensive income or loss.

Foreign Currency Transactions

The functional currency of our foreign subsidiaries is the U.S. dollar. Monetary assets and liabilities denominated in foreign currencies have been remeasured into U.S. dollars using the exchange rates in effect at the balance sheet dates. Foreign currency denominated income and expenses have been remeasured using the average exchange rates in effect during each period. Foreign currency remeasurement gains and losses and foreign currency transaction gains and losses are not significant to the financial statements.

Cash and Cash Equivalents

We consider all highly liquid investments held at financial institutions, such as commercial paper, money market funds, and other money market securities with original maturities of three months or less at date of purchase to be cash equivalents.

Fair Value

We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, we consider the principal or most advantageous market in which to transact and the market-based risk. We apply fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The carrying amounts reported in the consolidated financial statements approximate the fair value for cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, due to their short-term nature.

Investments

We classify our investments as available-for-sale at the time of purchase since it is our intent that these investments are available for current operations, and include these investments on our consolidated balance sheet as either short-term or long-term investments depending on their maturity. Investments not considered cash equivalents and with maturities one year or less from the consolidated balance sheet date are classified as short-term investments. Investments with maturities greater than one year from the consolidated balance sheet date are classified as long-term investments.

Investments are considered impaired when a decline in fair value is judged to be other-than-temporary. We consult with our investment managers and consider available quantitative and qualitative evidence in evaluating potential impairment of our investments on a quarterly basis. If the cost of an individual investment exceeds its fair value, we evaluate, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and our intent and ability to hold the investment. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount, net of allowances for doubtful accounts. The allowance for doubtful accounts is based on our assessment of the collectability of accounts. Management regularly reviews the adequacy of the allowance for doubtful accounts by considering the age of each outstanding invoice, each channel partner's expected ability to pay, and the collection history with each channel partner, when applicable, to determine whether a specific allowance is appropriate. Accounts receivable deemed uncollectible are charged against the allowance for doubtful accounts when identified. As of July 31, 2015 and 2014, the allowance for doubtful accounts activity was not significant.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to ten years. Leasehold improvements are depreciated over the shorter of the estimated useful lives of the improvements or the remaining lease term.

Business Combinations

We include the results of operations of the businesses that we acquire as of the respective dates of acquisition. We allocate the fair value of the purchase price of our acquisitions to the tangible assets acquired, liabilities assumed, and intangible assets acquired, based on their estimated fair values. The excess of the purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill. Additional information existing as of the acquisition date but unknown to us may become known during the remainder of the measurement period, not to exceed 12 months from the acquisition date, which may result in changes to the amounts and allocations recorded.

Amortization of Intangible Assets

Purchased intangible assets with finite lives are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets. Acquisition-related in-process research and development represents the fair value of incomplete research and development projects that have not reached technological feasibility as of the date of acquisition. Initially, these assets are not subject to amortization. Assets related to projects that have been completed are transferred to developed technology, which are subject to amortization.

Impairment of Goodwill, Intangible Assets, and Long-Lived Assets

Goodwill is evaluated for impairment on an annual basis in the fourth quarter of our fiscal year, and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. We have elected to first assess qualitative factors to determine whether it is more likely than not that the fair value of our single reporting unit is less than its carrying amount. If we determine that it is more likely than not that the fair value of our single reporting unit is less than its carrying amount, then the two-step goodwill impairment test will be performed. The first step, identifying a potential impairment, compares the fair value of our single reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step will be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the goodwill carrying amount over the implied fair value is recognized as an impairment loss.

We evaluate events and changes in circumstances that could indicate carrying amounts of purchased intangible assets and long-lived assets may not be recoverable. When such events or changes in circumstances occur, we assess the recoverability of these assets by determining whether or not the carrying amount will be recovered through undiscounted expected future cash flows. If the total of the future undiscounted cash flows is less than the carrying amount of an asset, we record an impairment loss for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Through July 31, 2015, we have not recognized any impairment losses on our goodwill, intangible assets, and long-lived assets.

Contract Manufacturer Liabilities

We outsource most of our manufacturing, repair, and supply chain management operations to our independent contract manufacturer and payments to it are a significant portion of our product cost of revenues. Although we could be contractually obligated to purchase manufactured products, we generally do not own the manufactured products. Product title transfers from our independent contract manufacturer to us and immediately to our channel partners upon shipment. Our independent contract manufacturer assembles our products using design specifications, quality assurance programs, and standards that we establish and it procures components and assembles our products based on our demand forecasts. These forecasts represent our estimates of future demand for our products based upon historical trends and analysis from our sales and product management functions as adjusted for overall market conditions. If the actual component usage and product demand are significantly lower than forecast, we accrue for costs for contractual manufacturing commitments in excess of our forecasted demand including costs for excess components or for carrying costs incurred by our contract manufacturer. Through July 31, 2015, we have not accrued any significant costs associated with this exposure.

Convertible Senior Notes

On June 30, 2014, we issued \$575.0 million aggregate principal amount of 0.0% Convertible Senior Notes due 2019 (the "Notes"). In accounting for the issuance of the Notes, we separated the Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the Notes as a whole. This difference represents a debt discount that is amortized to interest expense using the effective interest method over the term of the Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. In accounting for the transaction costs related to the issuance of the Notes, we allocated the total amount incurred to the liability and equity components using the same proportions as the proceeds from the Notes. Transaction costs attributable to the liability component are being amortized to interest expense using the effective interest method over the term of the Notes. Transaction costs attributable to the equity component were netted with the equity component of the Notes in additional paid-in capital in the consolidated balance sheets.

When the Notes are convertible, the net carrying amount of the Notes and related debt issuance costs will be classified as current liabilities and current assets, respectively, in our consolidated balance sheets. In addition, a portion of the equity component representing the conversion option will be reclassified to temporary equity in our consolidated balance sheets.

Revenue Recognition

We generate revenue from the sales of hardware and software products, subscriptions, support and maintenance, and other services primarily through a direct sales force and indirect relationships with channel partners, and, to a lesser extent, directly to end-customers.

Revenue is recognized when all of the following criteria are met:

- ***Persuasive Evidence of an Arrangement Exists.*** We rely upon non-cancelable sales agreements and purchase orders to determine the existence of an arrangement.
- ***Delivery has Occurred.*** We use shipping documents or transmissions of product or service contract registration codes to determine delivery.

- **The Fee is Fixed or Determinable.** We assess whether the fee is fixed or determinable based on the payment terms associated with the transaction.
- **Collectability is Reasonably Assured.** We assess collectability based on credit analysis and payment history.

We recognize product revenue at the time of shipment provided that all other revenue recognition criteria have been met. Our channel partners generally receive an order from an end-customer prior to placing an order with us. In addition, payment from our channel partners is not contingent on the partner's success in sales to end-customers. Our channel partners generally do not stock appliances and only have limited stock rotation rights and no price protection rights. When necessary, we make certain estimates and maintain allowances for sales returns and other programs based on our historical experience. To date, these estimates have not been significant. We recognize services revenue from subscriptions and support and maintenance ratably over the contractual service period, which is typically one to five years. Other services revenue is recognized as the services are rendered.

Most of our arrangements, other than renewals of subscriptions and support and maintenance, are multiple-element arrangements with a combination of hardware, software, subscriptions, support and maintenance, and other services. Products and services generally qualify as separate units of accounting. Our hardware deliverables typically include proprietary operating system software, which together deliver the essential functionality of our products. For multiple-element arrangements, we allocate revenue to each unit of accounting based on an estimated selling price at the arrangement inception. The estimated selling price for each element is based upon the following hierarchy: vendor-specific objective evidence (VSOE) of selling price, if available, third-party evidence (TPE) of selling price, if VSOE of selling price is not available, or best estimate of selling price (BESP), if neither VSOE of selling price nor TPE of selling price are available. The total arrangement consideration is allocated to each separate unit of accounting using the relative estimated selling prices of each unit based on the aforementioned selling price hierarchy. We limit the amount of revenue recognized for delivered elements to an amount that is not contingent upon future delivery of additional products or services or meeting of any specified performance conditions.

In multiple-element arrangements where software deliverables are included, revenue is allocated to each separate unit of accounting for each of the non-software deliverables and to the software deliverables as a group using the relative estimated selling prices of each of the deliverables in the arrangement based on the aforementioned estimated selling price hierarchy. The arrangement consideration allocated to the software deliverables as a group is then allocated to each software deliverable using the residual method when VSOE of fair value of the undelivered items exists. Under the residual method, the amount of revenue allocated to delivered elements equals the total arrangement consideration less the aggregate fair value of any undelivered elements. In determining VSOE of fair value, we evaluate whether a substantial majority of the historical prices charged for a product or service sold on a standalone basis, as represented by a percentage of list price, fall within a reasonably narrow range. If VSOE of fair value of one or more undelivered items does not exist, revenue from the software portion of the arrangement is deferred and recognized at the earlier of: (i) delivery of those elements or (ii) when fair value can be established unless support and maintenance is the only undelivered element, in which case, the entire software arrangement fee is recognized ratably over the contractual service period.

We account for multiple agreements with a single partner as one arrangement if the contractual terms and/or substance of those agreements indicate that they may be so closely related that they are, in effect, parts of a single arrangement.

Revenues are reported net of sales taxes. Shipping charges billed to channel partners are included in revenues and related costs are included in cost of revenue. Sales commissions and other incremental costs to acquire contracts are also expensed as incurred. After receipt of a partner order, any amounts billed in excess of revenue recognized are recorded as deferred revenue.

Advertising Costs

Advertising costs, which are expensed and included in sales and marketing expense when incurred, were \$4.8 million, \$3.7 million, and \$1.8 million, during the years ended July 31, 2015, 2014, and 2013, respectively.

Software Development Costs

Internally developed software includes enterprise-level business software that we are customizing to meet our specific operational needs. These capitalized costs consisted of the external direct costs and the internal payroll and payroll related costs that are related to the implementation of our enterprise resource planning software system and will be amortized over a useful life of three to five years.

The costs to develop software that is marketed externally have not been capitalized as we believe our current software development process is essentially completed concurrent with the establishment of technological feasibility. As such, all related software development costs are expensed as incurred and included in research and development expense in our consolidated statements of operations.

Share-Based Compensation

Compensation expense related to share-based transactions, including employee and non-employee director awards, is measured and recognized in the financial statements based on fair value on the grant date. We recognize share-based compensation expense, net of estimated forfeitures, on a straight-line basis over the requisite service periods of the related awards.

Leases

We rent our facilities under operating lease agreements and recognize related rent expense on a straight-line basis over the term of the lease. Some of our lease agreements contain rent holidays, scheduled rent increases, lease incentives, and renewal options. Rent holidays and scheduled rent increases are included in the determination of rent expense to be recorded over the lease term. Lease incentives are recognized as a reduction of rent expense on a straight-line basis over the term of the lease. Renewals are not assumed in the determination of the lease term unless they are deemed to be reasonably assured at the inception of the lease. We begin recognizing rent expense on the date that we obtain the legal right to use and control the leased space.

Income Taxes

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and research and development credit carryforwards. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence, including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

We apply the authoritative accounting guidance prescribing a threshold and measurement attribute for the financial recognition and measurement of a tax position taken or expected to be taken in a tax return. We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more likely than not to be realized upon ultimate settlement.

Loss Contingencies

We are subject to the possibility of various loss contingencies arising in the ordinary course of business. In determining loss contingencies, we consider the likelihood of loss or impairment of an asset, or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If we determine that a loss is possible and the range of the loss can be reasonably determined, then we disclose the range of the possible loss. We regularly evaluate current information available to us to determine whether an accrual is required, an accrual should be adjusted or a range of possible loss should be disclosed.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (FASB) issued new authoritative guidance on fees paid in a cloud computing arrangement. The standard requires customers in a cloud computing arrangement to evaluate whether the arrangement includes a software license. If the arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If the arrangement does not include a software license, the customer should account for the arrangement as a service contract. The standard is effective for us for our first quarter of fiscal 2017, although early adoption is permitted, and will be applied on either a prospective or retrospective basis. We are currently evaluating adoption methods and whether this standard will have a material impact on our consolidated financial statements.

In April 2015, the FASB issued updated authoritative guidance to simplify the presentation of debt issuance costs. The amended standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts, instead of being presented as an asset. The amended standard is effective for us for our first quarter of fiscal 2017, although early adoption is permitted, and will be applied on a retrospective basis. We do not expect the adoption of the standard will have a material impact on our consolidated financial statements.

In May 2014, the FASB issued new authoritative guidance on revenue from contracts with customers. The new standard provides principles for recognizing revenue for the transfer of promised goods or services to customers with the consideration to

which the entity expects to be entitled in exchange for those goods or services. The standard also requires significantly expanded disclosures about revenue recognition. In July 2015, the FASB decided to delay the effective date of the new standard by one year. The guidance is now effective for us for our first quarter of fiscal 2019 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within the guidance; or (ii) retrospective with the cumulative effect of initially applying the guidance recognized at the date of initial application and providing certain additional disclosures as defined per the guidance. Early adoption as of the original effective date is permitted. We are currently evaluating adoption methods and whether this standard will have a material impact on our consolidated financial statements.

In July 2013, the FASB issued new authoritative guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The standard requires us to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss (NOL) carryforward or other tax credit carryforward when settlement in this manner is available under applicable tax law. The guidance was effective for us in the first quarter of fiscal 2015. Our adoption of this guidance did not have an impact on our consolidated financial statements.

2. Fair Value Measurements

We categorize assets and liabilities recorded at fair value on our consolidated balance sheets based upon the level of judgment associated with inputs used to measure their fair value. The categories are as follows:

- Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the assets or liabilities, either directly or indirectly through market corroboration, for substantially the full term of the financial instruments.
- Level 3—Inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. The inputs require significant management judgment or estimation.

The following table presents the fair value of our financial assets and liabilities using the above input categories as of July 31, 2015 and July 31, 2014 (in thousands):

	July 31, 2015				July 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Short-term investments:								
Certificates of deposit	\$ —	\$ 1,000	\$ —	\$ 1,000	\$ —	\$ —	\$ —	\$ —
Corporate debt securities	—	97,825	—	97,825	—	22,239	—	22,239
U.S. government and agency securities	—	314,340	—	314,340	—	96,451	—	96,451
Total short-term investments	—	413,165	—	413,165	—	118,690	—	118,690
Long-term investments:								
Certificates of deposit	—	—	—	—	—	1,000	—	1,000
Corporate debt securities	—	92,902	—	92,902	—	39,018	—	39,018
U.S. government and agency securities	—	445,939	—	445,939	—	161,862	—	161,862
Total long-term investments	—	538,841	—	538,841	—	201,880	—	201,880
Other assets:								
Certificates of deposit	—	—	—	—	1,220	—	—	1,220
Total other assets	—	—	—	—	1,220	—	—	1,220
Total assets measured at fair value	\$ —	\$ 952,006	\$ —	\$ 952,006	\$ 1,220	\$ 320,570	\$ —	\$ 321,790

Refer to Note 7. Convertible Senior Notes for the carrying amount and estimated fair value of our convertible senior notes as of July 31, 2015.

3. Investments

The following tables summarize the unrealized gains and losses and fair value of our investments as of July 31, 2015 and July 31, 2014 (in thousands):

	July 31, 2015			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Certificates of deposit	\$ 1,000	\$ —	\$ —	\$ 1,000
Corporate debt securities	190,882	24	(179)	190,727
U.S. government and agency securities	760,212	271	(204)	760,279
Total	\$ 952,094	\$ 295	\$ (383)	\$ 952,006

	July 31, 2014			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Certificates of deposit	\$ 1,000	\$ —	\$ —	\$ 1,000
Corporate debt securities	61,299	16	(58)	61,257
U.S. government and agency securities	258,376	45	(108)	258,313
Total	\$ 320,675	\$ 61	\$ (166)	\$ 320,570

The following tables present our investments that were in an unrealized loss position as of July 31, 2015 and July 31, 2014 (in thousands):

	July 31, 2015					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate debt securities	\$ 134,976	\$ (179)	\$ —	\$ —	\$ 134,976	\$ (179)
U.S. government and agency securities	348,991	(204)	—	—	348,991	(204)
Total	\$ 483,967	\$ (383)	\$ —	\$ —	\$ 483,967	\$ (383)

	July 31, 2014					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate debt securities	\$ 43,868	\$ (58)	\$ —	\$ —	\$ 43,868	\$ (58)
U.S. government and agency securities	142,490	(108)	—	—	142,490	(108)
Total	\$ 186,358	\$ (166)	\$ —	\$ —	\$ 186,358	\$ (166)

Unrealized losses related to these investments are due to interest rate fluctuations as opposed to credit quality. In addition, we do not intend to sell and it is not likely that we would be required to sell these investments before recovery of their amortized cost basis, which may be at maturity. As a result, there is no other-than-temporary impairment for these investments at July 31, 2015 and 2014.

We received proceeds of \$18.5 million, \$74.6 million, and \$13.5 million from sales of investments during the years ended July 31, 2015, 2014, and 2013, respectively. We use the specific identification method to determine the cost basis of investments sold.

The following table summarizes the amortized cost and fair value of our investments as of July 31, 2015, by contractual years-to-maturity (in thousands):

	Amortized Cost	Fair Value
Due within one year	\$ 413,148	\$ 413,165
Due between one and three years	538,946	538,841
Total	\$ 952,094	\$ 952,006

4. Acquisitions

Business Combinations

Fiscal 2015

CirroSecure, Inc.

On May 22, 2015, we completed our acquisition of CirroSecure, Inc. (“CirroSecure”), a privately-held cybersecurity company. The acquisition expands the functionality of our next-generation security platform by providing additional security for SaaS applications. We have accounted for this transaction as a business combination in exchange for total cash consideration of \$15.3 million.

We allocated the purchase consideration to the assets acquired and liabilities assumed based on their estimated fair values and as a result, recorded a developed technology intangible asset of \$11.0 million, goodwill of \$8.1 million, and net liabilities of \$3.8 million in our consolidated balance sheets as of the acquisition date. The developed technology will be amortized over an estimated useful life of seven years. The goodwill is attributable to the assembled workforce and expected post-acquisition synergies and is not deductible for income tax purposes.

Adjustments to the allocation of the purchase consideration, specifically income taxes payable and deferred taxes, may be required as additional information is received and certain tax returns are finalized. We expect to finalize the allocation of the purchase consideration to the assets acquired and liabilities assumed as soon as practicable, but not later than 12 months from the acquisition date.

CirroSecure’s operating results are included in our consolidated statements of operations from the date of the acquisition and are considered immaterial for purposes of pro forma financial disclosures.

Fiscal 2014

Cyvera Ltd.

On April 9, 2014, we completed our acquisition of Cyvera Ltd. (“Cyvera”), a privately-held cybersecurity company located in Tel Aviv, Israel. The acquisition extends our next-generation security platform with an innovative approach to preventing attacks on the endpoint. We have accounted for this transaction as a business combination in exchange for total consideration of approximately \$177.6 million, which consisted of the following (in thousands):

	Amount
Cash	\$ 90,170
Common stock (1.3 million shares)	87,477
Total	\$ 177,647

As part of the acquisition, we agreed to replace Cyvera's unvested options with our restricted stock units with an estimated fair value of \$6.4 million. Of the total estimated fair value, a portion was allocated to the purchase consideration and the remainder was allocated to future services and will be expensed over the remaining service periods on a straight-line basis as share-based compensation.

In addition, we issued 0.3 million shares of restricted common stock with a total fair value of \$17.6 million to certain Cyvera employees. The restriction on these shares will be released over a period of three years from the acquisition date, subject to continued employment. These shares were excluded from the purchase consideration and are being expensed over the remaining service periods on a straight-line basis as share-based compensation.

We expensed the related acquisition costs in the amount of \$3.9 million in general and administrative expenses for the year ended July 31, 2014.

The following table summarizes our allocation of the purchase consideration based on the fair value of assets acquired and liabilities assumed (in thousands):

	Amount
Cash	\$ 6,930
Goodwill	145,275
Identified intangible assets	42,300
Accrued and other liabilities, net	(6,950)
Long-term deferred tax liability, net	(9,908)
Total	<u>\$ 177,647</u>

The fair values of assets acquired and liabilities assumed in the table above have been adjusted to reflect changes due to tax returns filed during the measurement period.

The following table presents details of the identified intangible assets acquired as of the date of acquisition (in thousands, except years):

	Fair Value	Estimated Useful Life
Developed technology	\$ 34,500	7 years
In-process research and development	7,600	N/A
Other	200	2 years
Total	<u>\$ 42,300</u>	

Goodwill generated from this business combination is primarily attributable to the assembled workforce and synergies from combined selling opportunities of both network security products and endpoint security products. The goodwill is not deductible for income tax purposes.

The following table presents the unaudited pro forma financial information for the years ended July 31, 2014 and 2013, as though the companies were combined as of August 1, 2012 (in thousands):

	Year Ended July 31,	
	2014	2013
Total revenue	\$ 598,254	\$ 396,131
Net loss	\$ (241,920)	\$ (43,041)

The pro forma financial information for the years ended July 31, 2014 and 2013 has been calculated after adjusting our results and those of Cyvera to reflect the business combination accounting effects resulting from this acquisition as though the acquisition occurred as of August 1, 2012, including acquisition related transaction costs, the amortization expense from acquired intangible assets, and post-acquisition share-based compensation expense related to restricted common stock and the replacement of unvested Cyvera options. The pro forma financial information is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of our fiscal 2013.

The pro forma financial information for the years ended July 31, 2014 and 2013 combines our historical results for the years ended July 31, 2014 and 2013 and the adjusted historical results of Cyvera for the twelve months ended June 30, 2014 and 2013, due to differences in reporting periods and considering the date we acquired Cyvera.

Morta Security, Inc.

On December 26, 2013, we completed our acquisition of Morta Security, Inc. (“Morta”), a privately-held cybersecurity company. We have accounted for this transaction as a business combination and exchanged total cash consideration of \$10.3 million. Morta brings us a team of cybersecurity experts which will enhance the proven detection and prevention capabilities of our WildFire offering.

The following table summarizes our allocation of the purchase consideration based on the fair value of assets acquired and liabilities assumed (in thousands):

	Amount
Goodwill	\$ 10,127
Identified intangible assets	2,200
Net liabilities assumed	(1,982)
Total	<u>\$ 10,345</u>

The fair values of assets acquired and liabilities assumed in the table above have been adjusted to reflect changes due to tax returns filed during the measurement period.

The following table presents details of the identified intangible assets acquired (in thousands, except years):

	Fair Value	Estimated Useful Life
In-process research and development held for defensive purposes	\$ 1,900	3 years
Other	300	2 years
Total	<u>\$ 2,200</u>	

Morta's operating results are included in our consolidated statements of operations from the date of the acquisition and are considered immaterial for purposes of pro forma financial disclosures. Goodwill generated from this business combination is primarily attributable to human capital with threat intelligence experience and capabilities, and is not deductible for income tax purposes.

5. Goodwill and Intangible Assets

Goodwill

The following table presents the changes in the carrying amount of goodwill during the years ended July 31, 2015 and 2014 (in thousands):

	Amount
Balance as of July 31, 2013	\$ —
Goodwill acquired	155,033
Balance as of July 31, 2014	155,033
Goodwill acquired	8,120
Measurement period adjustments	369
Balance as of July 31, 2015	<u>\$ 163,522</u>

There was no impairment of goodwill during the years ended July 31, 2015 and 2014.

Purchased Intangible Assets

The following table presents details of our purchased intangible assets as of July 31, 2015 and July 31, 2014 (in thousands):

	July 31,					
	2015			2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with finite lives:						
Developed technology	\$ 53,100	\$ (7,738)	\$ 45,362	\$ 34,500	\$ (1,643)	\$ 32,857
Acquired intellectual property	8,156	(1,888)	6,268	6,546	(958)	5,588
In-process research and development held for defensive purposes	1,900	(1,003)	897	1,900	(370)	1,530
Other	500	(371)	129	500	(120)	380
Total intangible assets with finite lives	63,656	(11,000)	52,656	43,446	(3,091)	40,355
In-process research and development with indefinite lives	—	—	—	7,600	—	7,600
Total purchased intangible assets	\$ 63,656	\$ (11,000)	\$ 52,656	\$ 51,046	\$ (3,091)	\$ 47,955

We recognized amortization expense of \$7.9 million, \$2.9 million, and \$0.1 million for the years ended July 31, 2015, 2014, and 2013, respectively. Our in-process research and development acquired from Cyvera in April 2014 was transferred to developed technology during the year ended July 31, 2015 and is being amortized over its estimated useful life of seven years.

The following table summarizes our estimated future amortization expense of intangible assets with finite lives by type as of July 31, 2015 (in thousands):

	Fiscal Years Ending July 31,					
	2016	2017	2018	2019	2020	2021 and Thereafter
Developed technology	\$ 7,586	\$ 7,586	\$ 7,586	\$ 7,586	\$ 7,586	\$ 7,432
Acquired intellectual property	947	853	617	511	485	2,855
In-process research and development held for defensive purposes	633	264	—	—	—	—
Other	129	—	—	—	—	—
Total future amortization expense	\$ 9,295	\$ 8,703	\$ 8,203	\$ 8,097	\$ 8,071	\$ 10,287

6. Property and Equipment

The following table presents details of property and equipment, net as of July 31, 2015 and July 31, 2014 (in thousands):

	July 31,	
	2015	2014
Computers, equipment, and software	\$ 62,599	\$ 38,147
Leasehold improvements	25,461	21,258
Demonstration units	15,971	14,832
Furniture and fixtures	6,631	5,129
Total property and equipment	110,662	79,366
Less: accumulated depreciation	(47,784)	(30,622)
Total property and equipment, net	\$ 62,878	\$ 48,744

We recognized depreciation expense of \$20.3 million, \$14.0 million, and \$9.8 million related to property and equipment during the years ended July 31, 2015, 2014, and 2013, respectively.

7. Convertible Senior Notes

Convertible Senior Notes

On June 30, 2014, we issued \$575.0 million aggregate principal amount of 0.0% Convertible Senior Notes due 2019 (the “Notes”). The Notes are governed by an indenture between us, as the issuer, and U.S. Bank National Association, as Trustee (the “Indenture”). The Notes are unsecured, unsubordinated obligations that do not contain any financial covenants or restrictions on the payments of dividends, the incurrence of indebtedness, or the issuance or repurchase of securities by us or any of our subsidiaries. The Notes mature on July 1, 2019 unless converted or repurchased in accordance with their terms prior to such date. We cannot redeem the Notes prior to maturity.

The Notes are convertible for up to 5.2 million shares of our common stock at an initial conversion rate of approximately 9.068 shares of common stock per \$1,000 principal amount, which is equal to an initial conversion price of approximately \$110.28 per share of common stock, subject to adjustment. Holders of the Notes may surrender their Notes for conversion at their option at any time prior to the close of business on the business day immediately preceding January 1, 2019, only under the following circumstances:

- during any fiscal quarter commencing after the fiscal quarter ending on October 31, 2014 (and only during such fiscal quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price for the Notes on each applicable trading day;
- during the five business day period after any five consecutive trading day period (the “measurement period”), in which the trading price per \$1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate for the Notes on each such trading day; or
- upon the occurrence of specified corporate events.

On or after January 1, 2019, holders may convert all or any portion of their Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date regardless of the foregoing conditions. Upon conversion, holders will receive cash equal to the aggregate principal amount of the Notes to be converted, and, at our election, cash and/or shares of our common stock for any amounts in excess of the aggregate principal amount of the Notes being converted.

The conversion price will be subject to adjustment in some events. Holders of the Notes who convert their Notes in connection with certain corporate events that constitute a “make-whole fundamental change” per the Indenture are, under certain circumstances, entitled to an increase in the conversion rate. Additionally, upon the occurrence of a corporate event that constitutes a “fundamental change” per the Indenture, holders of the Notes may require us to repurchase for cash all or a portion of the Notes at a purchase price equal to 100% of the principal amount of the Notes plus accrued and unpaid contingent interest.

In accounting for the issuance of the Notes, we separated the Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the Notes as a whole. The difference between the principal amount of the Notes and the liability component (the “debt discount”), is amortized to interest expense using the effective interest method over the term of the Notes. The equity component of the Notes was recorded in additional paid-in capital in our consolidated balance sheets and is not remeasured as long as it continues to meet the conditions for equity classification.

In accounting for the transaction costs related to the issuance of the Notes, we allocated the total amount incurred to the liability and equity components using the same proportions as the proceeds from the Notes. Transaction costs attributable to the liability component were recorded in other assets in our consolidated balance sheets and are being amortized to interest expense in our consolidated statements of operations using the effective interest method over the term of the Notes. Transaction costs attributable to the equity component were netted with the equity component of the Notes in additional paid-in capital in our consolidated balance sheets. We recorded liability issuance costs, or debt issuance costs, of \$12.5 million and equity issuance costs of \$2.9 million.

During the fiscal quarter ended April 30, 2015, the last reported sale price of our common stock was greater than or equal to 130% of the conversion price of the Notes for at least 20 of the last 30 consecutive trading days of such quarter (the “stock price conversion right”). As a result, holders could convert their Notes at any time during the fiscal quarter ending July 31, 2015. Accordingly, we reclassified the net carrying amount of the Notes and related debt issuance costs to current liabilities and current assets, respectively, in our consolidated balance sheets. We also reclassified a portion of the equity component representing the conversion option to temporary equity in our consolidated balance sheets. The stock price conversion right continued to be met during the fiscal quarter ended July 31, 2015, and as a result, holders may convert their Notes at any time during the fiscal quarter ending October 31, 2015. Accordingly, a portion of the equity component remained classified in temporary equity in our consolidated balance sheets. The portion of the equity component classified as temporary equity is measured as the difference between the principal and net carrying amount of the Notes.

The following table sets forth the components of the Notes as of July 31, 2015 and July 31, 2014 (in thousands):

	July 31,	
	2015	2014
Liability:		
Principal	\$ 575,000	\$ 575,000
Less: debt discount, net of amortization	87,916	108,125
Net carrying amount	<u>\$ 487,084</u>	<u>\$ 466,875</u>
Equity (including temporary equity)	<u>\$ (109,785)</u>	<u>\$ (109,785)</u>

The total estimated fair value of the Notes was \$994.8 million and \$587.1 million at July 31, 2015 and July 31, 2014, respectively. The fair value was determined based on the closing trading price per \$100 of the Notes as of the last day of trading for the period. We consider the fair value of the Notes at July 31, 2015 and July 31, 2014 to be a Level 2 measurement. The fair value of the Notes is primarily affected by the trading price of our common stock and market interest rates. As of July 31, 2015, the if-converted value of the Notes exceeded its principal amount by \$376.7 million.

The following table sets forth interest expense recognized related to the Notes for the years ended July 31, 2015 and July 31, 2014 (dollars in thousands):

	Year Ended July 31,	
	2015	2014
Amortization of debt issuance costs	\$ 2,056	\$ 166
Amortization of debt discount	20,209	1,660
Total interest expense recognized	<u>\$ 22,265</u>	<u>\$ 1,826</u>
Effective interest rate of the liability component	4.8%	4.8%

Note Hedges

To minimize the impact of potential economic dilution upon conversion of the Notes, we entered into convertible note hedge transactions (the "Note Hedges") with respect to our common stock concurrent with the issuance of the Notes. The Note Hedges cover up to 5.2 million shares of our common stock at a strike price per share that corresponds to the initial conversion price of the Notes, which are also subject to adjustment, and are exercisable upon conversion of the Notes. The Note Hedges will expire upon maturity of the Notes. The Note Hedges are separate transactions and are not part of the terms of the Notes. Holders of the Notes will not have any rights with respect to the Note Hedges. The shares receivable related to the Note Hedges are excluded from the calculation of diluted earnings per share as they are antidilutive.

We paid an aggregate amount of \$111.0 million for the Note Hedges, which is included in additional paid-in capital in our consolidated balance sheets.

Warrants

Separately, but concurrently with our issuance of the Notes, we entered into warrant transactions (the "Warrants") whereby we sold warrants to acquire up to 5.2 million shares of our common stock at a strike price of approximately \$137.85 per share, subject to adjustments. The shares issuable under the Warrants will be included in the calculation of diluted earnings per share when the average market value per share of our common stock for the reporting period exceeds the strike price of the Warrants. The Warrants are separate transactions and are not part of the Notes or Notes Hedges, and are not remeasured through earnings each reporting period. Holders of the Notes and Note Hedges will not have any rights with respect to the Warrants.

We received aggregate proceeds of \$78.3 million from the sale of the Warrants, which is included in additional paid-in capital in our consolidated balance sheets.

8. Commitments and Contingencies

Leases

We lease our facilities under various non-cancelable operating leases, which expire through the year ending July 31, 2028.

In September 2012, we entered into two lease agreements for an aggregate of approximately 300,000 square feet of space in Santa Clara, California to serve as our corporate headquarters beginning in November 2013. The leases commenced in November 2012 and August 2013, expire in July 2023, and allow for two separate 5-year options to extend the lease term. Payments under these leases are approximately \$94.3 million over the lease term. Each lease has a rent holiday, which was included in the determination of rent expense.

In July 2013, we entered into a 51-month sub-lease agreement for our previous corporate headquarters with a commencement date of January 2014. Net proceeds from this sub-lease are approximately \$10.7 million over the lease term. The sub-lease agreement contains a rent credit of \$0.5 million, which was included in the determination of rental income.

In May 2015, we entered into three lease agreements for approximately 752,000 square feet of corporate office space in Santa Clara, California to serve as our future corporate headquarters. The first lease will commence in May 2016 and expire in April 2021, although it can also be terminated by us under certain conditions. The remaining two leases will commence in May 2017 and expire in April 2028, however, the property is currently under construction and as a result, the lease commencement dates may change based on progress of the construction project. The leases contain a rent holiday period, scheduled rent increases, lease incentives, and renewal options which allow the lease terms to be extended through April 2046. Rental payments under the three lease agreements are approximately \$275.1 million over the lease term. In August 2015, we executed the expansion notice under the lease agreements to notify the landlord of our intent to lease approximately 300,000 square feet of additional space in a building that will be constructed at a future date. The lease related to this additional space has not yet been executed.

We recognized rent expense of \$15.4 million, \$13.2 million, and \$4.4 million for the years ended July 31, 2015, 2014, and 2013, respectively. Rent expense is recognized on a straight-line basis over the term of the lease.

The following table presents details of the aggregate future non-cancelable minimum rental payments under our operating leases as of July 31, 2015 (in thousands):

	Amount
Years ending July 31:	
2016	\$ 20,821
2017	24,374
2018	27,133
2019	41,583
2020	42,043
2021 and thereafter	253,202
Committed gross lease payments	409,156
Less: proceeds from sublease rental	8,174
Net operating lease obligation	\$ 400,982

Contract Manufacturer Commitments

Our independent contract manufacturer procures components and assembles our products based on our forecasts. These forecasts are based on estimates of demand for our products primarily for the next twelve months, which are in turn based on historical trends and an analysis from our sales and product marketing organizations, adjusted for overall market conditions. In order to reduce manufacturing lead times and plan for adequate supply, we may issue forecasts and orders for components and products that are non-cancelable. Obligations under contracts that we can cancel without a significant penalty are not included. As of July 31, 2015, we had \$42.8 million of open orders.

Litigation

In December 2011, Juniper Networks, Inc. ("Juniper") filed a complaint against us in the United States District Court for the District of Delaware alleging patent infringement, which sought preliminary and permanent injunctions against infringement, treble damages, and attorneys' fees. On September 30, 2013, we filed a lawsuit against Juniper in the United States District Court for the Northern District of California alleging that Juniper's products infringe three of our U.S. patents, and sought monetary damages and a permanent injunction. On May 27, 2014, we entered into a Settlement, Release and Cross-License Agreement (the "Settlement Agreement") with Juniper to resolve all pending litigation between the parties, including those discussed above. Refer to Note 9. Legal Settlement for more information on the Settlement Agreement.

In addition to the above matter, we are subject to legal proceedings, claims, and litigation arising in the ordinary course of business, including intellectual property litigation. Such matters are subject to many uncertainties and outcomes are not predictable.

with assurance. We accrue for contingencies when we believe that a loss is probable and that we can reasonably estimate the amount of any such loss.

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, we will either disclose the estimated additional loss or state that such an estimate cannot be made. As of July 31, 2015, we have not recorded any significant accruals for loss contingencies associated with such legal proceedings, determined that an unfavorable outcome is probable or reasonably possible, or determined that the amount or range of any possible loss is reasonably estimable.

Indemnification

Under the indemnification provisions of our standard sales related contracts, we agree to defend our end-customers against third-party claims asserting infringement of certain intellectual property rights, which may include patents, copyrights, trademarks, or trade secrets, and to pay judgments entered on such claims. Our exposure under these indemnification provisions is generally limited to the total amount paid by our end-customer under the agreement. However, certain agreements include indemnification provisions that could potentially expose us to losses in excess of the amount received under the agreement. In addition, we indemnify our officers, directors, and certain key employees while they are serving in good faith in their company capacities. To date, there have been no claims under any indemnification provisions.

9. Legal Settlement

Settlement, Release and Cross-License Agreement with Juniper

On May 27, 2014, we entered into the Settlement Agreement with Juniper, whereby we resolved all pending litigation matters. Under the terms of the Settlement Agreement, we agreed to pay Juniper a one-time settlement amount comprised of \$75.0 million in cash, 1.1 million shares of our common stock, and a warrant to purchase 0.5 million shares of our common stock, in exchange for the following:

- Mutual dismissal with prejudice of all pending litigation between the parties and general release of all liability for Palo Alto Networks and Juniper,
- Cross-license between both parties for the patents-in-suit and associated family members and counterparts worldwide for the life of the patents, and
- Mutual covenant not to sue for infringement of any other patents for a period of eight years.

The fair value of the total consideration as of the settlement date was \$182.5 million, which was comprised of \$75.0 million in cash, \$75.2 million in common stock, and \$32.2 million in warrant. The fair values of the common stock and warrant were measured using the closing price of our common stock on the settlement date.

The warrant was issued on June 3, 2014 and entitled Juniper to purchase up to 0.5 million shares of common stock at an exercise price of \$0.0001 per share and was classified as a liability during the period it was outstanding. On July 1, 2014, Juniper exercised the warrant in full. Accordingly, we recorded the change in the fair value of the warrant liability through the exercise date of \$5.9 million within other income (expense), net in our consolidated statement of operations for the year ended July 31, 2014.

We accounted for the Settlement Agreement as a multiple-element arrangement and allocated the fair value of the consideration as of the settlement date to the identifiable elements based on their estimated fair values. Of the total settlement amount, \$61.3 million was allocated to the licensing of intellectual property, \$54.3 million was allocated to the mutual dismissal of claims, and the remaining amount was allocated to the mutual covenant not to sue. The mutual dismissal of claims and the mutual covenant not to sue have no identifiable future benefit, and as a result we recorded a settlement charge within legal settlement expense in our consolidated statement of operations for the year ended July 31, 2014. The licensing of intellectual property is being amortized to cost of product revenue in our consolidated statements of operations over the estimated period of benefit of five years.

Mutual Covenant Not to Sue and Release Agreement

On January 27, 2014, we executed a Mutual Covenant Not to Sue and Release Agreement with Fortinet, Inc., thereby extending an existing covenant for six more years. We evaluated the transaction as a multiple-element arrangement and allocated the one-time payment that we made in the amount of \$20.0 million to each identifiable element using its relative fair value. Based on our estimates of fair value, we determined that the primary benefit of the arrangement is avoided litigation cost and the release of any potential past claims, with no material value attributable to future use or benefit. Accordingly, we recorded a \$20.0 million settlement charge within legal settlement expense in our consolidated statement of operations for the year ended July 31, 2014.

10. Stockholders' Equity

In October 2012, we completed our secondary offering whereby certain stockholders of our company sold 4.8 million shares of common stock to the public at a price of \$63.00 per share. The aggregate offering price for shares sold in the offering was approximately \$290.3 million, net of underwriting discounts and commissions. We did not receive any proceeds from the sale of shares in this offering. Offering expenses were paid by the stockholders who sold shares of common stock in the offering.

11. Equity Award Plans

Share-Based Compensation Plans

2012 Equity Incentive Plan

Our 2012 Equity Incentive Plan (our "2012 Plan") was adopted by our board of directors and approved by the stockholders on June 5, 2012 and was effective one business day prior to the effectiveness of our registration statement for our initial public offering (IPO). Our 2012 Plan replaced our 2005 Equity Incentive Plan (our "2005 Plan"), which terminated upon the completion of our IPO, however, awards that were outstanding upon termination remained outstanding pursuant to their original terms. Our 2012 Plan provides for the granting of stock options, restricted stock awards, restricted stock units (RSUs), stock appreciation rights, performance units, and performance shares to our employees, directors, and consultants.

Awards granted under our 2012 Plan vest over the periods determined by the board of directors, generally three to four years, and expire no more than ten years after the date of grant. In the case of an incentive stock option granted to an employee, who at the time of grant owns stock representing more than 10% of the total combined voting power of all classes of stock, the exercise price shall be no less than 110% of the fair value per share on the date of grant, and expire five years from the date of grant, and for options granted to any other employee, the per share exercise price shall be no less than 100% of the fair value per share on the date of grant. In the case of a non-statutory stock option and options granted to consultants, the per share exercise price shall be no less than 100% of the fair value per share on the date of grant. Stock that is purchased prior to vesting is subject to our right of repurchase at any time following termination of the participant. Since our IPO in 2012, awards granted under our 2012 Plan consist primarily of RSUs, which generally vest over a period of three to four years from the date of grant. Until vested, RSUs do not have the voting and dividend participation rights of common stock and the shares underlying the awards are not considered issued and outstanding.

A total of 18.5 million shares of our common stock are reserved for issuance pursuant to our 2012 Plan as of July 31, 2015. This includes shares that are (i) reserved but unissued under our 2005 Plan on the effective date of our 2012 Plan or (ii) returned to our 2005 Plan as a result of expiration or termination of options. On the first day of each fiscal year, the number of shares in the reserve may be increased by the lesser of (i) 8,000,000 shares, (ii) 4.5% of the outstanding shares of common stock on the last day of our immediately preceding fiscal year, or (iii) such other amount as determined by our board of directors.

2012 Employee Stock Purchase Plan

Our 2012 Employee Stock Purchase Plan (our "2012 ESPP") was adopted by our board of directors and approved by the stockholders on June 5, 2012 and was effective upon completion of our IPO.

Our 2012 ESPP permits eligible employees to acquire shares of our common stock at 85% of the lower of the fair market value of our common stock on the first trading day of each offering period or on the exercise date. Each offering period will be approximately six months starting on the first trading date on or after March 15 and September 15 of each year. Participants may purchase shares of common stock through payroll deductions of up to 15% of their eligible compensation, subject to purchase limits of 625 shares during a six month period or \$25,000 worth of stock for each calendar year.

A total of 1.8 million shares of our common stock are available for sale under our 2012 ESPP as of July 31, 2015. On the first day of each fiscal year, the number of shares in the reserve may be increased by the lesser of (i) 2,000,000 shares, (ii) 1% of the outstanding shares of our common stock on the first day of the fiscal year, or (iii) such other amount as determined by our board of directors.

Stock Option Activities

A summary of the activity under our stock plans during the reporting period and a summary of information related to options exercisable, vested, and expected to vest are presented below (in thousands, except per share amounts):

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance—July 31, 2014	5,830	\$ 13.02	7.0	\$ 395,507
Options granted	—	—		
Options forfeited	(54)	17.43		
Options exercised	(2,505)	11.99		
Balance—July 31, 2015	3,271	\$ 13.74	6.2	\$ 562,906
Options vested and expected to vest—July 31, 2015	3,254	\$ 13.70	6.1	\$ 560,111
Options exercisable—July 31, 2015	2,578	\$ 12.13	6.1	\$ 447,799

The weighted-average grant-date fair value of options granted during the year ended July 31, 2013 was \$26.09. The intrinsic value of options exercised during the years ended July 31, 2015, 2014, and 2013 was \$301.1 million, \$198.8 million, and \$186.8 million, respectively. The grant-date fair value of options vested during the years ended July 31, 2015, 2014, and 2013 was \$14.6 million, \$17.1 million, and \$21.4 million, respectively.

RSU Activities

A summary of the activity under our stock plans during the reporting period and a summary of information related to RSUs vested and expected to vest are presented below (in thousands, except per share amounts):

	RSUs Outstanding			
	Number of Shares	Weighted-Average Grant-Date Fair Value Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance—July 31, 2014	6,046	\$ 59.84	1.4	\$ 488,880
RSUs granted	4,142	122.36		
RSUs vested	(2,511)	58.40		
RSUs forfeited	(494)	70.55		
Balance—July 31, 2015	7,183	\$ 95.66	1.2	\$ 1,334,817
RSUs vested and expected to vest—July 31, 2015	6,582	\$ 94.90	1.2	\$ 1,223,133

The weighted-average grant-date fair value of RSUs granted during the years ended July 31, 2015, 2014, and 2013 was \$122.36, \$61.00, and \$54.51, respectively. The aggregate fair value, as of the respective vesting dates, of RSUs vested during the years ended July 31, 2015, 2014, and 2013 was \$350.4 million, \$57.4 million, and \$0.3 million, respectively.

Shares Available for Grant

The following table presents the stock activity and the total number of shares available for grant as of July 31, 2015 (in thousands):

	Number of shares
Balance—July 31, 2014	8,066
Authorized	3,578
RSUs granted	(4,142)
Repurchased	—
Options forfeited	54
RSUs forfeited	494
Balance—July 31, 2015	<u>8,050</u>

Employee Stock Purchase Plan

We recognized compensation expense of \$6.7 million, \$4.5 million, and \$5.3 million in connection with our 2012 ESPP during the years ended July 31, 2015, 2014, and 2013, respectively. Employees purchased 0.2 million shares of common stock at an average exercise price of \$75.09 per share during the year ended July 31, 2015.

Share-Based Compensation

We record share-based compensation awards based on fair value as of the grant date. For option awards and ESPP offerings we use the Black-Scholes option-pricing model to determine fair value. We recognize such costs as compensation expense on a straight-line basis over the requisite service period of the award. The assumptions for our option-pricing model are determined as follows:

Risk-Free Interest Rate

We base the risk-free interest rate used in the Black-Scholes valuation model on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term of the options for each option group or the term of our 2012 ESPP offering.

Expected Term

The expected term represents the period that our share-based awards are expected to be outstanding. We determined the expected term assumption based on the contractual term of the options adjusted for estimates of our employees' expected exercise and expected post-vesting termination behavior. For our 2012 ESPP, the expected term is based on the length of the offering period.

Volatility

Beginning in fiscal 2014, we determine the price volatility factor based on the historical volatility of our common stock. Prior to fiscal 2014, we determined the price volatility factor based on the historical volatilities of our peer group as we did not have sufficient trading history for our common stock.

Dividend Yield

The expected dividend assumption is based on our current expectations about our anticipated dividend policy.

The following table summarizes the assumptions related to our stock options:

	Year Ended July 31, 2013
Risk-free interest rate	1.0%
Expected term	6 years
Volatility	50%
Dividend yield	—%

The following table summarizes the assumptions related to our 2012 ESPP:

	Year Ended July 31,		
	2015	2014	2013
Risk-free interest rate	0.1%	0.1%	0.1%
Expected term	< 1 year	< 1 year	< 1 year
Volatility	40%	40%	42%
Dividend yield	—%	—%	—%

The following table summarizes share-based compensation included in costs and expenses (in thousands):

	Year Ended July 31,		
	2015	2014	2013
Cost of product revenue	\$ 3,858	\$ 1,636	\$ 765
Cost of services revenue	20,425	9,434	3,586
Research and development	74,837	29,524	9,931
Sales and marketing	84,113	42,647	20,493
General and administrative	38,198	16,668	9,101
Total share-based compensation	\$ 221,431	\$ 99,909	\$ 43,876

At July 31, 2015, total compensation cost related to unvested share-based awards granted but not yet recognized was \$557.0 million, net of estimated forfeitures. This cost is expected to be amortized on a straight-line basis over a weighted-average period of three years. Future grants will increase the amount of compensation expense to be recorded in these periods.

For the year ended July 31, 2014, we accelerated the vesting of certain share-based awards in connection with our acquisitions of Morta and Cyvera and as a result, we recorded \$3.4 million of compensation expense within general and administrative expense. For the year ended July 31, 2013, we modified the terms of certain share-based awards for a former employee and as a result, we recorded \$1.9 million of compensation expense within sales and marketing expense.

12. Income Taxes

The following table presents the components of income (loss) before income taxes (in thousands):

	Year Ended July 31,		
	2015	2014	2013
United States	\$ (47,493)	\$ (149,243)	\$ 5,198
Foreign	(108,084)	(72,917)	(23,854)
Total	\$ (155,577)	\$ (222,160)	\$ (18,656)

The following table summarizes the provision for income taxes (in thousands):

	Year Ended July 31,		
	2015	2014	2013
Federal:			
Current	\$ 1,757	\$ 795	\$ 5,883
Deferred	(2,972)	—	—
State:			
Current	682	230	1,758
Deferred	(431)	(324)	—
Foreign:			
Current	10,738	4,679	3,296
Deferred	(369)	(1,088)	(347)
Total	\$ 9,405	\$ 4,292	\$ 10,590

The following table presents the items accounting for the difference between income taxes computed at the federal statutory income tax rate and the provision for income taxes:

	Year Ended July 31,		
	2015	2014	2013
Federal statutory rate	35.0 %	35.0 %	35.0 %
Effect of:			
State taxes, net of federal tax benefit	3.6	1.3	1.0
Foreign income at other than U.S. rates	(6.5)	(12.1)	(62.4)
Change in valuation allowance	(28.5)	(21.3)	(32.5)
Share-based compensation	(10.2)	(3.2)	(16.1)
Meals and entertainment	(0.6)	(0.3)	(2.0)
Amortization of deferred tax charges	(2.2)	—	—
Research credits	6.7	1.3	25.2
Other, net	(3.3)	(2.6)	(5.0)
Total	(6.0)%	(1.9)%	(56.8)%

During the year ended July 31, 2015, we completed several changes to our corporate structure to more closely align with the global nature of our business. As a result, we recorded deferred tax charges in prepaid expenses and other current assets and other assets on our consolidated balance sheets. These amounts are being amortized on a straight-line basis over the life of the associated assets as a component of provision for income taxes in our consolidated statements of operations.

The following table presents the components of our deferred tax assets and liabilities as of July 31, 2015 and July 31, 2014 (in thousands):

	July 31,	
	2015	2014
Deferred tax assets:		
Accruals and reserves	\$ 38,936	\$ 7,942
Deferred revenue	35,261	30,430
Research and development and foreign tax credits	20,123	8,741
Net operating loss carryforwards	18,376	32,282
Share-based compensation	35,893	17,715
Gross deferred tax assets	148,589	97,110
Valuation allowance	(138,354)	(89,309)
Total deferred tax assets	10,235	7,801
Deferred tax liabilities:		
Fixed assets and intangible assets	(7,919)	(15,040)
Other deferred tax liabilities	(1,631)	(565)
Total deferred tax liabilities	(9,550)	(15,605)
Total	\$ 685	\$ (7,804)

A valuation allowance is provided when it is more likely than not that the deferred tax asset will not be realized. Realization of deferred tax assets is dependent upon future taxable income, if any, the amount and timing of which are uncertain. At such time, if it is determined that it is more likely than not that the deferred tax assets are realizable, the valuation allowance will be adjusted. As of July 31, 2015, we have provided a valuation allowance for our federal, state, and certain foreign deferred tax assets that we believe will, more likely than not, be unrealizable. The net valuation allowance increased by approximately \$49.0 million from the year ended July 31, 2014 to the year ended July 31, 2015, which was primarily attributable to an increase in deferred tax assets in our federal and state jurisdictions.

Due to our acquisition of CiroSecure, a deferred tax liability was established for the book-tax basis difference related to purchased intangibles. The net deferred tax liability from acquisitions provided an additional source of income to support the realizability of our pre-existing deferred tax assets and as a result, we released a portion of the valuation allowance that was established in the previous year and recorded a tax benefit of \$3.4 million for the year ended July 31, 2015.

As of July 31, 2015, we had federal, state, and foreign NOL carryforwards of approximately \$752.9 million, \$808.5 million, and \$12.5 million, respectively as reported on our tax returns, available to reduce future taxable income, if any. If not utilized, our federal and state NOL carryforwards will expire in various amounts from the years ending July 31, 2027 through 2035 and July 31, 2017 through 2035, respectively. Our foreign NOL will carry forward indefinitely.

As of July 31, 2015, we had federal and state research and development tax credit carryforwards of approximately \$17.2 million and \$21.8 million, respectively as reported on our tax returns. If not utilized, the federal credit carryforwards will expire in various amounts from the years ending July 31, 2026 through 2035. The state credit will carry forward indefinitely.

As of July 31, 2015, we had foreign tax credit carryforwards of \$1.1 million as reported on our tax returns. If not utilized, the foreign tax credit carryforwards will expire in various amounts from the years ending July 31, 2021 through 2025.

Utilization of the NOL carryforwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in the expiration of NOLs and credits before utilization.

We use the with-and-without approach to determine the recognition and measurement of excess tax benefits resulting from share-based awards. Accordingly, we have elected to recognize excess income tax benefits from share-based awards in additional paid-in capital only if an incremental income tax benefit would be realized after considering all other tax attributes presently available to us. As of July 31, 2015, we had excess tax benefits from share-based awards of \$680.7 million, \$648.2 million, and \$12.5 million included in federal, state, and foreign NOL, respectively. We also had \$5.3 million of excess tax benefits from share-based awards included in federal research and development tax credit. The impact of this excess tax benefit is recognized as additional paid-in capital when it reduces taxes payable. We have elected to account for the indirect effects of share-based awards on other tax attributes, such as the research, foreign and other tax credits, through the consolidated statements of operations.

During the years ended July 31, 2015, 2014, and 2013, we recorded excess tax benefits that resulted from allocating certain tax effects related to exercises of stock options and vesting of RSUs directly to stockholders' equity in the amount of \$2.5 million, \$1.0 million, and \$6.8 million, respectively.

In December 2014, the Tax Increase Prevention Act of 2014 was signed into law, which retroactively extends the federal research and development credit, bonus depreciation, and other corporate tax incentives through December 31, 2014. Due to the valuation allowance against our domestic deferred tax assets, we did not recognize any discrete tax benefits during the year ended July 31, 2015 as a result of the legislation.

As of July 31, 2015, we had \$67.2 million of unrecognized tax benefits, \$10.8 million of which would affect income tax expense if recognized, after consideration of our valuation allowance in the United States and other assets. As of July 31, 2014, we had \$10.4 million of unrecognized tax benefits, \$3.9 million of which would affect income tax expense if recognized, after consideration of our valuation allowance in the United States. As of July 31, 2015, our federal, state, and foreign returns for the tax years 2008 through the current period remain open to examination. Fiscal years outside the normal statute of limitation remain open to audit by tax authorities due to tax attributes generated in earlier years, which have been carried forward and may be audited in subsequent years when utilized. We do not expect the amount of unrecognized tax benefits as of July 31, 2015 to change significantly over the next 12 months. We recognize both interest and penalties associated with uncertain tax positions as a component of income tax expense. During the years ended July 31, 2015, 2014, and 2013, we recognized income tax expense related to interest and penalties of \$1.1 million, \$0.3 million, and \$0.2 million, respectively. We had accrued interest and penalties on our consolidated balance sheets related to unrecognized tax benefits of \$1.8 million and \$0.6 million as of July 31, 2015 and 2014, respectively. The ultimate amount and timing of any future cash settlements cannot be predicted with reasonable certainty.

The following table presents a reconciliation of the beginning and ending amount of our gross unrecognized tax benefits (in thousands):

	Year Ended July 31,		
	2015	2014	2013
Unrecognized tax benefits at the beginning of the period	\$ 10,385	\$ 6,561	\$ 2,630
Additions for tax positions taken in prior years	6,061	428	585
Reductions for tax positions taken in prior years	(612)	—	(3)
Additions for tax positions taken in the current year	51,324	3,396	3,349
Unrecognized tax benefits at the end of the period	<u>\$ 67,158</u>	<u>\$ 10,385</u>	<u>\$ 6,561</u>

As of July 31, 2015, we had approximately \$7.0 million of undistributed earnings in foreign subsidiaries. We expect to permanently reinvest these earnings outside of the United States to fund future foreign operations. We project that we will have sufficient cash flow in the United States and will not need to repatriate the foreign earnings to finance our domestic operations. If we were to distribute these earnings to the United States, we would be subject to U.S. income taxes, an adjustment for foreign tax credits, and foreign withholding taxes. We have not recorded a deferred tax liability on any portion of our undistributed earnings in foreign subsidiaries. If we were to repatriate these earnings to the United States, any associated income tax liability would be insignificant.

13. Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by basic weighted-average shares outstanding during the period. Diluted net income (loss) per share is computed by dividing net income (loss) by diluted weighted-average shares outstanding, including potentially dilutive securities.

The following table presents the computation of basic and diluted net loss per share of common stock (in thousands, except per share data):

	Year Ended July 31,		
	2015	2014	2013
Net loss	\$ (164,982)	\$ (226,452)	\$ (29,246)
Weighted-average shares used to compute net loss per share, basic and diluted	81,619	74,291	68,682
Net loss per share, basic and diluted	<u>\$ (2.02)</u>	<u>\$ (3.05)</u>	<u>\$ (0.43)</u>

The following securities were excluded from the computation of diluted net loss per share of common stock for the periods presented as their effect would have been antidilutive (in thousands):

	Year Ended July 31,		
	2015	2014	2013
Options	3,271	5,830	10,033
RSUs	7,183	6,046	2,241
ESPP shares	78	95	114
Convertible senior notes	5,214	5,214	—
Warrants related to the issuance of convertible senior notes	5,214	5,214	—
Total	<u>20,960</u>	<u>22,399</u>	<u>12,388</u>

14. Employee Benefit Plan

We have established a 401(k) tax-deferred savings plan which permits participants to make contributions by salary deduction pursuant to Section 401(k) of the Internal Revenue Code. We are responsible for administrative costs of the plan and have made no contributions to the plan since inception.

15. Segment Information

We conduct business globally and are primarily managed on a geographic theater basis. Our chief operating decision maker reviews financial information presented on a consolidated basis accompanied by information about revenue by geographic region for purposes of allocating resources and evaluating financial performance. We have one business activity and there are no segment managers who are held accountable for operations, operating results, and plans for levels, components, or types of products or services below the consolidated unit level. Accordingly, we are considered to be in a single reportable segment and operating unit structure.

The following table presents revenue by geographic theater (in thousands):

	Year Ended July 31,		
	2015	2014	2013
Revenue:			
Americas			
United States	\$ 593,741	\$ 363,174	\$ 228,604
Other Americas	45,587	33,452	19,012
Total Americas	<u>639,328</u>	<u>396,626</u>	<u>247,616</u>
EMEA	178,719	126,915	91,496
APAC	110,005	74,638	56,995
Total revenue	<u>\$ 928,052</u>	<u>\$ 598,179</u>	<u>\$ 396,107</u>

The following table presents revenue for groups of similar products and services (in thousands):

	Year Ended July 31,		
	2015	2014	2013
Revenue:			
Product	\$ 492,658	\$ 340,143	\$ 243,707
Services			
Subscription	212,676	123,236	71,203
Support and maintenance	222,718	134,800	81,197
Total services	<u>435,394</u>	<u>258,036</u>	<u>152,400</u>
Total revenue	<u>\$ 928,052</u>	<u>\$ 598,179</u>	<u>\$ 396,107</u>

Substantially all of our assets were attributable to the Americas operations as of July 31, 2015 and 2014.

16. Selected Quarterly Financial Data (Unaudited)

The following tables set forth selected unaudited financial data for the years ended July 31, 2015 and 2014 (in thousands, except per share amounts):

	Three Months Ended			
	Oct. 31, 2014	Jan. 31, 2015	Apr. 30, 2015	Jul. 31, 2015
Revenue:				
Product	\$ 101,476	\$ 115,621	\$ 121,524	\$ 154,037
Services	90,870	102,034	112,648	129,842
Total revenue	192,346	217,655	234,172	283,879
Cost of revenue:				
Product	29,141	30,640	32,851	38,462
Services	24,320	28,685	31,544	35,856
Total cost of revenue	53,461	59,325	64,395	74,318
Total gross profit	138,885	158,330	169,777	209,561
Operating expenses:				
Research and development	37,305	46,948	48,486	53,089
Sales and marketing	106,366	122,875	131,026	162,429
General and administrative	18,977	27,023	26,989	28,576
Total operating expenses	162,648	196,846	206,501	244,094
Operating loss	(23,763)	(38,516)	(36,724)	(34,533)
Interest expense	(5,489)	(5,539)	(5,631)	(5,666)
Other income (expense), net	341	344	(55)	(346)
Loss before income taxes	(28,911)	(43,711)	(42,410)	(40,545)
Provision for (benefit from) income taxes	1,157	(703)	3,525	5,426
Net loss	\$ (30,068)	\$ (43,008)	\$ (45,935)	\$ (45,971)
Net loss per share, basic and diluted	\$ (0.38)	\$ (0.53)	\$ (0.56)	\$ (0.55)

	Three Months Ended			
	Oct. 31, 2013	Jan. 31, 2014	Apr. 30, 2014	Jul. 31, 2014
Revenue:				
Product	\$ 75,485	\$ 80,823	\$ 84,128	\$ 99,707
Services	52,695	60,245	66,572	78,524
Total revenue	128,180	141,068	150,700	178,231
Cost of revenue:				
Product	17,954	20,221	20,425	26,903
Services	15,853	17,283	19,285	21,704
Total cost of revenue	33,807	37,504	39,710	48,607
Total gross profit	94,373	103,564	110,990	129,624
Operating expenses:				
Research and development	19,893	24,253	27,837	32,830
Sales and marketing	67,366	76,734	83,995	106,668
General and administrative	14,125	19,733	23,717	15,574
Legal settlement (Note 9)	—	20,000	121,173	—
Total operating expenses	101,384	140,720	256,722	155,072
Operating loss	(7,011)	(37,156)	(145,732)	(25,448)
Interest expense	(8)	(14)	(13)	(1,848)
Other income (expense), net	405	(170)	430	(5,595)
Loss before income taxes	(6,614)	(37,340)	(145,315)	(32,891)
Provision for (benefit from) income taxes	1,247	2,606	1,272	(833)
Net loss	\$ (7,861)	\$ (39,946)	\$ (146,587)	\$ (32,058)
Net loss per share, basic and diluted	\$ (0.11)	\$ (0.55)	\$ (1.96)	\$ (0.41)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our evaluation, our chief executive officer and chief financial officer concluded that, as of July 31, 2015, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission (SEC) rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control Over Financial Reporting

For “Management’s Annual Report on Internal Control Over Financial Reporting” see the report under Part II, Item 8 of this Annual Report on Form 10-K, which report is incorporated herein by reference.

For the “Report of Independent Registered Public Accounting Firm,” see the report under Part II, Item 8 of this Annual Report on Form 10-K, which report is incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended July 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers and Directors

The information required by this item will be contained in our definitive proxy statement to be filed with the SEC in connection with our 2015 annual meeting of stockholders (the "Proxy Statement"), which is expected to be filed not later than 120 days after the end of our fiscal year ended July 31, 2015, and is incorporated in this report by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Documents filed as part of this Annual Report on Form 10-K are as follows:

1. Consolidated Financial Statements

Our Consolidated Financial Statements are listed in the “Index to Consolidated Financial Statements” under Part II, Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules

Financial statement schedules have been omitted because they are not required, not applicable, not present in amounts sufficient to require submission of the schedule, or the required information is shown in the Consolidated Financial Statements or Notes thereto.

3. Exhibits

The documents listed in the Exhibit Index of this Annual Report on Form 10-K are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

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, on September 17, 2015.

PALO ALTO NETWORKS, INC.

By: /s/ MARK D. MCLAUGHLIN

Mark D. McLaughlin

Chief Executive Officer and President

POWER OF ATTORNEY

KNOW ALL THESE PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Mark D. McLaughlin and Steffan C. Tomlinson, and each of them, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ MARK D. McLAUGHLIN</u> Mark D. McLaughlin	Chief Executive Officer, President and Director (Principal Executive Officer)	September 17, 2015
<u>/s/ STEFFAN C. TOMLINSON</u> Steffan C. Tomlinson	Chief Financial Officer (Principal Accounting and Financial Officer)	September 17, 2015
<u>/s/ NIR ZUK</u> Nir Zuk	Chief Technical Officer and Director	September 17, 2015
<u>/s/ ASHEEM CHANDNA</u> Asheem Chandna	Director	September 17, 2015
<u>/s/ JOHN M. DONOVAN</u> John M. Donovan	Director	September 17, 2015
<u>/s/ CARL ESCHENBACH</u> Carl Eschenbach	Director	September 17, 2015
<u>/s/ JAMES J. GOETZ</u> James J. Goetz	Director	September 17, 2015
<u>/s/ STANLEY J. MERESMAN</u> Stanley J. Meresman	Director	September 17, 2015
<u>/s/ DANIEL J. WARMENHOVEN</u> Daniel J. Warmenhoven	Director	September 17, 2015

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			Filing Date
		Form	File No.	Exhibit	
3.1	Restated Certificate of Incorporation of the Registrant.	10-K	001-35594	3.1	October 4, 2012
3.2	Amended and Restated Bylaws of the Registrant.	10-K	001-35594	3.2	October 4, 2012
4.1	Warrant to Purchase Stock by Juniper Networks, Inc.	8-K	001-35594	4.1	June 4, 2014
4.2	Indenture between the Registrant and U.S. Bank National Association, dated as of June 30, 2014.	8-K	001-35594	4.1	July 1, 2014
10.1*	Form of Indemnification Agreement between the Registrant and its directors and officers.	S-1/A	333-180620	10.1	July 9, 2012
10.2*	2005 Equity Incentive Plan and related form agreements under 2005 Equity Incentive Plan.	S-1/A	333-180620	10.2	July 9, 2012
10.3*	2012 Equity Incentive Plan and related form agreements under 2012 Equity Incentive Plan, as amended.	10-K	001-35594	10.3	September 18, 2014
10.4*	2012 Employee Stock Purchase Plan and related form agreements under 2012 Employee Stock Purchase Plan, as amended and restated.	10-Q	001-35594	10.2	November 25, 2014
10.5*	Employee Incentive Compensation Plan, as amended and restated.	10-Q	001-35594	10.2	November 25, 2014
10.6*	Offer Letter between the Registrant and Mark D. McLaughlin, dated July 21, 2011, as amended.	S-1	333-180620	10.6	April 6, 2012
10.7*	Offer Letter between the Registrant and Steffan C. Tomlinson, dated January 17, 2012.	S-1	333-180620	10.7	April 6, 2012
10.8*	Letter Agreement between the Registrant and Nir Zuk, dated December 19, 2011.	S-1	333-180620	10.8	April 6, 2012
10.9*	Letter Agreement between the Registrant and René Bonvanie, dated December 19, 2011.	S-1	333-180620	10.10	April 6, 2012
10.10*	Letter Agreement between the Registrant and Wilson Xu, dated September 4, 2014.	10-K	001-35594	10.29	September 18, 2014
10.11*	Offer Letter between the Registrant and Stanley J. Meresman, dated September 8, 2014.	8-K	001-35594	10.1	September 22, 2014
10.12*	Offer Letter between the Registrant and Daniel J. Warmenhoven, dated February 14, 2012.	S-1	333-180620	10.13	April 6, 2012
10.13*	Offer Letter between the Registrant and Mark F. Anderson, dated May 23, 2012.	S-1/A	333-180620	10.16	July 9, 2012
10.14*	Offer Letter between the Registrant and John M. Donovan, dated September 14, 2012.	8-K	001-35594	10.1	September 20, 2012
10.15*	Offer Letter between the Registrant and Carl Eschenbach, dated May 9, 2013.	8-K	001-35594	10.1	May 30, 2013
10.16	Lease between the Registrant and Santa Clara Office Partners LLC, dated October 20, 2010, as amended.	S-1	333-180620	10.14	April 6, 2012
10.17	Amendment No. 2 to Lease between the Registrant and Santa Clara Office Partners LLC, dated July 2, 2013.	10-K	001-35594	10.17	September 25, 2013
10.18	Lease between the Registrant and SI 34 LLC, dated September 17, 2012.	10-K	001-35594	10.16	October 4, 2012

Exhibit Number	Exhibit Description	Incorporated by Reference			Filing Date
		Form	File No.	Exhibit	
10.19	Lease between the Registrant and SI 34 LLC, dated September 17, 2012.	10-K	001-35594	10.16	October 4, 2012
10.20**	Manufacturing Services Agreement between the Registrant and Flextronics Telecom Systems Ltd., dated September 20, 2010.	S-1	333-180620	10.15	April 6, 2012
10.21*	Amendment to Restricted Stock Agreement, dated as of March 8, 2013, by and between the Registrant and Nir Zuk.	8-K	001-35594	10.1	March 11, 2013
10.22*	Amendment to Restricted Stock Agreement, dated as of March 8, 2013, by and between the Registrant and Rajiv Batra.	8-K	001-35594	10.2	March 11, 2013
10.23	Settlement, Release and Cross-License Agreement, dated May 27, 2014, by and between the Registrant and Juniper Networks, Inc.	8-K	001-35594	10.1	May 28, 2014
10.24	Share Purchase Agreement between the Registrant, Cyvera Ltd., Palo Alto Networks Holding B.V., the shareholders of Cyvera Ltd. and Shareholder Representative Services LLC, dated March 22, 2014.	10-Q	001-35594	10.1	June 3, 2014
10.25	Amendment No. 1 to the Share Purchase Agreement between the Registrant, Cyvera Ltd., Palo Alto Networks Holding B.V., the shareholders of Cyvera Ltd. and Shareholder Representative Services LLC, dated April 9, 2014.	10-Q	001-35594	10.2	June 3, 2014
10.26	Purchase Agreement, dated June 24, 2014, by and among the Registrant and J.P. Morgan Securities LLC, RBC Capital Markets, LLC and Citigroup Global Markets Inc., as representatives of the initial purchasers named therein.	8-K	001-35594	10.1	June 26, 2014
10.27	Form of Convertible Note Hedge Confirmation.	8-K	001-35594	10.2	June 26, 2014
10.28	Form of Warrant Confirmation.	8-K	001-35594	10.3	June 26, 2014
10.29	Lease between the Registrant and Santa Clara Campus Property Owner I LLC, dated May 28, 2015.				
10.30	Lease between the Registrant and Santa Clara Campus Property Owner I LLC, dated May 28, 2015.				
10.31	Lease between the Registrant and Santa Clara Campus Property Owner I LLC, dated May 28, 2015.				
21.1	List of subsidiaries of the Registrant.				
23.1	Consent of Independent Registered Public Accounting Firm.				
24.1	Power of Attorney (contained in the signature page to this Annual Report on Form 10-K).				
31.1	Certification of the Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of the Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.				
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.				

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
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.				
101.INS	XBRL Instance Document.				
101.SCH	XBRL Taxonomy Schema Linkbase Document.				
101.CAL	XBRL Taxonomy Calculation Linkbase Document.				
101.DEF	XBRL Taxonomy Definition Linkbase Document.				
101.LAB	XBRL Taxonomy Labels Linkbase Document.				
101.PRE	XBRL Taxonomy Presentation Linkbase Document.				

* Indicates a management contract or compensatory plan or arrangement.

** Registrant has omitted portions of the relevant exhibit and filed such exhibit separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 406 under the Securities Act of 1933, as amended.

† The certifications attached as Exhibit 32.1 and Exhibit 32.2 that accompany this Annual Report on Form 10-K, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

LEASE

BY AND BETWEEN

Santa Clara Campus Property Owner I LLC,

a Delaware limited liability company

as Landlord

and

Palo Alto Networks, Inc.,

a Delaware corporation

as Tenant

May 28, 2015

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LEASE

THIS LEASE, dated May 28, 2015 for reference purposes only, is made by and between SANTA CLARA CAMPUS PROPERTY OWNER I LLC, a Delaware limited liability company (“Landlord”) and PALO ALTO NETWORKS, INC., a Delaware corporation [NYSE: PANW] (“Tenant”), to be effective and binding upon the parties as of the date the last of the designated signatories to this Lease shall have executed this Lease (the “Effective Date of this Lease”).

ARTICLE 1
REFERENCE

1.1 References. All references in this Lease (subject to any further clarifications contained in this Lease) to the following terms shall have the following meaning or refer to the respective address, person, date, time period, amount, percentage, calendar year or fiscal year as below set forth:

Tenant’s Representative:	Fayez Jangda
Phone Number:	[Redacted]
Landlord’s Representative:	Henry Bullock/Richard Holmstrom
Phone Number:	[Redacted]
Targeted Commencement Date:	May 1, 2017
Intended Term:	One hundred thirty-two (132) months
Lease Expiration Date:	One hundred thirty-two (132) months from the Lease Commencement Date (defined in Paragraph 2.3 below), unless earlier terminated by Landlord in accordance with the terms of this Lease, or extended by Tenant pursuant to Article 15. Notwithstanding the foregoing or any other provision of this Lease, if the Lease Commencement Date is other than the first calendar day of a calendar month, then the Lease Expiration Date shall be one hundred thirty-two (132) months from the last calendar day of the calendar month in which the Lease Commencement Date occurs (unless earlier terminated by Landlord in accordance with the terms of this Lease, or extended by Tenant pursuant to Article 15).
Options to Extend:	Three (3) option(s) to extend, each for a term of six (6) years.

First Month's Prepaid Rent:	None
Tenant's Security Deposit:	None
Late Charge Amount:	Four Percent (4%) of the Delinquent Amount
Tenant's Required Liability Coverage:	\$5,000,000 Combined Single Limit
Tenant's Broker:	Cornish & Carey Commercial, dba Newmark Cornish & Carey
Landlord's Broker:	Colliers International
Project:	<p>That certain real property situated in the City of Santa Clara, County of Santa Clara, State of California, identified as Assessor's Parcel Nos.:</p> <p>(1) 216-31-084, with a current street address of 3355 Scott Boulevard (shown on the Parcel Map as "Parcel A" and on the Site Plan as "Building A"),</p> <p>(2) 216-31-085, with a current street address of 3325 Scott Boulevard (shown on the Parcel Map as "Parcel B" and on the Site Plan as "Building B and Building D"),</p> <p>(3) 216-31-086, with a current street address of 3315 Scott Boulevard (shown on the Parcel Map as "Parcel C" and on the Site Plan as "Building C"),</p> <p>(4) 216-31-082, with a street address to be assigned by the City of Santa Clara (shown on the Parcel Map as "Parcel D" and on the Site Plan as "Building E, Building F, and a portion of Building H"),</p> <p>(5) 216-31-083, with a street address to be assigned by the City of Santa Clara (shown on the Parcel Map as "Parcel E" and on the Site Plan as "Parking Structure - P1"), and</p> <p>(6) 216-31-077¹, with a current street address of 3535 Garrett Drive (shown on the Parcel Map as "Parcel 2" and on the Site Plan as "Building G,"</p>

¹As of the Effective Date of this lease, APN 216-31-077 is under contract to be purchased by Landlord, with close of escrow expected to occur as provided in Paragraph 16.6 of the Building F and H Lease.

“Parking Structure - P2” and a portion of “Building H”).

which real property is shown on the current parcel map attached hereto as Exhibit A-1 (the “Parcel Map”) and on the preliminary Site Plan attached hereto as Exhibit A-2 (the “Site Plan”). The Parcel Map and the Site Plan are subject to approval by the City of Santa Clara and any other governmental or quasi-governmental agencies with jurisdiction (being collectively defined for such purposes as the “City”). The Site Plan attached hereto as Exhibit A-2 has been approved by Landlord and Tenant and Landlord will not initiate any proposed changes thereto without Tenant’s consent, which may be withheld in Tenant’s reasonable discretion. Landlord shall use its best efforts to obtain the City’s approval of the Site Plan without additional changes, but Tenant hereby consents to City-required changes to the Site Plan, if any, unless the same constitute Material Site Plan Changes; and Tenant’s reasonable consent shall be required for any Material Site Plan Changes. As used herein, “Material Site Plan Changes” means changes which result in the Site Plan (i) not reflecting Buildings E, F, and H in generally the same locations surrounding a large, outdoor courtyard which courtyard shall have materially the same size and configuration as shown on Exhibit A-4, and including a basketball court, amphitheater, outdoor seating areas, and load docks, (ii) materially and adversely impacting Tenant’s ability to use such courtyard and amenities located therein or (iii) an aggregate reduction of the rentable square footage of Building F, Building H, and Building E in excess of 13,000 rentable square feet. Landlord is in the process of adjusting the Parcel Map, with the objective of finalizing the Parcel Map and obtaining approval of the it and the Site Plan by the City, such that the final Site Plan will be the same as the Site Plan attached hereto as Exhibit A-2, and the Parcel Map will be substantially as set forth on Exhibit A-3 (the “Target Parcel Map”). Landlord shall use commercially reasonable efforts to obtain all necessary approvals for and file or record the final Parcel Map in a form substantially consistent with

the Target Parcel Map at Landlord's sole cost and expense as soon as reasonably practicable. Tenant acknowledges that interim lot line adjustments and parcel mergers will be required prior to finalizing the Parcel Map. Landlord will provide Tenant with copies of all lot line adjustments, parcel mergers, tentative maps and final maps concurrently with their submission to the City of Santa Clara; provided, however, that Tenant's consent to any of the foregoing will not be required so long as the Required Conditions are satisfied.

After the final Parcel Map has been approved and recorded, Landlord and Tenant agree to enter into an amendment to this Lease setting forth the final definitions of the Property and the Project (e.g., replacing the Site Plan and the Parcel Map with the final versions thereof, assigning the revised Assessor's Parcel Numbers and street addresses, etc.).

Construction will commence on Building F, Building H, Parking Structure – P1 and Building E after the Effective Date of this Lease. Building D, Building G, and Parking Structure – P2 have not yet been constructed and Landlord may elect not to construct them; provided however that (i) if Tenant exercises the Expansion Option pursuant to and in accordance with Article 16 of the Building F and H Lease, or (ii) if Tenant exercises its right of first refusal pursuant to and in accordance with Article 16 of the Building F and H Lease and such right of first refusal and the Acceptable Proposal (as defined in Article 16 of the Building F and H Lease) to which the right of first refusal relates contain an obligation for Landlord to construct Building G and Parking Structure – P2, then Landlord will be obligated to construct Building G and Parking Structure – P2 as provided in Article 16- of the Building F and H Lease. Landlord reserves the right to adjust the boundaries of the Project at any time, provided that the Required Conditions are satisfied. The Site Plan and Landlord's proposed adjustments to the applicable Assessor's Parcel Map are subject to approval by the City of Santa Clara and acquisition of "Parcel 2" - 3535 Garrett Drive (which Parcel is currently under binding contract to be purchased by Landlord).

Property: The term “Property” means that certain legal parcel of real property (currently identified as Assessor’s Parcel Nos. 216-31-82 and a portion of Assessor’s Parcel 216-31-077²), on which will be situated Building E, Building F, Building H and the Exclusive Use Area (subject to footnote 3 below), substantially as delineated on the Site Plan and the Target Parcel Map. The Property may consist of more than one legal parcel, so long as no portion of the Property is shared with any other Project tenant(s). As noted above, Landlord is currently in the process of adjusting the boundaries of the legal parcels comprising the Property (which may also entail obtaining different Assessor’s Parcel Numbers) and reserves the right to adjust the boundaries of the Property at any time, provided that the Required Conditions are satisfied. Upon completion and City approval of the Target Parcel Map, the Property will have situated upon it Building F and the entirety of Building H, and Building E will be situated on its own, separate legal parcel.

Building E: That certain building to be constructed on the Property as shown outlined on the Site Plan as “Building E” (“Building E”), which Building is estimated to contain approximately 290,000 rentable square feet of space (+/-5,000 rentable square feet), which rentable square footage will be determined in accordance with this Lease by utilizing the Building Owners and Managers Association International Single Tenant Full Building Standard Method for Measuring Floor Area in Office Buildings ANSI Z65-1-1996, pages 10 and 11 (the “BOMA Method”).

Building: Building E.

Other Buildings: (a) Those certain buildings currently constructed in the Project (but outside the Property) commonly known as 3355 Scott Boulevard (“Building A”), containing approximately 144,790 rentable square

² See footnote no. 1.

feet of space, 3325 Scott Boulevard ("Building B"), containing approximately 157,729 rentable square feet of space, and 3315 Scott Boulevard ("Building C"), containing approximately 157,205 rentable square feet of space, and, for purposes of this Lease, agreed to contain said number of rentable square feet, and

(b)(i) That certain building to be constructed in the Project (but outside the Property) with a street address to be assigned by the City of Santa Clara, and denoted on the Site Plan as "Building D" ("Building D"), containing approximately 245,000 rentable square feet of space, (ii) that certain building to be constructed on the Property with a street address to be assigned by the City of Santa Clara, and denoted on the Site Plan as "Building F" ("Building F"), containing approximately 310,000 rentable square feet of space (+/- 5,000 rentable square feet), as more particularly set forth in the Building F and H Lease, (iii) that certain building to be constructed on the Project (but outside the Property) after Tenant exercises the Expansion Option (or its right of first refusal if applicable as described in the definition of "Project" above) pursuant to and in accordance with Article 16 of the Building F and H Lease, which will have a street address to be assigned by the City of Santa Clara ("Building G"), which Building is shown outlined on the Site Plan (and denoted thereon as "Building G"), currently estimated to contain approximately 300,000 (but not greater than 310,000) rentable square feet of space, which rentable square footage will be determined in accordance with this Lease by utilizing the BOMA Method, and (iv) that certain building to be constructed on the Property (and on what is currently a portion of the parcel listed above as Assessor's Parcel No. 216-31-077 and the parcel listed above as 216-31-082), with a street address to be assigned by the City of Santa Clara (defined herein as "Building H" or "Amenities Building H"), which Building is shown outlined on the Site Plan (and denoted thereon as "Building H"), estimated to contain approximately 30,000 rentable square feet of space, which rentable square footage will be determined in accordance with this Lease by

the BOMA Method. As part of the process of adjusting the Parcel Map referred to above, Landlord shall submit an application for a lot line adjustment (the "Amenities Building Lot Line Adjustment") to cause Building H³ to fall entirely within the boundaries of the Property (as adjusted)

(b)(ii) such other buildings as may be built on the Project from time to time. As noted above, Landlord is not obligated to construct Building G (except as and to the extent provided in Article 16 of the Building F and H Lease). In addition, if Tenant does not elect its Expansion Option pursuant to Article 16 of the Building F and H Lease, Landlord shall have the right to redesign Building G, reconfigure its location, or elect not to build it, subject to satisfaction of the Required Conditions.

Building F and H Lease:

That certain Lease dated as of the date of this Lease, entered into by and between Landlord and Tenant for the entirety of Building F and Building H (the "Building F and H Lease").

Bridge Space Lease:

That certain Lease dated as of the date of this Lease, entered into by and between Landlord and Tenant for approximately 121,953 rentable square feet of space in Building B (the "Bridge Space Lease").

Building G Lease:

The term "Building G Lease" is defined in Paragraph 16.1 of the Building F and H Lease.

Exclusive Use Areas:

The "Exclusive Use Areas" shall mean the areas denoted on Exhibit A-4 as "Exclusive Use Areas."

Common Areas:

The "Common Areas" shall mean the areas within the Project exterior to the Building and the Other Buildings not reserved for the exclusive use of Landlord, Tenant or any other tenant, including, without limitation, plazas, walkways, private roadways, loading docks, parking areas, parking structures, and landscaped areas. Until the Site Plan and Target Parcel Map have been finalized and approved by the City, Landlord reserves the right to make changes to the Common Areas as it deems reasonably necessary; *provided, however*, that from

³ The basketball court as shown on the Site Plan will ultimately straddle the Property and the adjacent property and will be primarily located on the adjacent property.

and after the date that the Site Plan and Target Parcel Map have been finalized and approved by the City, Landlord may not make changes to the Exclusive Use Areas except to the extent required by Law (including a governmental agency). Common Areas shall not include the interior of any Other Buildings. The Common Areas shall include the Exclusive Use Areas and all portions of the Project exterior to the Building, unless expressly limited to a smaller area (e.g., to the Common Areas of the Property).

Parking:

With respect to the Leased Premises, Tenant shall be entitled to utilize 3.3 unreserved and unassigned parking spaces for each 1,000 net rentable square feet within Building E (as the same may change from time to time in accordance with the terms of this Lease or an amendment hereto), such spaces to be located in the parking area of the Common Areas. Parking is provided to Tenant by Landlord without additional charge for the entire Lease Term including any extension periods. Tenant shall have certain exclusive parking rights as described in Paragraph 4.5 below (and in Paragraph 16.1 of the Building F and H Lease, if applicable). All spaces to which Tenant has exclusive parking rights shall count toward Tenant's overall parking allocation as described in the first sentence of this definition

Required Conditions:

The term "Required Conditions" is defined in Paragraph 2.2(a) below).

HVAC:

Heating, ventilating, and/or air conditioning.

Leased Premises:

The Building, and all interior space located within the Building and shown on the floor plan attached hereto as Exhibit B, estimated to contain approximately 290,000 rentable square feet (+/- 5,000 rentable square feet), which rentable square footage will be determined by utilizing the BOMA Method. Within thirty (30) days after the Lease Commencement Date, Landlord will cause the Leased Premises to be measured in accordance with the BOMA Method and Paragraph 2.1(b) below, and the resulting rentable square footage shall thereafter be the rentable square footage of the Leased Premises for all purposes under this Lease;

provided, however, that, except with respect to changes in the Site Plan approved or deemed to be approved by Tenant, in no event shall the rentable square footage of the Leased Premises be less than 285,000 nor more than 295,000 rentable square feet.

Work Letter:

The term "Work Letter" shall mean the Work Letter attached as Exhibit C to and made a part of this Lease, the terms and provisions of which are hereby incorporated into this Lease.

Construction Period:

The term "Construction Period" shall mean the period from the Effective Date of this Lease to the date that Landlord delivers the Leased Premises to Tenant with the Landlord Work Substantially Complete, regardless of the occurrence of any Tenant Delay and without regard to the effect of any provision of this Lease pursuant to which the date of Substantial Completion of the Landlord Work is deemed to occur in advance of its actual occurrence.

Tenant's Building Share:

The term "Tenant's Building Share" shall mean the percentage obtained by dividing the rentable square footage of the Leased Premises at the time of calculation by the rentable square footage of the Building at the time of calculation. Such percentage shall be 100% for all purposes under this Lease, unless otherwise agreed in a written amendment to this Lease signed by Landlord and Tenant.

Tenant's Project Share:

The term "Tenant's Project Share" shall mean the percentage obtained by dividing the rentable square footage of the Leased Premises at the time of calculation by the rentable square footage of the Building and the Other Buildings (excluding Building D, Building G, and any other Building not yet constructed, unless and until each such Building is completely constructed and ready for occupancy) at the time of calculation. Such percentage is currently 26.61%. In the event that any portion of the Project is sold by Landlord, or if new improvements are constructed on the Project (e.g., Building D, Building G, or other improvements), or if the rentable square footage of the Leased Premises, the Building, or the Other Buildings is

otherwise changed (other than by mere re-measurement after the determination of the rentable square footage pursuant to Paragraph 2.1(b) below), Tenant’s Project Share shall be recalculated to equal the percentage described in the first sentence of this paragraph, so that the aggregate Tenant’s Project Share of all tenant space in the Project shall equal 100% (calculated as if the Building and the Other Buildings were fully occupied). Landlord and Tenant agree that any mere re-measurement after the determination of the rentable square footage pursuant to Paragraph 2.1(b) below (as opposed to an actual physical change) shall not result in a change in rentable square footage.

Tenant’s Amortization Payment:

As used herein, the term “Tenant’s Amortization Payment” shall mean the amount (as such amount may vary from time to time as new items are amortized and amortization periods expire) of the monthly amortization payments being paid by Tenant to Landlord pursuant to this Lease.

Standard Interest Rate:

The term “Standard Interest Rate” shall mean the greater of (a) 6%, or (b) the sum of that rate quoted by Wells Fargo Bank, N.T. & S. A., from time to time as its prime rate, plus two percent (2%), but in no event more than the maximum rate of interest not prohibited or made usurious.

Default Interest Rate:

The term “Default Interest Rate” shall mean the Standard Interest Rate, plus five percent (5%), but in no event more than the maximum rate of interest not prohibited or made usurious.

Base Monthly Rent:

The term “Base Monthly Rent” shall mean the following:

<u>Period</u>	<u>Base Monthly Rent per rentable square foot*</u>	<u>Base Monthly Rent**</u>
Months 1-12	\$0.00	\$0.00 (abated)
Months 13-24	\$3.02	\$874,640.00

Months 25-36	\$3.11	\$900,879.20
Months 37-48	\$3.18	\$921,148.98
Months 49-60	\$3.24	\$939,571.96
Months 61-72	\$3.30	\$958,363.40
Months 73-84	\$3.37	\$977,530.67
Months 85-96	\$3.44	\$997,081.28
Months 97-108	\$3.51	\$1,017,022.91
Months 109-120	\$3.58	\$1,037,363.37
Months 121-132	\$3.65	\$1,058,110.63

*Rounded

**Based upon the Leased Premises containing 290,000 rentable square feet of space, and subject to measurement as described in the "Leased Premises" definition above and adjustment.

Permitted Use:

General office, research and development, electronics laboratories, and other legal uses ancillary thereto, to the extent all such uses are in compliance with all Laws and Restrictions.

GAAP:

The term "GAAP" shall mean United States generally accepted accounting principles.

Exhibits:

The term "Exhibits" shall mean the Exhibits of this Lease which are described as follows:

Lease which are described as follows:

Exhibit A-1 –Parcel Map

Exhibit A-2 – Site Plan

Exhibit A-3 – Target Parcel Map

Exhibit A-4 – Exclusive Use Area

Exhibit A-5 – Bicycle Storage Area

Exhibit A-6 - PAN Visitor Parking Spaces

Exhibit B – Floor Plan

Exhibit C – Work Letter

Exhibit D – Exclusive Use Area Conceptual Plan

Exhibit E – Lease Commencement Date Certificate

Exhibit F – Lump Sum Payment Amendment

Exhibit G – Building Signage Exhibit

Exhibit H – Landlord Signage Illustration

Exhibit I – Rules and Regulations

Exhibit J-1 – Subordination, Non-Disturbance and
Attornment Provisions (Current Financing)

Exhibit J-2 – Subordination, Non-Disturbance and
Attornment Provisions (Future Financing)

Exhibit K – Form of Tenant Estoppel Certificate

Exhibit L – Amortization Categories and Periods

ARTICLE 2 LEASED PREMISES, TERM AND POSSESSION

2.1 Demise Of Leased Premises.

(a) Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, for the Lease Term and upon the terms and subject to the conditions of this Lease, the Leased Premises.

(b) The rentable square footage of the Leased Premises shall be re-measured within thirty (30) after the Commencement Date utilizing the BOMA Method. A copy of the letter or report from Landlord's architect or engineer setting forth its calculation of the actual rentable square footage of the Leased Premises, together with all documentary support therefor, shall be furnished to Tenant (the "Preliminary Notice of Re-determination of RSF"). If Tenant does not object in writing to the Preliminary Notice of Re-determination of RSF within 10 business days of Landlord's delivery thereof, the Preliminary Notice of Re-determination of RSF shall be considered the Notice of Re-determination of RSF. If, however, Tenant delivers to Landlord written notice of its objection to the square footage set forth in the Preliminary Notice of Re-determination of RSF within such 10 business day period, Landlord's architect and an architect selected by Tenant and reasonably acceptable to Landlord for this purpose shall meet and attempt to reach agreement on the correct measurement within 10 days thereafter, utilizing the BOMA Method. If Landlord's architect and Tenant's architect are unable to reach agreement

in such 10 day period, the two architects shall select a third architect reasonably acceptable to both parties who shall determine the correct measurement, utilizing the BOMA Method, within 10 days of its selection. The determination by the architects shall be evidenced by a notice to both parties setting forth the correct measurement of the Premises (the "Notice of Re-determination of RSF").

2.2 Common Areas, Exclusive Use Area, and Bicycle Storage Area.

(a) As an appurtenant right to Tenant's lease of the Leased Premises, Tenant shall have the right to use the Common Areas in conjunction with its use of the Leased Premises solely for the purposes for which they were designed and intended and for no other purposes whatsoever. Tenant's right to so use the Common Areas shall be subject to the limitations on such use as set forth in Article 1 and shall terminate concurrently with any termination of this Lease. Further, Landlord shall have the right, from time to time, to reconfigure the Common Areas or modify the size of the Common Areas, subject to the satisfaction of the Required Conditions. As used in this Lease, a satisfaction of the "Required Conditions" means the satisfaction of each of the following conditions and criteria as a condition precedent to the referenced action or event: (i) Tenant's access to the Leased Premises is not materially adversely affected thereby, (ii) Tenant's parking allocation under Article 1 hereof is not reduced thereby and Tenant's exclusive parking (including Tenant's Allocated EV Parking Spaces as defined in Paragraph 4.5 below) shall be unaffected and unchanged, (iii) Tenant's right to the Exclusive Use Areas described in Paragraph 2.2(b) below shall not be reduced or otherwise affected, (iv) Tenant rights to comparable and similarly located bicycle storage areas as contemplated by Paragraph 2.2(c) below shall not be diminished, (v) once the adjustments to the Parcel Map have been completed and the final Site Plan and Parcel Map have been approved by the City, the Property must constitute one or more separate legal parcels that do not include any other land; (vi) no buildings (or additions to existing buildings) can be constructed on the Property other than Building G and Parking Structure - P2, (vi) there shall be no material interference with Tenant's use of the Leased Premises, provided, however, that Tenant agrees that interference caused by the construction of Building G and Parking Structure - P2 shall not constitute interference for purposes of this Lease so long as Landlord uses standard construction practices designed to minimize interference with Tenant's use of the Leased Premises during such construction; (vii) Tenant's obligations under this Lease shall not be materially increased and Tenant's rights under this Lease shall not be materially decreased; (viii) Tenant's signage rights set forth in Paragraph 4.6 below shall not be diminished, (ix) Landlord shall not enter into any Private Restrictions that would (a) require approvals or consents by any person or entity (including any owner's association) other than governmental authorities with respect to alterations or improvements to the Exclusive Use Areas, Tenant's use of the Exclusive Use Areas, or Tenant's initial signage installations or (b) impose any use restrictions on the Leased Premises or the Exclusive Use Areas that would limit Tenant's rights under this Lease in any material respect.

(b) So long as Tenant is leasing the entirety of Building F, Building H, and Building E:

(i) Tenant will have exclusive use of Exclusive Use Areas and Tenant may use the Exclusive Use Areas for any purpose permitted under applicable Laws and Restrictions so long as such use is not immoral and does not interfere with the occupancy of any

tenants of the Other Buildings; *provided, however*, that if Tenant expands into Building G pursuant to Paragraph 16.1 of the Building F and H Lease and at any point thereafter fails to lease the entirety of Building G, then Tenant shall no longer have exclusive use of the Exclusive Use Area, which shall at that point be shared with Building G and the tenants or other occupants thereof (the "Building G Users"). In that event, the Building G Users shall be entitled to use the Exclusive Use Area, but not the improvements in the Exclusive Use Area which are built and paid for solely by Tenant. So long as Tenant is leasing the entirety of Building G, Building F, Building H, and Building E, Tenant will also have exclusive control of the Exclusive Use Areas (subject to the foregoing use restrictions); and

(ii) subject to the provisions of the Work Letter or Paragraph 6 of this Lease, as applicable, Tenant may make such alterations and improvements to the Exclusive Use Areas as Tenant may desire consistent with the Project aesthetics, subject to obtaining Landlord's prior written approval which shall not be unreasonably withheld, conditioned, or delayed; *provided, however*, that from and after the date that Tenant has exercised its Expansion Right or has otherwise committed to lease Building G, during any period that Tenant is also leasing the entirety of Building G, Landlord's prior written approval shall not be required.

Landlord hereby approves the alterations and uses shown on the conceptual plan for the Exclusive Use Areas attached hereto as Exhibit D.

(c) In addition, prior to the Lease Commencement Date, Landlord will install a secured bicycle storage area to be mutually agreed to by Landlord and Tenant in Parking Structure – P1 or elsewhere in the Common Areas of the Property to store bicycles used by Tenant's employees and visitors located in an area shown on Exhibit A-5 (the "Bicycle Storage Area"). If Landlord elects to relocate the Bicycle Storage Area, then any such relocated area shall be subject to Tenant's prior written approval, which approval shall not be unreasonably withheld, and must be within reasonable walking distance to Building F, Building H, and Building E. No rent is payable by Tenant for the bicycle storage during the Lease Term (as the same may be extended).

2.3 Lease Commencement Date And Lease Term. The term of this Lease shall begin, and the Lease Commencement Date shall be deemed to have occurred, on the latest of (a) the Substantial Completion of the Parking Structure-P1 and Landlord's Work, (b) six (6) months after the later of November 1, 2016 and the date that Landlord has delivered the Leased Premises to Tenant in the Required Delivery Condition as defined in Paragraph 2.4(a) below and (c) the Lease Commencement Date under the Building F and H Lease (such later date, the "Lease Commencement Date"); *provided, however*, that the Lease Commencement Date is subject to advancement for Tenant Delays (as defined in the Work Letter), and subject to extension for Landlord Delays as defined in the Work Letter. The term of this Lease shall in all events end on the Lease Expiration Date (as set forth in Article 1, as the same may be extended pursuant to Article 15 below). The Lease Term shall be that period of time commencing on the Lease Commencement Date and ending on the Lease Expiration Date (the "Lease Term"). Promptly after the Lease Commencement Date has been determined, Landlord and Tenant shall execute and deliver a Lease Commencement Date Certificate in the form of Exhibit E attached hereto. Notwithstanding the foregoing, Tenant shall have the right to extend the Lease Commencement

Date for up to ninety (90) days as needed for Tenant to complete the Tenant Improvements, prepare the Leased Premises for occupancy and relocate to the Leased Premises.

2.4 Delivery Of Possession.

(a) Landlord shall construct the Building pursuant to Paragraph 1 of the Work Letter and deliver the Leased Premises to Tenant on the date (the "Delivery Date") that the Required Delivery Condition has been achieved. As used herein, the term "Required Delivery Condition" means (i) the steel structure has been constructed, (ii) the concrete slab and decks have been poured, and (iii) fireproofing is complete. Landlord shall cause the Required Delivery Condition to be achieved by November 1, 2016 (as such date may be extended due to Tenant Delays and up to ninety (90) days of Force Majeure). If Landlord is unable to so deliver possession of the Leased Premises to Tenant in the agreed condition on or before the such date (as extended, if applicable), Landlord shall not be in default under this Lease, nor shall this Lease be void, voidable or cancelable by Tenant until the lapse of a delivery grace period of one hundred twenty (120) days after such date (as extended, if applicable). If Landlord is unable to deliver possession of the Leased Premises in the agreed condition to Tenant within the described delivery grace period (including any extension thereof by reason of Tenant Delays and up to ninety (90) days of Force Majeure), then Tenant shall be entitled to terminate this Lease by written notice delivered to Landlord within ten (10) days after the expiration of the delivery grace period (as extended, if applicable), and in no event shall Landlord be liable in damages to Tenant for such delay except as provided in Paragraph 2.8(c) below.

(b) Tenant may elect to enter the Leased Premises from and after the Delivery Date (even if such Delivery Date occurs before November 1, 2016) for the sole purpose of constructing the Tenant Improvements (as defined in Paragraph 2.5 below) and installing its furniture, fixtures, and equipment; *provided further* that Tenant does not interfere with Landlord's construction of the base Buildings and complies with all indemnification obligations under this Lease, subject to Paragraph 8.2(b) below.

(c) In addition, on or prior to May 1, 2017 (as such date may be extended due to Tenant Delays and up to ninety (90) days of Force Majeure), Landlord shall deliver possession of the Leased Premises "Substantially Complete," defined herein to mean (i) the Landlord's Work has been substantially completed in accordance with the Final Base Building Plans (as defined in the Work Letter) and the City of Santa Clara shall have signed off on the building permit for the Building, but for minor punch list items, (ii) all Warm Shell Components (as defined in the Work Letter), the structural elements of the Leased Premises and the Building, and the foundations of the Building, are in good working order and repair, (iii) all improvements needed for the Building (excluding the Leased Premises) and the Common Areas to be in compliance with all Laws and Restrictions, including the Santa Clara Building Code and the Americans With Disabilities Act have been completed, (iv) Parking Garage – P1 and the exterior parking spaces required by this Lease shall have been completed, (v) the elevators and stairwells and associated mechanical, engineering, and plumbing shall have been substantially completed, (vi) all scaffolding shall have been removed from the Building and (vii) Landlord has obtained a Certificate of Substantial Completion, AIA Document G704, executed by the RMW Architecture

& Interiors (“Landlord’s Architect”), with respect to the Landlord’s Work. If Landlord is unable to so deliver possession of the Leased Premises to Tenant in the agreed condition on or before the such date (as extended, if applicable), Landlord shall not be in default under this Lease, nor shall this Lease be void, voidable or cancelable by Tenant until the lapse of a delivery grace period of one hundred twenty (120) days such date (as extended, if applicable). If Landlord is unable to deliver possession of the Leased Premises in the agreed condition to Tenant within the described delivery grace period (including any extension thereof by reason of Tenant Delays and up to ninety (90) days of Force Majeure), then Tenant shall be entitled to terminate this Lease by written notice delivered to Landlord within ten (10) days after the expiration of the delivery grace period (as extended, if applicable), and in no event shall Landlord be liable in damages to Tenant for such delay except as provided in Paragraph 2.8(c) below.

(d) Any Tenant Delays shall serve to (1) extend the dates set forth in Paragraphs 2.4(a) and 2.4(c) above, and (2) advance the date upon which Substantial Completion of the Landlord’s Work and Parking Structure –P1, achievement of an affected milestone, or occurrence of the Delivery Date, shall be deemed to have occurred, in either case (1) or (2) on a day-for-day basis as provided in the Work Letter.

(e) Notwithstanding any other provision of this Lease or the Work Letter to the contrary, Tenant shall be responsible for payment of all utilities from and after the date Landlord delivers the Leased Premises Substantially Complete (the “Tenant Primary Work Period”). During the Tenant Primary Work Period, Tenant shall permit Landlord to access the Leased Premises for the purpose of punch list work, and commissioning and finalizing permits so long as such access does not unreasonably interfere with Tenant’s construction of the Tenant Improvements.

(f) In addition, if Tenant elects to occupy a portion of the Leased Premises for the conduct of Tenant’s business prior to the Lease Commencement Date, then Tenant shall be required to pay Monthly Base Rent and utilities with respect to such portion of the Leased Premises and to comply with all other provisions of this Lease (including but not limited to Article 9 below), but the Lease Commencement Date shall not occur until the date set forth in Paragraph 2.3 above; provided, however, that Tenant shall not elect to occupy the Leased Premises pursuant to this Paragraph 2.4(f) prior to Substantial Completion of the Landlord Work.

2.5 Performance Of Tenant Improvement Work; Acceptance Of Possession. Tenant shall, pursuant to the Work Letter, perform the work and make the installations in the Leased Premises substantially as set forth in the Work Letter (such work and installations hereinafter referred to as the “Tenant Improvements”). Upon accepting possession of the Substantially Complete Leased Premises, Tenant agrees that it will execute the Lease Commencement Date Certificate in the form of Exhibit E attached hereto, acknowledging that it has accepted the same and that the Leased Premises are in the condition called for under this Lease (including the Work Letter), subject to latent defects, and to the punch list items noted by Landlord’s architect or by the City of Santa Clara upon its sign-off on the building permit for the Building.

2.6 Surrender Of Possession. Immediately prior to the expiration or upon the sooner termination of this Lease, Tenant shall remove all of Tenant’s signs from the exterior of the Building and shall remove all of Tenant’s Property (defined in Article 6 below) from within the Leased Premises and the Common Areas, and shall vacate and surrender the Leased Premises,

the Building, the Common Areas, the Property, and the Project to Landlord in the same condition, broom clean, as existed following completion of the Tenant Improvements, reasonable wear and tear, damage caused by Landlord or Landlord's employees, agents, contractors, or subcontractors (collectively with Landlord, the "Landlord Parties"), casualty, condemnation, alterations that Tenant is expressly permitted to surrender and repairs and replacements that are not Tenant's responsibility, excepted. Tenant shall repair all damage to the Leased Premises, the exterior of the Building and the Common Areas caused by Tenant's removal of Tenant's Property. Additionally, to the extent that Landlord shall have notified Tenant in writing at the time the applicable improvements were consented to, that it desired to have certain Non-Standard Improvements made by Tenant removed at the expiration or sooner termination of this Lease, Tenant shall, upon the expiration or sooner termination of this Lease: (A) remove such Non-Standard Improvements, but only if they had been identified as Non-Standard Improvements by Landlord at the time consented to pursuant to Paragraph 6.1 below, and (B) repair all damage caused by such removal. If the Leased Premises, the Building, and the Exclusive Use Areas are not surrendered to Landlord in the condition required by this paragraph at the expiration or sooner termination of this Lease, Landlord may, at Tenant's expense, so remove Tenant's signs, property and/or improvements not so removed and make such repairs and replacements not so made or hire, at Tenant's expense, independent contractors to perform such work. Tenant shall be liable to Landlord for all costs incurred by Landlord in returning the Leased Premises, the Building and the Exclusive Use Areas to the required condition, together with interest on all costs so incurred from the date paid by Landlord at the Default Interest Rate until paid. Tenant shall pay to Landlord the amount of all costs so incurred plus such interest thereon, within thirty (30) days of Landlord's billing Tenant for same. Tenant shall not be required to remove its initial Tenant Improvements constructed pursuant to and in accordance with the Work Letter, except for the specific items identified for removal as Non-Standard Improvements on Exhibit B to the Work Letter. "Non-Standard Improvements" are defined herein to mean alterations, modifications, and improvements constructed after the Tenant Improvements have been constructed pursuant to the Work Letter, that (i) affect the façade or structure of the Building, (ii) are other than typical leasehold improvements for office tenants in Building E or in buildings similar to Building E in the area in which the Property is located, or (iii) in Landlord's reasonable judgment would materially increase Landlord's cost of preparing the Leased Premises for another tenant (such as, without limitation, interior staircases). As further illustration of items that may or may not be considered Non-Standard Improvements: (1) tenant improvements of a type or quantity that would not be installed by or for a typical tenant using space for general office or research and development purposes, such as internal stairwells or high density mobile filing systems, auditoriums, movie theaters or film projection rooms, private restrooms, data center rooms, swimming pools, basketball courts, laboratories and supplemental HVAC units or ducting would be considered Non-Standard Improvements; and (2) "open ceilings" (except to the extent shown on the Final Tenant Improvement Plans as defined in the Work Letter, kitchens, lunch rooms, cafés, break rooms, small, non-specialized server rooms, and expanded restroom areas built by Tenant in Building E would be considered Non-Standard Improvements. Notwithstanding the foregoing, so long as the subject improvements are not being constructed for a subtenant or assignee (other than a Permitted Transferee) and the only occupants of the Leased Premises have been Palo Alto Networks and its Permitted Assignee, "Non-Standard Improvements," shall mean alterations, modifications, and improvements constructed after the Tenant Improvements have been constructed pursuant to the Work Letter, that are specific to Tenant's business and use of the Leased Premises and Common Areas and not reasonably usable

by another tenant using the Leased Premises for general office or research and development purposes, and, shall exclude Tenant’s lab improvements and related permanently installed lab equipment.

2.7 Accessibility. In accordance with California Civil Code section 1938, Landlord hereby informs Tenant that as of the Effective Date of this Lease, neither the Leased Premises nor the Building has been inspected by a Certified Access Specialist (as defined in California Civil Code section 55.52(3)).

2.8 Milestones.

(a) Landlord shall use commercially reasonable efforts to cause the construction of the Landlord’s Work to meet the time deadlines set forth below and to be Substantially Complete by May 1, 2017.

<u>Milestone</u>	<u>Deadline</u>
Steel order for Building E	November 30, 2015
Building permit for Building E	March 15, 2016
Recordation of Amenities Building Lot Line Adjustment	July 15, 2016
Required Delivery Condition for Building E	As provided in Paragraph 2.4
Substantial Completion of Landlord’s Work and Parking Structure - P1	As provided in Paragraph 2.4

Recordation of the Amenities Building Lot Line Adjustment shall be evidenced by a conformed copy of the final applicable deeds with recording information. The steel order shall be evidenced by certificates, in form reasonably acceptable to Tenant, unconditionally certifying such fact and executed by both Devcon Construction (“Landlord’s Contractor”) and Landlord. Securing of the building permit for the shell and core of the Building will be evidenced by a copy of the issued permit.

(b) Notwithstanding anything to the contrary in the Work Letter or this Lease, Tenant shall have the right, in its sole discretion, to terminate the Lease if Landlord fails to accomplish any of the foregoing construction milestones by the applicable dates set forth above (or in Paragraph 2.4, as applicable, after taking into account applicable extension and grace periods set forth therein). Tenant may exercise its right to terminate the Lease pursuant to this Paragraph 2.8(a) by delivery to Landlord of written notice of such exercise within ten (10) days following the applicable milestone deadline set forth above or in Paragraph 2.4, as applicable; *provided, however*, that (i) if the applicable milestone is met before Landlord’s receipt of such notice from Tenant, the applicable notice shall be deemed rescinded; and (ii) if the milestone relates to issuance of a building permit and such building permit has not been issued by the

applicable milestone deadline, but Landlord can nonetheless demonstrate, in a manner reasonably acceptable to Tenant, that its construction schedule shows that it can deliver the Leased Premises to Tenant Substantially Complete within the time periods set forth in Paragraph 2.4(c) above, such milestone shall be deemed to have been achieved and Tenant shall not have the right to terminate pursuant to Paragraph 2.8 for failure to meet such milestone deadline.

(c) If Landlord is unable to cause Substantial Completion of the Landlord's Work to occur on or before June 1, 2017 (as such date may be extended due to Tenant Delays and up to ninety (90) days of Unavoidable Delays), then, in addition to Tenant's other rights and remedies under this Lease, the date Tenant is otherwise obliged to commence payment of Base Monthly Rent shall be delayed by one day for each day that Substantial Completion is delayed beyond such date (the "Base Rent Penalty"). Notwithstanding the foregoing, if despite using commercially reasonable efforts to achieve Substantial Completion, Landlord is unable to cause Substantial Completion to occur for the entire Leased Premises on or before June 1, 2018 (as such date may be extended due to delays caused by Tenant or any Tenant Parties and up to ninety (90) days of Unavoidable Delays), then Landlord shall have the right to either (i) terminate the foregoing Base Rent Penalty or (ii) allow the Base Rent Penalty to continue until Substantial Completion of the Landlord's Work occurs. Landlord may exercise the foregoing election by delivery to Tenant of written notice of such exercise within ten (10) days following such date. If Landlord elects to terminate the Base Rent Penalty as aforesaid, then Tenant shall have the right to terminate this Lease by delivery to Landlord of written notice of such exercise within ten (10) days following receipt of Landlord's written election notice. "Unavoidable Delays" means any prevention, delay or stoppage due to acts of God, natural disasters, acts of war, terrorist acts, civil commotions, moratoria, fire or other casualty.

ARTICLE 3 RENT

3.1 Base Monthly Rent.

(a) Commencing on the Lease Commencement Date (as determined pursuant to Paragraph 2.3 above) and continuing throughout the Lease Term, Tenant shall pay to Landlord, without prior demand therefor, in advance on the first day of each calendar month, cash or other immediately available good funds in the amount set forth as Base Monthly Rent in Article 1.

(b) Base Monthly Rent is not payable during the first twelve (12) months of the Lease Term (the "Rent Abatement Period"). Notwithstanding anything to the contrary contained in this Lease, Landlord shall have the option (the "Lump Sum Payment Option") to require Tenant to pay Base Monthly Rent for so much of the Rent Abatement Period as remains following Landlord's notice as hereinafter provided at the rate set forth in the Lump Sum Payment Amendment defined below, beginning on the date (the "Base Monthly Rent Start Date") set forth in the Lump Sum Payment Option Notice (defined below), which shall in no event be a date prior to payment to Tenant of the Abated Rent Lump Sum Payment. To exercise the Lump Sum Payment Option, Landlord must (i) provide written notice to Tenant of such exercise (the "Lump Sum Payment Option Notice") and (ii) pay to Tenant the Base Monthly Rent that would be payable for the remaining Rent Abatement Period (the "Abated Rent Lump Sum Payment").

If Landlord elects its Lump Sum Payment Option, the Abated Rent Lump Sum Payment shall be made, at Landlord's election (a) within thirty (30) days of Tenant's receipt of the Lump Sum Payment Option Notice, or (b) on the closing date of any financing or sale of the Building by Landlord (the date of such payment is hereinafter referred to as the "Lump Sum Payment Date"). If Landlord fails to pay the Abated Rent Lump Sum Payment by the Lump Sum Payment Date or the financing or sale transaction for the Building, if applicable, expires or is terminated or deemed null and void for any reason, Landlord's exercise of the Lump Sum Payment Option shall be deemed null and void and of no further force or effect and the Abated Rent Lump Sum Payment, if theretofore paid by Landlord to Tenant, shall promptly be returned by Tenant to Landlord. If Landlord's Lump Sum Payment Notice is effective on a day other than the first day of a calendar month and Landlord has then paid the Abated Rent Lump Sum Payment, then Tenant shall pay any Base Monthly Rent payable hereunder for the period from Landlord's Lump Sum Payment Option Notice through the last day of the calendar month, with the next installment of Base Monthly Rent due for the following calendar month.

(c) If Landlord exercises its Lump Sum Payment Option in accordance with the above paragraph, Landlord shall prepare an amendment in the form of Exhibit F attached hereto (the "Lump Sum Payment Amendment") that documents the effect of Landlord's exercise of the Lump Sum Payment Option and sets forth a revised rent schedule reflecting Tenant's payment of the Base Monthly Rent for the remaining Rent Abatement Period following the Lump Sum Payment Option Notice. A copy of the Lump Sum Payment Amendment shall be sent to Tenant and Tenant shall execute and return the Lump Sum Payment Amendment to Landlord within ten (10) business days thereafter, but Landlord's otherwise valid exercise of the Lump Sum Payment Option shall be fully effective whether or not the Lump Sum Payment Amendment is executed.

3.2 Additional Rent. Commencing on the Lease Commencement Date (as determined pursuant to Paragraph 2.3 above) and continuing throughout the Lease Term, in addition to the Base Monthly Rent and to the extent not required by Landlord to be contracted for and paid directly by Tenant, Tenant shall pay to Landlord as additional rent (the "Additional Rent"), cash or other immediately available good funds in the following amounts:

(a) An amount equal to all Property Operating Expenses (as defined in Article 13) incurred or to be incurred by Landlord. Landlord shall deliver to Tenant Landlord's reasonable estimate of any given expense (such as Landlord's Insurance Costs or Real Property Taxes), or group of expenses, which it anticipates will be paid or incurred for the ensuing calendar or fiscal year, as Landlord may determine, and Tenant shall pay to Landlord an amount equal to the estimated amount of such expenses for such year in equal monthly installments during such year with the installments of Base Monthly Rent. Landlord reserves the right to revise such estimate from time to time.

(b) Landlord's share of the consideration received by Tenant upon certain assignments and sublettings as required by Article 7.

(c) Any legal fees and costs that Tenant is obligated to pay or reimburse to Landlord pursuant to Article 13; and

- (d) Any other charges or reimbursements due Landlord from Tenant pursuant to the terms of this Lease.

Notwithstanding the foregoing, at any time that both (i) the Property consists of one or more separate legal parcels on which the Building (but none of the Other Buildings) are located, and (ii) Tenant leases all of the rentable square footage in the Building, Landlord may elect by written notice to Tenant to have Tenant pay Real Property Taxes or any portion thereof directly to the applicable taxing authority, in which case Tenant shall make such payments and deliver satisfactory evidence of payment to Landlord no later than thirty (30) days before such Real Property Taxes become delinquent. In the event Tenant is responsible to pay taxes directly, Landlord shall have no obligation to make such payments, whether or not Landlord receives evidence of payment from Tenant, and Tenant shall in all cases be responsible for any fines, penalties, interest and damages for late payment.

3.3 Year-End Adjustments. Landlord shall furnish to Tenant within four months following the end of the applicable calendar or fiscal year, as the case may be, a statement setting forth (i) the amount of such expenses paid or incurred during the just ended calendar or fiscal year, as appropriate, and (ii) the amount that Tenant has paid to Landlord for credit against such expenses for such period. If Tenant shall have paid more than its obligation for such expenses for the stated period, Landlord shall, at its election, either (i) credit the amount of such overpayment toward the next ensuing payment or payments of Rent that would otherwise be due or (ii) refund in cash to Tenant the amount of such overpayment within thirty (30) days after discovery of such surplus; *provided, however*, that if this Lease shall have terminated, Landlord shall be deemed to have chosen option (ii) above. If such year-end statement shall show that Tenant did not pay its obligation for such expenses in full, then Tenant shall pay to Landlord the amount of such underpayment within thirty (30) days from Landlord's billing of same to Tenant. Tenant may, at Tenant's sole cost and expense, cause an audit of Landlord's books and records to determine the accuracy of Landlord's billings for Property Operating Expenses under this Lease, provided Tenant completes (and delivers to Landlord the written results of) such audit within two hundred seventy (270) days after Tenant's receipt of the year-end statement described above setting forth the annual reconciliation of the Property Operating Expenses, and provided further that the person or entity performing such audit is not compensated on any type of contingent basis. If such audit reveals that the actual Property Operating Expenses for any given year were less than the amount that Tenant paid for Property Operating Expenses for any such year, then unless Landlord contests such audit results as provided below, Landlord shall credit the excess to Tenant's next payment of Additional Rent. If such audit reveals that the actual Property Operating Expenses for any given year were more than the amount that Tenant paid for Property Operating Expenses for any such year, Tenant shall pay such amount to Landlord within thirty (30) days after completion of the audit. Landlord shall have the right to contest the results of Tenant's audit and thereafter promptly have an audit performed ("Landlord's Audit") by a certified public accounting firm acceptable to Landlord and Tenant in their reasonable discretion. In such case, the results of Landlord's Audit shall be binding and conclusive on Landlord and Tenant, and any resulting overpayment or underpayment shall be handled as provided above. If Landlord's Audit, or Tenant's audit in the event Landlord does not elect to have Landlord's Audit performed, confirms that Tenant was overcharged by more than five percent (5%), then Landlord shall pay the cost of Tenant's audit (up to a maximum of \$7,500) and Landlord's Audit. If

Tenant's audit confirms that Tenant was not overcharged, then Tenant shall pay the cost of Landlord's Audit (up to a maximum of \$7,500) and Tenant's audit. In all other cases, each party shall pay for its own audit. The provisions of this Paragraph shall survive the expiration or sooner termination of this Lease.

3.4 Late Charge, And Interest On Rent In Default. Tenant acknowledges that the late payment by Tenant of any monthly installment of Base Monthly Rent or any Additional Rent will cause Landlord to incur certain costs and expenses not contemplated under this Lease, the exact amounts of which are extremely difficult or impractical to fix. Such costs and expenses will include without limitation, administration and collection costs and processing and accounting expenses. Therefore, if any installment of Base Monthly Rent is not received by Landlord from Tenant within five (5) calendar days after the same becomes due, Tenant shall immediately pay to Landlord a late charge in an amount equal to the amount set forth in Article 1 as the "Late Charge Amount," and if any Additional Rent is not received by Landlord when the same becomes due, Tenant shall immediately pay to Landlord a late charge in an amount equal to 4% of the Additional Rent not so paid; *provided, however*, that twice but only twice in any twelve (12) month period during the Lease Term, Tenant shall be entitled to written notice of non-receipt of Base Monthly Rent or Additional Rent from Landlord, and Tenant shall not be liable for any Late Charge Amount or other late charge hereunder with respect thereto if such installment of Base Monthly Rent or Additional Rent is received by Landlord within three (3) business days after Tenant's receipt of such written notice from Landlord. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for the anticipated loss Landlord would suffer by reason of Tenant's failure to make timely payment. In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any rental installment or prevent Landlord from exercising any right or remedy available to Landlord upon Tenant's failure to pay each rental installment due under this Lease when due, including the right to terminate this Lease. If any rent remains delinquent for a period in excess of five (5) calendar days, then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not so paid from said fifth (5th) day at the Default Interest Rate until paid.

3.5 Payment Of Rent. Except as specifically provided otherwise in this Lease, all rent shall be paid in lawful money of the United States, without any abatement, reduction or offset for any reason whatsoever, to Landlord at such address as Landlord may designate from time to time. Tenant's obligation to pay Base Monthly Rent and all Additional Rent shall be appropriately prorated at the commencement and expiration of the Lease Term. The failure by Tenant to pay any Additional Rent as required pursuant to this Lease when due shall be treated the same as a failure by Tenant to pay Base Monthly Rent when due, and Landlord shall have the same rights and remedies against Tenant as Landlord would have had Tenant failed to pay the Base Monthly Rent when due.

ARTICLE 4
USE OF LEASED PREMISES AND COMMON AREA

4.1 Permitted Use. Tenant shall be entitled to use the Leased Premises on a 24/7/365 basis solely for the Permitted Use as set forth in Article 1 and for no other purpose whatsoever. Tenant shall have the right to vacate the Leased Premises at any time during the Term of this

Lease, provided Tenant maintains the Leased Premises in the condition required by the terms of this Lease. Tenant shall have the right to use the Common Areas and Exclusive Use Areas in accordance with paragraph 2.2 above.

4.2 General Limitations On Use. Tenant shall not do or permit anything to be done in or about the Leased Premises, the Building, the Common Areas, the Property, or the Project which does or could (i) jeopardize the structural integrity of the Building or (ii) cause damage to any part of the Leased Premises, the Building, the Common Areas, the Property, or the Project. Tenant shall not operate any equipment within the Leased Premises which does or could (A) injure, vibrate or shake the Leased Premises or the Building, (B) damage or overload any electrical, plumbing, and HVAC systems within or servicing the Leased Premises or the Building, or (C) damage the sprinkler system (if any) within or servicing the Leased Premises or the Building. Tenant shall not install any equipment or antennas on or make any penetrations of the exterior walls or roof of the Building, except to the extent specifically set forth in the Tenant Improvement Working Drawings approved by Landlord pursuant to Paragraph 2 of the Work Letter or as otherwise provided in Paragraph 4.14 below. Tenant shall not affix any equipment to or make any penetrations or cuts in the floor, ceiling, walls or roof of the Leased Premises except for standard office/r&d/lab attachments and penetrations (e.g., furniture/cubicle bracketing to walls and floors), or except to the extent specifically set forth in the Tenant Improvement Working Drawings approved by Landlord pursuant to Paragraph 2 of the Work Letter. Tenant shall not place any loads upon the floors, walls, ceiling or roof systems which could endanger the structural integrity of the Building or damage its floors (other than floor coverings), foundations or supporting structural components. Tenant shall not place any explosive, flammable or harmful fluids or other waste materials in the drainage systems of the Leased Premises, the Building, the Common Areas, the Property, or the Project. Tenant shall not drain or discharge any fluids (excluding water for landscaping) in the landscaped areas or across the paved areas of the Property or the Project. Tenant shall not use any of the Common Areas for the storage of its materials, supplies, inventory or equipment and all such materials, supplies, inventory or equipment shall at all times be stored within the Leased Premises. Tenant shall not commit nor permit to be committed by any of its employees, agents, vendors, invitees, guests, permittees, assignees, sublessees, contractors, or subcontractors (the "Tenant Parties"), any waste in or about the Leased Premises, the Building, the Common Areas, the Property, or the Project.

4.3 Noise And Emissions. All noise generated by Tenant in its use of the Leased Premises shall be confined or muffled so that it does not interfere with the businesses of the occupants and/or users of adjacent properties. All dust, fumes, odors and other emissions generated by Tenant's use of the Leased Premises shall be sufficiently dissipated in accordance with sound environmental practice and exhausted from the Leased Premises in such a manner so as not to interfere with the businesses of the occupants and/or users of adjacent properties, or cause any damage to the Leased Premises, the Building, the Common Areas, the Property, or the Project or any component part thereof or the property of adjacent property owners.

4.4 Trash Disposal. Landlord shall provide trash bins or other adequate garbage disposal facilities within the trash enclosure areas provided or permitted by Landlord outside the Leased Premises sufficient for the interim disposal of all of its trash, garbage and waste. All such trash, garbage and waste temporarily stored in such areas by Tenant or any of the Tenant Parties shall be stored in such a manner so that it is not visible from outside of such areas. Landlord

shall cause such trash, garbage and waste to be regularly removed from the trash bins/garbage disposal facilities and the Property. Subject to the foregoing removal obligation of Landlord, Tenant shall keep the interior of the Leased Premises in a clean, safe and neat condition and shall keep the Common Areas free and clear of all of Tenant's trash, garbage, waste and/or boxes, pallets and containers containing same at all times.

4.5 Parking. Tenant shall not, at any time, park or permit to be parked any recreational vehicles, inoperative vehicles or equipment in the Common Areas or on any portion of the Project. Tenant agrees to assume responsibility for compliance by the Tenant Parties with the parking provisions contained herein. If Tenant or its employees park any vehicle within the Property or the Project in violation of these provisions, then Landlord may, upon prior written notice to Tenant giving Tenant one (1) business day (or any applicable statutory notice period, if longer than one (1) business day) to remove such vehicle(s), as Landlord's sole remedy for such violation, charge Tenant, as Additional Rent, and Tenant agrees to pay, as Additional Rent, One Hundred Dollars (\$100) per day for each day or partial day that each such vehicle is so parked within the Property. Landlord reserves the right to grant easements and access rights to others for use of the parking areas on the Property and/or Project, provided that the Required Conditions are satisfied. Of the spaces available to Tenant pursuant to this Lease and the Building F and H Lease, so long as Tenant is the tenant under both such leases, Landlord has allocated a combined total of twenty-five (25) spaces for electric vehicle parking for Tenant's exclusive use (the "Allocated EV Parking Spaces"). Tenant shall have the right to install electric vehicle charging stations ("ECV Stations") on the Property (so long as Tenant is leasing the entirety of Building F, Building H, and Building E) in the Allocated EV Parking Spaces (and in such additional spaces as Tenant desires, up to an aggregate total with the Allocated EV Parking Spaces of ten percent (10%) of all of Tenant's parking allocation), all at Tenant's sole cost, including but not limited to the cost of running conduit and cable; *provided, however*, that Landlord shall provide conduit to all of the Allocated EV Parking Spaces (and any additional spaces that Tenant elects within sixty (60) days after the Effective Date of this Lease) from the Parking Structure-P1 electrical service (limited to 187 ECV Stations). Conduit to any additional spaces shall be at Tenant's sole cost. In addition, so long as Tenant is leasing the entirety of Building F, Building H, and Building E: (a) as part of Landlord's Work pursuant to the Work Letter, Landlord will provide Tenant with exclusive, controlled parking spaces on all floors of the north side of Parking Structure – P1, with key card or other controlled access, and (b) Tenant shall have exclusive use of all of the parking spaces identified on Exhibit A-6 as "PAN Visitor Parking Spaces", which spaces shall be labeled as "PAN Visitor Parking" as part of Landlord's Work. Landlord shall have the right to proportionately reduce the number of exclusive spaces to non-exclusive spaces to the extent they are not being utilized by Tenant (including its visitors) on a regular and frequent basis (and in no event less than the intensity of Tenant's utilization of non-exclusive spaces); *provided, however*, that such right shall only accrue to Landlord if, after having provided Tenant with written notice of Landlord's intentions to convert such spaces, such spaces are not, within 90 days after such notice, being used on a regular and frequent basis (and in no event less than the intensity of Tenant's utilization of non-exclusive spaces) for Tenant's (including its visitors') exclusive use.

4.6 Signs. Subject to the other terms and conditions of this Paragraph 4.6, Tenant, at Tenant's sole cost and expense, shall: (i) have the exclusive right (so long as Tenant is leasing the Building) to place its name and/or logo on the top of the Building in three (3) locations

generally as depicted on Exhibit G, (ii) be entitled to place its name and/or logo on the Project monument on Tannery Way as generally as depicted on Exhibit G, which monument sign shall be exclusive to Tenant so long as Tenant is leasing Building F, Building H, and Building E (and Building G once Landlord and Tenant have entered into the Building G Lease, as defined in Paragraph 16.1 of the Building F and H Lease), (iii) be entitled to place its name and/or logo on the Project entry monument sign at the entry off of Lakeside Drive, generally as depicted on Exhibit G, which monument sign shall be exclusive to Tenant so long as Tenant is leasing Building F, Building H, and Building E (and Building G once Landlord and Tenant have entered into the Building G Lease), and otherwise shall be non-exclusive and based on Tenant's Project Share, and (iv) be entitled to install directional signage at the entry of Scott Boulevard, generally as depicted on Exhibit G, in all cases to the extent approved by Landlord in its reasonable discretion and by the City of Santa Clara; *provided, however*, that Landlord's approval shall not be required for signs installed for Palo Alto Networks or its Permitted Assignee. The size, location, and configuration of all signage shall be subject to Landlord's building standards and its prior written approval, which shall not be unreasonably withheld, and shall be governed by and subject to the rules, regulations and permit requirements of the City of Santa Clara. Landlord shall not cause or permit any signage other than directional signage to be placed on Building F, Building H, or Building E or within the Exclusive Use Areas so long as Tenant is leasing the entirety of Building F, Building H, and Building E. Landlord shall not place or permit to be placed any signs on the Common Areas of the Property so long as Tenant is leasing the entirety of Building F, Building H, and Building E, unless Tenant does not elect to lease Building G. Tenant shall not place or install on or within any portion of the Leased Premises, the exterior of the Building, the Common Areas, the Property, or the Project any sign which is visible from the exterior of the Leased Premises until Landlord shall have approved in writing and in its reasonable discretion the location, size, content, design, method of attachment and material to be used in the making of such sign; *provided, however*, that so long as such signs are business directional or identification signs, Tenant shall not be required to obtain Landlord's approval. Any sign, once approved by Landlord, shall be installed at Tenant's sole cost and expense and only in strict compliance with Landlord's approval and any applicable Laws, using a person approved by Landlord to install same, which approval shall not be unreasonably withheld, conditioned or delayed. Landlord may remove any signs, advertisements, banners, placards or pictures placed by Tenant in violation of this Paragraph and charge to Tenant the cost of such removal, together with any costs incurred by Landlord to repair any damage caused thereby, including any cost incurred to restore the surface (upon which such sign was so affixed) to its original condition. Tenant shall remove all of Tenant's signs, repair any damage caused thereby, and restore the surface upon which the sign was affixed to its original condition, all to Landlord's reasonable satisfaction, upon the termination of this Lease. Notwithstanding the signage rights granted to Tenant pursuant to this Paragraph 4.6, Landlord reserves and retains the right to place modest signage (signage stenciled or equivalent, as depicted on Exhibit H attached hereto) bearing Landlord's name and/or ownership affiliation, in or on the Leased Premises, the Building, the Common Areas, the Property, or the Project, or on any of the signs located thereon, as determined in Landlord's sole discretion. In addition, subject to approval by the City of Santa Clara, Tenant shall have the right to designate or change the street address of Building F, Building H, or Building E.

4.7 Compliance With Laws And Restrictions. Subject to Paragraph 6.3 below, Tenant shall abide by and shall promptly observe and comply with, at its sole cost and expense, all Laws

and Restrictions respecting the use and occupancy of the Leased Premises, the Building, the Common Areas, the Property, or the Project including, without limitation, Title 24, building codes, the Americans with Disabilities Act and the rules and regulations promulgated thereunder, and all Laws governing the use and/or disposal of hazardous materials, and shall defend with competent counsel, indemnify and hold Landlord harmless from any claims, damages or liability resulting from Tenant's failure to so abide, observe, or comply. Tenant's obligations hereunder shall survive the expiration or sooner termination of this Lease.

4.8 Compliance With Insurance Requirements. With respect to any insurance policies required or permitted to be carried by Landlord in accordance with the provisions of this Lease, Tenant shall not conduct nor permit the Tenant Parties to conduct any activities nor keep, store or use (or allow any other person to keep, store or use) any item or thing within the Leased Premises, the Building, the Common Areas, the Property, or the Project which (i) is prohibited under the terms of any such policies, (ii) could result in the termination of the coverage afforded under any of such policies, (iii) could give to the insurance carrier the right to cancel any of such policies, or (iv) could cause an increase in the rates (over standard rates) charged for the coverage afforded under any of such policies; *provided, however*, that Landlord shall modify such policies as may be reasonably required by Tenant to avoid such conflicts provided that Tenant pays the incremental cost of any such modifications. Tenant shall comply with all requirements of any insurance company, insurance underwriter, or Board of Fire Underwriters which are necessary to maintain, at standard rates, the insurance coverages carried by either Landlord pursuant to this Lease, unless Tenant elects to pay such increased rates necessary to avoid compliance with such requirements.

4.9 Landlord's Right To Enter. Landlord and its agents shall have the right to enter the Leased Premises during normal business hours after giving Tenant reasonable notice (which shall be prior written notice except in the event of a circumstance which Landlord in good faith believes to be an emergency) and subject to Tenant's reasonable security measures for the purpose of (i) inspecting the same; (ii) showing the Leased Premises to prospective purchasers, mortgagees or, during the last nine (9) months of the Lease Term or during any period that Tenant is in monetary or material non-monetary default beyond the applicable notice and cure period, if any, expressly set forth in this Lease, tenants; (iii) making necessary alterations, additions or repairs; and (iv) performing any of Tenant's obligations when Tenant has failed to do so after the expiration of any applicable notice and cure period expressly set forth in this Lease. Landlord shall have the right to enter the Leased Premises during normal business hours (or as otherwise agreed), subject to Tenant's reasonable security measures, for purposes of supplying any maintenance or services agreed to be supplied by Landlord. Landlord shall have the right to enter the Common Areas during normal business hours for purposes of (i) inspecting the exterior of the Building and the Common Areas; (ii) posting notices of nonresponsibility (and for such purposes Tenant shall provide Landlord at least ten (10) days' prior written notice of any work to be performed on the Leased Premises, as well as notice within one (1) day after the commencement of such work); and (iii) supplying any services to be provided by Landlord. If at any time Tenant is not leasing the entirety of a Building, Landlord shall also have the right, upon reasonable advance notice to Tenant, to access such Building's vertical risers and the interstitial space above Tenant's acoustical ceiling to connect new utility and communications lines from other floors to the base Building utility lines; all of such work shall be done after hours or on weekends. Any entry into the Leased Premises or the Common Areas obtained by Landlord in

accordance with this paragraph shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Leased Premises, or an eviction, actual or constructive of Tenant from the Leased Premises or any portion thereof. Landlord shall conduct all of Landlord's activities on the Leased Premises during such period of entry in a manner designed to cause minimal interference to Tenant and Tenant's use of the Leased Premises.

Tenant shall be permitted to maintain "Secured Areas" (defined herein to mean certain secure compartmentalized facilities, special access areas and limited access areas as designated by Tenant to Landlord from time to time in advance) within the Leased Premises, comprising no more than ten percent (10%) of the rentable square footage of the Leased Premises, in which case Landlord shall follow Tenant's access protocols as to such Secured Areas and shall not enter such Secured Areas without being accompanied by a representative of Tenant.

4.10 Use Of Common Areas. Except as permitted in the Exclusive Use Areas pursuant to Paragraph 2.2(b) above, Tenant, in its use of the Common Areas, shall at all times keep the Common Areas free and clear of Tenant's and the Tenant Parties' materials, equipment, debris, trash (except within existing enclosed trash areas), inoperable vehicles, and other items which are prohibited by this Lease to be stored or located thereon by Tenant. If, in the opinion of Landlord, unauthorized persons are using any of the Common Areas by reason of, or under claim of, the express or implied authority or consent of Tenant, then Tenant, upon demand of Landlord, shall restrain, to the fullest extent then allowed by Law, such unauthorized use, and shall initiate such appropriate proceedings as may be required to so restrain such use. Landlord reserves the right to grant easements and access rights to others for use of the Common Areas provided that the Required Conditions are satisfied, and Landlord shall not be liable to Tenant for any diminution in Tenant's right to use the Common Areas as a result.

4.11 Environmental Protection. Tenant's obligations under this Paragraph 4.11 shall survive the expiration or termination of this Lease.

(a) As used herein, the term "Hazardous Materials" shall mean any toxic or hazardous substance, material or waste or any pollutant or infectious or radioactive material, including but not limited to those substances, materials or wastes regulated now or in the future under any of the following statutes or regulations and any and all of those substances included within the definitions of "hazardous substances," "hazardous materials," "hazardous waste," "hazardous chemical substance or mixture," "imminently hazardous chemical substance or mixture," "toxic substances," "hazardous air pollutant," "toxic pollutant," or "solid waste" in the (a) Comprehensive Environmental Response, Compensation and Liability Act of 1990 ("CERCLA" or "Superfund"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), 42 U.S.C. § 9601 *et seq.*, (b) Resource Conservation and Recovery Act of 1976 ("RCRA"), 42 U.S.C. § 6901 *et seq.*, (c) Federal Water Pollution Control Act ("FSPCA"), 33 U.S.C. § 1251 *et seq.*, (d) Clean Air Act ("CAA"), 42 U.S.C. § 7401 *et seq.*, (e) Toxic Substances Control Act ("TSCA"), 14 U.S.C. § 2601 *et seq.*, (f) Hazardous Materials Transportation Act, 49 U.S.C. § 1801, *et seq.*, (g) Carpenter-Presley-Tanner Hazardous Substance Account Act ("California Superfund"), Cal. Health & Safety Code § 25300 *et seq.*, (h) California Hazardous Waste Control Act, Cal. Health & Safety code § 25100 *et seq.*, (i)

Porter-Cologne Water Quality Control Act (“Porter-Cologne Act”), Cal. Water Code § 13000 *et seq.*, (j) Hazardous Waste Disposal Land Use Law, Cal. Health & Safety codes § 25220 *et seq.*, (k) Safe Drinking Water and Toxic Enforcement Act of 1986 (“Proposition 65”), Cal. Health & Safety code § 25249.5 *et seq.*, (l) Hazardous Substances Underground Storage Tank Law, Cal. Health & Safety code § 25280 *et seq.*, (m) Air Resources Law, Cal. Health & Safety Code § 39000 *et seq.*, and (n) regulations promulgated pursuant to said laws or any replacement thereof, or as similar terms are defined in the federal, state and local laws, statutes, regulations, orders or rules. Hazardous Materials shall also mean any and all other biohazardous wastes and substances, materials and wastes which are, or in the future become, regulated under applicable Laws for the protection of health or the environment, or which are classified as hazardous or toxic substances, materials or wastes, pollutants or contaminants, as defined, listed or regulated by any federal, state or local law, regulation or order or by common law decision, including, without limitation, (i) trichloroethylene, tetrachloroethylene, perchloroethylene and other chlorinated solvents, (ii) any petroleum products or fractions thereof, (iii) asbestos, (iv) polychlorinated biphenyls, (v) flammable explosives, (vi) urea formaldehyde, (vii) radioactive materials and waste, and (viii) materials and wastes that are harmful to or may threaten human health, ecology or the environment.

(b) Notwithstanding anything to the contrary in this Lease, Tenant, at its sole cost, shall comply with, and shall cause the Tenant Parties to comply with, all Laws relating to the storage, use and disposal of Hazardous Materials at the Property by Tenant or any Tenant Parties; *provided, however*, that Tenant shall not be responsible for contamination of the Leased Premises and/or the Building, the Property, or the Project (including Parking Structure – P1) by Hazardous Materials existing as of the date the Leased Premises are delivered to Tenant (whether before or after the Lease Commencement Date) excepting only Hazardous Materials used and released by Tenant or the Tenant Parties. Tenant shall not store, use or dispose of any Hazardous Materials except for ordinary office and cleaning supplies and building maintenance supplies used in compliance with all Laws and Restrictions (“Office & Cleaning Supplies”). In no event shall Tenant discharge or permit any Tenant Parties to discharge into the plumbing or sewage system of the Building or onto the land underlying or adjacent to the Building, any Hazardous Materials. Tenant shall be solely responsible for and shall defend, indemnify, and hold Landlord and its agents harmless from and against all claims, costs and liabilities, including reasonable attorneys’ fees and costs, arising out of or in connection with Tenant’s storage, use and/or disposal of Hazardous Materials at the Project. If the presence of Hazardous Materials on the Leased Premises caused by Tenant or any of the Tenant Parties results in contamination or deterioration of water or soil, then Tenant shall promptly take any and all action necessary to clean up such contamination (or, with respect to Office & Cleaning Supplies only, such lesser action as is required by Law, if applicable) but the foregoing shall in no event be deemed to constitute permission by Landlord to allow the presence of such Hazardous Materials. At any time prior to the expiration of the Lease Term if Tenant has a reasonable basis to suspect that there has been any release or the presence of Hazardous Materials in the ground or ground water on the Leased Premises which did not exist upon commencement of the Lease Term, Tenant shall have the right to conduct appropriate tests of water and soil and to deliver to Landlord the results of such tests to demonstrate that no contamination in excess of permitted levels has occurred as a result of Tenant’s use of Hazardous Materials in the Leased Premises. Tenant shall further be solely responsible for, and shall defend, indemnify, and hold Landlord and its agents harmless from and against all claims, costs and liabilities, including attorneys’ fees and costs, arising out

of or in connection with any removal, cleanup and restoration work and materials required hereunder to return the Leased Premises and any other property of whatever nature to their condition existing prior to the appearance of the Hazardous Materials, to the extent such Hazardous Materials were introduced to the Property or the Project by Tenant or any of the Tenant Parties.

(c) Upon termination or expiration of the Lease Term, Tenant at its sole expense shall cause all Hazardous Materials placed in or about the Leased Premises, the Building and/or the Property by Tenant or any of the Tenant Parties, and all installations (whether interior or exterior) made by or on behalf of Tenant or any of the Tenant Parties relating to the storage, use, disposal or transportation of Hazardous Materials to be removed from the property and transported for use, storage or disposal in accordance and compliance with all Laws. If Tenant uses any Hazardous Materials other than Office & Cleaning Supplies, then Tenant shall apply for and shall obtain from all appropriate regulatory authorities (including any applicable fire department or regional water quality control board) all permits, approvals and clearances necessary for the closure of the Property and the Project in accordance with applicable Law.

(d) At any time prior to expiration of the Lease Term, subject to the provisions of Paragraph 4.9, Landlord shall have the right to enter in and upon the Property, Building and Leased Premises in order to conduct appropriate tests of water and soil to determine whether levels of any Hazardous Materials in excess of legally permissible levels has occurred as a result of Tenant's use thereof. Landlord shall furnish copies of all such test results and reports to Tenant and, at Tenant's option and cost, shall permit split sampling for testing and analysis by Tenant. Such testing shall be at Tenant's expense if Landlord determines that Tenant or Tenant's agents have caused the presence of Hazardous Materials in the soil or surface or ground water in, on, under, or about the Property, the Building or the Leased Premises.

(e) Landlord may voluntarily cooperate in a reasonable manner with the efforts of all governmental agencies in reducing actual or potential environmental damage. Tenant shall not be entitled to terminate this Lease or to any reduction in or abatement of rent by reason of such voluntary cooperation, nor for any required compliance. Tenant agrees at all times to cooperate fully with the requirements and recommendations of governmental agencies regulating, or otherwise involved in, the protection of the environment.

(f) To the knowledge of Landlord, except to the extent disclosed by the reports provided to Tenant prior to the Effective Date of this Lease, no Hazardous Material is present on the Property, the parcel upon which the Parking Garage is located, or the soil, surface water or groundwater thereof. Notwithstanding anything to the contrary in this Lease, under no circumstance shall Tenant be liable for any Hazardous Material present at any time in, on or about the Project or the soil, air, improvements, groundwater or surface water thereof, except to the extent due to the release of Hazardous Material by Tenant or any Tenant Parties.

4.12 Rules And Regulations. Landlord has established rules and regulations respecting the use of the Building and the Common Areas for the care and orderly management of the Property, a copy of which is attached hereto as Exhibit I (as the same may be amended or supplemented, the "Rules and Regulations"). Tenant shall comply with such Rules and Regulations; provided, however, that such Rules and Regulations and any amendments, modifications, or replacements thereof, shall not be applicable to the interiors of the Building,

any of Tenant's exclusive parking areas, or (so long as Tenant otherwise has exclusive use of the Exclusive Use Areas pursuant to the terms of this Lease) the Exclusive Use Area. Landlord shall have the right from time to time to establish or adopt reasonable amendments or additions thereto, provided the Required Conditions are satisfied. Upon delivery to Tenant of a copy of such amendments or additions thereto, Tenant shall comply with such Rules and Regulations as amended or supplemented. A violation by Tenant of any of such Rules and Regulations shall constitute a default by Tenant under this Lease, which shall be governed by Article 12 below. If there is a conflict between the Rules and Regulations and any of the provisions of this Lease, the provisions of this Lease shall prevail. Landlord shall not be responsible or liable to Tenant for the violation of such Rules and Regulations by any other tenant of the Property provided that Landlord enforces such Rules and Regulations in a non-discriminatory manner.

4.13 Reservations. Landlord reserves the right from time to time to grant, without the consent or joinder of Tenant, such easements, rights of way and dedications that Landlord deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights of way and dedications do not unreasonably interfere with the use of the Leased Premises or the Common Areas by Tenant or Tenant's parking rights, and do not increase Tenant's obligation or decrease Tenant's rights under this Lease and the Required Conditions are satisfied. Tenant agrees to execute any documents reasonably requested by Landlord to effectuate any such easement rights, dedications, maps or restrictions.

4.14 Roof. Tenant shall have right of access, use and occupancy of the Available Rooftop Space (hereinafter defined), which shall be exclusive to Tenant during any period that Tenant is leasing the entirety of the Building, except (a) for Landlord's rights of access for maintenance, repairs, replacements, etc., subject to Landlord complying with Paragraph 4.9 above, and (b) to the extent otherwise required by Law or a governmental or quasi-governmental agency. Landlord will designate a portion of the roof of the Building to hold a rooftop equipment pad (a "Roof Pad") for installations by Tenant (the "Available Rooftop Space"). Tenant shall be entitled to utilize Tenant's Building Share of the Available Rooftop Space as follows:

(a) Subject to Tenant's restoration and repair obligations under Paragraph 2.6, Tenant at its sole cost and expense shall have the right to install within Tenant's Building Share of the Available Rooftop Space, to the extent such installation must be installed on the Roof Pad for structural reasons, and elsewhere on the roof (within Tenant's Building Share thereof) for all other equipment, satellite dishes and radio antennas required in connection with Tenant's own business and communications and data transmission network, HVAC units, chillers, solar panels and related cable connections and any other equipment required for the conduct of Tenant's business in the Leased Premises (collectively, "Rooftop Equipment"), provided such installation does not impact the structural integrity of the Building, is not inconsistent with the Project aesthetics, and does not void or negatively impact any applicable warranties. Notwithstanding any provision of this Lease to the contrary, Landlord and Tenant hereby agree that the Rooftop Equipment (excluding HVAC Units and chillers) constitutes Non-Standard Improvements and must be removed by Tenant in accordance with Paragraph 2.6.

(b) Tenant shall supply Landlord with detailed plans and specifications of the Rooftop Equipment prior to the installation thereof for Landlord's review and approval, which

approval shall not be unreasonably withheld, conditioned or delayed. Furthermore, Tenant shall have secured the approval of all governmental authorities and all permits required by governmental authorities having jurisdiction over such approvals and permits for the Rooftop Equipment, and shall provide copies of such approvals and permits to Landlord prior to commencing any work with respect to such Rooftop Equipment. Tenant shall pay for any and all costs and expenses in connection with, and shall repair all damage to the roof resulting from, the installation, maintenance, use and removal of the Rooftop Equipment.

4.15 Back-Up Generators and Energy Servers. Subject to complying with Paragraphs 2.6 and 6.1, Tenant shall have the right to install (i) energy servers or similar fuel cells and (ii) energy storage systems in the Available Rooftop Space or in another location in the Common Areas mutually agreed to by the parties, (iii) backup generators (and related equipment and storage tanks) in a location in the Common Areas mutually agreed to by the parties, and (iv) UPS systems (and related) within the interior of the Leased Premises, in all cases subject to Landlord's approval, which shall not be unreasonably withheld, of the design (including aesthetic screening) and construction, and of any connections between the Leased Premises and such equipment and any penetrations to the Building E walls, roof, or structure required in connection therewith. If such equipment is located on any parking areas on the Project, then such lost parking spaces shall be counted towards satisfying Tenant's parking allocation under Article 1 hereof.

ARTICLE 5 REPAIRS, MAINTENANCE, SERVICES AND UTILITIES

5.1 Repair And Maintenance. Except in the case of damage to or destruction of the Leased Premises, the Building, the Common Areas, the Property, or the Project caused by an act of God or other peril, in which case the provisions of Article 10 shall control, the parties shall have the following obligations and responsibilities with respect to the repair and maintenance of the Leased Premises, the Building, the Common Areas, the Property, and the Project.

(a) Tenant's Obligations.

(i) Tenant shall, at all times during the Lease Term and at its sole cost and expense, regularly clean and continuously keep and maintain in good order, condition and repair the Leased Premises and every part thereof including, without limiting the generality of the foregoing, (i) roof membrane, (ii) elevators, (iii) electrical, plumbing, and life safety systems, (iv) all walls, floors and ceilings, (v) all windows, doors and skylights, (vi) all electrical wiring, conduits, connectors and fixtures within the Leased Premises, (vii) all sinks, toilets, and faucets and plumbing, pipes, and drains, (viii) all lighting fixtures, bulbs and lamps, (ix) the Building's HVAC systems and any HVAC equipment installed by or at the request of Tenant or exclusively serving the Leased Premises, and (x) all entranceways to the Leased Premises. Tenant shall, at Tenant's sole cost and expense, provide for its own janitorial service for the Leased Premises. Tenant shall hire, at Tenant's sole cost and expense: (A) a licensed HVAC contractor to regularly and periodically (not less frequently than every three months) inspect and perform required maintenance on the HVAC equipment and systems serving the Leased Premises, (B) a licensed elevator technician to regularly and periodically (not less frequently than every three months) inspect and perform required maintenance on the elevator(s) of the Leased Premises and (C) a

licensed roofing contractor to regularly and periodically (not less frequently than every three months) inspect and perform required maintenance on the roof of the Leased Premises. Tenant shall, at its sole cost and expense, repair all damage to the Leased Premises, the Building, the Common Areas, the Property, or the Project caused by the activities of Tenant or any of the Tenant Parties promptly following written notice from Landlord to so repair such damages. If Tenant shall fail to perform the required maintenance or fail to make repairs required of it pursuant to this paragraph within the applicable notice and cure periods set forth in Paragraph 12.1 below, then Landlord may, at its election and without waiving any other remedy it may otherwise have under this Lease or at law, perform such maintenance or make such repairs and charge to Tenant, as Additional Rent, the costs so incurred by Landlord for same. All glass within or a part of the Leased Premises, both interior and exterior, is at the sole risk of Tenant and any broken glass shall promptly be replaced by Tenant at Tenant's expense with glass of the same kind, size and quality. With respect to the items for which Tenant is responsible described in this Paragraph 5.1(a), Landlord agrees to assign to Tenant on a non-exclusive basis (it being the intent that Landlord and Tenant be benefitted by such warranties) and to the extent assignable, any applicable warranties in favor of Landlord or its affiliates. To the extent any such warranties are not assignable, Landlord agrees to enforce such warranties for Tenant's benefit. Notwithstanding the foregoing or anything to the contrary herein, Landlord shall perform and construct, and Tenant shall have no responsibility (1) to perform or construct, any repair, maintenance or improvements necessitated by the acts or omissions of Landlord or its agents, employees or contractors or (2) to pay for the same the extent Landlord has a right to and obtains reimbursement from others (and Landlord shall exercise commercially reasonable efforts to obtain such reimbursement).

(ii) Notwithstanding the foregoing, if Tenant determines in its reasonable, good faith discretion that: (a) a component of Tenant's maintenance and repair obligations under Paragraph 5.1(a)(1) above (a "Tenant Work Component") is in such a condition that a repair or replacement is required, (b) the cost to Tenant of performing a such repair or replacement (a "Tenant Repair/Maintenance Obligation") will cost in excess of \$120,000 in a calendar year (the "Threshold"), and (c) such repair or replacement of an individual Tenant Work Component constitutes a capital repair or capital improvement (a "Tenant Work Component Capital Repair"), then if Tenant desires to have Landlord advance some or all of the cost of such Tenant Work Component Capital Repair, before commencing such Tenant Work Component Capital Repair project, Tenant shall provide Landlord a reasonable prior written notice and a request for consent (a "Capital Repair Notice"), which shall include (i) a written report from a reputable physical inspection firm (which firm Landlord must have reasonably approved to prepare such report prior to commencing its work), detailing the reasons that Tenant believes the repair or replacement is required, (ii) a scope of work, specifications of such work and other critical details of such project (collectively, the "Scope of Work") for the individual Tenant Work Component Capital Repair project, (iii) the estimated total cost of the work (the "Total Capital Costs"), and (iv) a request for Landlord to consent to advancing the cost thereof in accordance with Paragraph 5.1(a)(3) below. The following costs shall be excluded when calculating such Total Capital Costs with respect to the Threshold: (A) the cost of any system and equipment installed by Tenant; and (B) any incremental increase in cost in connection with installing a Tenant Work Component with a capacity, performance, quality, or efficiency that is in excess of the cost of installing a Tenant Work Component of comparable capacity, performance, quality, or

efficiency to the one installed by Landlord pursuant to the Work Letter (i.e., the cost delta between the new, higher capacity, performance, quality, or efficiency Tenant Work Component and the old, lower capacity, performance, quality, or efficiency Tenant Work Component shall not contribute to the Threshold sum, but the total cost of a comparable lower capacity, performance, quality, or efficiency Tenant Work Component shall contribute to the Threshold sum). Notwithstanding the foregoing, Landlord shall have no obligation to consent thereto if any Tenant Work Component Capital Repair is triggered or primarily caused by (I) Tenant's Alterations to the Leased Premises, (II) upgrades to the Leased Premises initiated by Tenant, (III) Tenant's specific use of the Leased Premises, as opposed to office/R&D use in general, or (IV) Tenant's failure to use or maintain the applicable Tenant Work Component in accordance with Paragraph 5.1(a)(1) above and the manufacturer's recommendations or specifications, all of which capital expenditures shall be incurred by Tenant at its sole cost and expense.

(iii) Landlord's consent shall be deemed given on the fifteenth (15th) business day following receipt of the Capital Repair Notice unless prior thereto, Landlord delivers to Tenant a written objection to the Tenant Work Component Capital Repair (including but not limited to the need therefor, the cost or scope thereof, the effect thereof on the Building Structure or Tenant Work Components, and whether the same is necessitated due to overuse or failure to maintain or other fault of Tenant or any of the Tenant Parties). In the event that Landlord's consent is given, or is deemed given, or is compelled by the arbitration described below, then at Landlord's option either Landlord will perform the Tenant Work Component Capital Repair, or Tenant may proceed with the Tenant Work Component Capital Repair and be reimbursed by Landlord, and in either case Landlord and Tenant shall share in the cost of the Tenant Work Component Capital Repair as follows: (a) the cost incurred by Landlord (directly and/or through reimbursement to Tenant), including interest at a rate equal to the Standard Interest Rate, shall be amortized by Landlord over the useful life of such Tenant Work Component Capital Repair as reasonably estimated by Landlord, and (b) the monthly amortized cost shall be added to and become a part of Additional Rent hereunder and shall be payable monthly until the earlier of (i) the date such cost has been fully amortized, and (ii) the end of the Lease Term (as the same may be extended).

(iv) If Landlord objects in accordance with Paragraph 5.1(a)(3) above, then the parties may attempt to meet and confer and reach agreement on all aspects of the Tenant Work Component Capital Repair to which Landlord objected. If the parties reach agreement, then they shall commit their agreement to writing and proceed in accordance with their written agreement. If they disagree and are unable to reach agreement, then Tenant shall have the right either (a) if Landlord's objections are solely with respect to cost, to perform the Tenant Work Component Capital Repair but at the Total Capital Costs agreed to by Landlord, subject to Landlord and Tenant sharing in such cost as described in Paragraph 5.1(a)(2) above, and subject to Paragraph 5.1(a)(5) below, or (b) to elect to arbitrate the dispute. Any dispute or claim under Paragraph 5.1(a)(2) through Paragraph 5.1(a)(5) will be finally settled by binding arbitration in Santa Clara, California, in accordance with the rules of the American Arbitration Association by one arbitrator appointed in accordance with said rules. The arbitrator shall be a mutually acceptable, independent, unaffiliated, reputable third party contractor licensed in California having experience with similar repairs to similar office buildings in the Santa Clara and Sunnyvale area, who shall serve as the arbitrator with regard to the dispute and who shall issue a

written decision on the need for the capital expenditure, scope of work, and cost thereof, to the extent such items are in dispute. Such written decision shall be issued by the arbitrator within fifteen (15) days of being the arbitrator being appointed. Landlord and Tenant shall share equally the cost of such arbitrator, whose decision shall be binding on the parties. If the parties do not agree on the appointment of the arbitrator, then either party, on behalf of both, may request appointment of such a qualified person by the then Presiding Judge of the California Superior Court having jurisdiction over the County of Santa Clara, and the other party shall not raise any question as to such Judge's full power and jurisdiction to entertain the application for and make the appointment.

(v) In all cases, Tenant shall be responsible for obtaining all necessary governmental permits before commencing the Tenant Work Component Capital Repair, and shall perform and complete the applicable Tenant Work Component Capital Repair in compliance with applicable Law. Tenant shall be liable for any damage, loss or injury resulting from the Tenant Work Component Capital Repair.

(b) Landlord's Obligation.

(i) Landlord shall, at all times during the Lease Term, maintain in good condition and repair the Common Areas (including the Exclusive Use Areas) except as provided in Paragraph 5.1(a) above), the foundation, footings, slabs, roof structure, and structural exterior walls of the Building (excluding paint and sealant). The provisions of this subparagraph (b) shall in no way limit the right of Landlord to charge to Tenant, as Additional Rent pursuant to Article 3, the costs incurred by Landlord in performing such maintenance and/or inspections, and/or in making such repairs or replacements; *provided, however*, that with respect to capital repairs and replacements, the cost incurred by Landlord, including interest at a rate equal to the Standard Interest Rate, shall be amortized by Landlord over the useful life of such capital repairs or replacements, as determined in accordance with GAAP, and the monthly amortized cost of such capital repairs or replacements as so amortized shall be considered a Property Maintenance Cost (as defined in Paragraph 13.12(c) below). Notwithstanding the foregoing, if repairs or replacements of any of the foregoing are necessitated by the negligence or willful misconduct of Tenant or any of the Tenant Parties, or Tenant's breach of this Lease, Tenant shall reimburse to Landlord, promptly upon receipt of the applicable invoices, the cost incurred by Landlord in connection therewith. Landlord will ensure that Tenant has the benefit, on a non-exclusive basis with Landlord, of all applicable construction warranties in favor of Landlord.

(ii) Notwithstanding any provision in this Lease to the contrary, if Landlord shall fail to commence any repair obligations required under Paragraphs 5.1(b)(1) above within ten (10) business days following Tenant's written request for such repairs and thereafter complete such repairs with commercially reasonable due diligence, or if Palo Alto Networks, Inc. (or a Permitted Assignee) is the Tenant hereunder and leases 100% of the Building and Landlord shall fail to commence any emergency repairs (i.e., repairs required to avoid imminent injury or damage or cessation of business) within five (5) business days following written notice from Tenant and thereafter complete such repairs with commercially reasonable due diligence, then Tenant may elect to make such repairs at Landlord's expense by complying with the following provisions of this Paragraph 5.1(b)(2). Before making any such

repair, and following the expiration of the applicable period set forth above, Tenant shall deliver to Landlord a notice for the need for such repair ("Self Help Notice"), which notice shall specifically advise Landlord that Tenant intends to exercise its self-help right hereunder. Should Landlord fail, within five (5) business days following receipt of the Self-Help Notice (or within two (2) business days following written notice in the event of necessary emergency repairs), to commence the necessary repair (or to make other reasonable arrangements), then Tenant shall have the right to make such repair on behalf of Landlord so long as such repair is performed in strict compliance with all Laws and Restrictions. In the event Tenant properly takes such action in accordance with this Paragraph 5.1(b)(2), and such work will affect the Building structure and/or materially affect the major Building systems, Tenant shall use only those contractors used or reasonably approved by Landlord in the Building for work on such structure or major systems unless such contractors are unwilling or unable to perform, or to timely and competitively perform, such work, in which event Tenant may utilize the services of any other licensed and qualified contractor which normally and regularly performs similar work in comparable buildings in the area of the Property. Tenant shall provide Landlord with a reasonably detailed invoice together with reasonable supporting evidence of the costs reasonably and actually incurred in performing such repairs. Landlord shall either reimburse Tenant for the reasonable costs of such repairs within thirty (30) days following receipt of Tenant's invoice for such costs or deliver a written objection stating with specificity the reasons Landlord disputes Tenant's actions or the costs incurred. If Landlord fails to either pay Tenant's invoice within such thirty (30) day period or deliver a written objection, Tenant shall have the right to offset such costs against Base Monthly Rent next coming due under this Lease, in an amount each month not to exceed 40% of each payment of Base Monthly Rent, until fully paid. If Landlord delivers to Tenant, within thirty (30) days, a written objection to the payment of such invoice, setting forth Landlord's reasons for its claim that such action did not have to be taken by Landlord pursuant to the terms of this Lease or that the charges are excessive (in which case Landlord shall pay the amount it contends would not have been excessive if the only objection is to the costs incurred), then Tenant shall not be entitled to offset any amount from rent, but as Tenant's sole remedy, the dispute shall be resolved by arbitration pursuant to Paragraph 5.1(b)(iii) below. If Tenant prevails in the arbitration, the amount of the award shall include interest at the Default Interest Rate (from the time of each expenditure by Tenant until the date Tenant receives such amount by payment or offset) and reasonable attorneys' fees and related costs. If Landlord fails to pay the amount of the award within thirty (30) days from the date of the award, the amount of the award, plus interest at the Default Interest Rate commencing on the 31st day after the award, may be deducted by Tenant from the Base Monthly Rent payments next due and owing under the Lease, in an amount each month not to exceed 40% of each payment of Base Monthly Rent, until fully paid. Tenant shall be responsible for obtaining any and all necessary governmental permits before commencing the repair work. Tenant shall be liable for any damage, loss or injury resulting from said work. If Landlord prevails in the arbitration, the amount of the award shall include reasonable attorneys' fees and related costs and shall be deemed Additional Rent hereunder due and owing no later than thirty (30) days after the date of the award.

(iii) Any dispute or claim under Paragraph 5.1(b)(2) will be finally settled by binding arbitration in San Francisco, California, in accordance with the rules of the JAMS by one arbitrator appointed in accordance with said rules. The arbitrator shall apply California law, without reference to rules of conflicts of law or rules of statutory arbitration, to

the resolution of any dispute. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Notwithstanding the foregoing, the parties may apply to any court of competent jurisdiction for preliminary or interim equitable relief, or to compel arbitration in accordance with this paragraph, without breach of this arbitration provision.

5.2 Utilities. Tenant shall arrange at its sole cost and expense and in its own name, for the supply of water, gas, and electricity to the Leased Premises. Tenant shall be responsible for determining if the local supplier of water, gas and electricity can supply the needs of Tenant and whether or not the existing water, gas and electrical distribution systems within the Building and the Leased Premises are adequate for Tenant's needs. Tenant shall be responsible for determining if the existing sanitary and storm sewer systems now servicing the Leased Premises and the Property are adequate for Tenant's needs. Tenant shall pay all charges for water, gas, electricity and storm and sanitary sewer services as so supplied to the Leased Premises, irrespective of whether or not the services are maintained in Landlord's or Tenant's name.

5.3 Security. Tenant acknowledges that Landlord has not undertaken any duty whatsoever to provide security for the Leased Premises, the Building, the Common Areas (including the Exclusive Use Areas), the Property, or the Project and, accordingly, Landlord is not responsible for the security of same or the protection of Tenant's property or any of the Tenant Parties from any cause whatsoever, including but not limited to criminal and/or terrorist acts. To the extent Tenant determines that such security or protection services are advisable or necessary, Tenant shall arrange for and pay the costs of providing same. In the event Landlord in its sole and absolute discretion agrees to provide any security services, whether it be guard service or access systems or otherwise, Landlord shall do so strictly as an accommodation to Tenant and Landlord shall have no liability whatsoever in connection therewith, whether it be for failure to maintain the secure access system, or for failure of the guard service to provide adequate security, or otherwise. Without limitation, Paragraph 8.1 below is intended by Tenant and Landlord to apply to this Paragraph 5.3.

5.4 Energy And Resource Consumption.

(a) Energy Consumption Reduction Efforts. Landlord may voluntarily cooperate in a reasonable manner with the efforts of governmental agencies and/or utility suppliers in reducing energy or other resource consumption within the Property. Tenant shall not be entitled to terminate this Lease or to any reduction in or abatement of rent by reason of such cooperation. Tenant agrees at all times to cooperate fully with Landlord and to abide by all reasonable rules established by Landlord in order to comply with the reasonable recommendations of utility suppliers and governmental agencies regulating the consumption of energy and/or other resources. Except to the extent required by Law, Landlord's rights and Tenant's obligations hereunder shall not apply to the extent the same would unreasonably interfere with Tenant's use of the Leased Premises or materially increase Tenant's costs.

(b) Tenant Utility Usage Data Reporting. If Tenant is billed directly by a utility company with respect to Tenant's electricity and natural gas/propane usage data at the Leased Premises, then, promptly following Landlord's written request, Tenant shall provide its monthly electricity and natural gas/propane usage data for the Leased Premises to Landlord for the period of time requested by Landlord (in electronic or paper format) or, at Landlord's option,

provide any written authorization or other documentation required for Landlord to request information regarding Tenant's electricity and natural gas/propane usage data with respect to the Leased Premises directly from the utility company.

5.5 Limitation Of Landlord's Liability. Landlord shall not be liable to Tenant for injury to Tenant or any of the Tenant Parties, or damage to property of Tenant or any Tenant Parties (except to the extent of Landlord's gross negligence, willful misconduct or knowing violation of this Lease), or loss of Tenant's or any Tenant Parties' business or profits, nor shall Tenant be entitled to terminate this Lease or to any reduction in or abatement of rent by reason of (i) Landlord's failure to provide security services or systems within the Property or the Project for the protection of the Leased Premises, the Building or the Common Areas, or the protection of Tenant's property or any of the Tenant Parties, or (ii) Landlord's failure to perform any maintenance or repairs to the Leased Premises, the Building, the Common Areas, the Property, or the Project until Tenant shall have first notified Landlord, in writing, of the need for such maintenance or repairs, and then only after Landlord shall have had a reasonable period of time following its receipt of such notice within which to perform such maintenance or repairs, or (iii) any failure, interruption, rationing or other curtailment in the supply of water, electric current, gas or other utility service to the Leased Premises, the Building, the Common Areas, the Property, or the Project from whatever cause (other than Landlord's gross negligence, willful misconduct or knowing violation of this Lease), or (iv) the unauthorized intrusion or entry into the Leased Premises by third parties (other than Landlord).

Notwithstanding the foregoing, in the event that Tenant is prevented from using, and does not use, the Leased Premises or any portion thereof as a result of a Trigger Event (as defined below), then Tenant shall give Landlord written notice thereof and if such Trigger Event continues for five (5) consecutive business days (such period herein called the "Eligibility Period"), then Tenant's Base Monthly Rent and Tenant's obligation to pay Project Operating Expenses shall be abated or reduced, as the case may be, after expiration of the Eligibility Period for such period of time that Tenant continues to be so prevented from using, and does not actually use, the Leased Premises or a portion thereof, in the proportion that the rentable area of the portion of the Leased Premises that Tenant is prevented from using bears to the total rentable area of the Leased Premises. As used herein, the term "Trigger Event" means any of the following events: (1) any failure by Landlord to provide Tenant with access to the Leased Premises or the Project that materially impacts or interrupts Tenant's use of the Leased Premises, unless such failure is a result of any Laws or Restrictions, (2) Landlord's failure to perform Landlord's repair and maintenance obligations hereunder if such failure continues beyond the applicable notice and cure period, if any, expressly set forth in this Lease, and (3) a disruption of utilities to the Leased Premises, and such disruption is caused solely by the intentional acts, negligence or willful misconduct of Landlord or any of Landlord's Parties.

ARTICLE 6 ALTERATIONS AND IMPROVEMENTS

6.1 By Tenant. This Paragraph 6.1 does not relate to the Tenant Improvements installed in accordance with and pursuant to the Work Letter, but to alterations, modifications, and improvements made after the date the Tenant Improvements are substantially completed.

Tenant shall not make any Non-Standard Improvements until Landlord shall have first approved, in writing, the plans and specifications therefor, which approval may be withheld in Landlord's sole discretion as to modifications, alterations and/or improvements which affect the Building façade or structure, or materially adversely affect the Building's systems, and otherwise such approval may be withheld in Landlord's reasonable discretion. Landlord's written approval shall, if applicable, also contain Landlord's election to require Tenant to remove the subject Non-Standard Improvements at the expiration or earlier termination of this Lease, in which event Tenant shall be obligated to do so, subject to Paragraph 2.6 above. All modifications, alterations or improvements shall be made, constructed or installed by Tenant at Tenant's expense (including all permit fees and governmental charges related thereto), using a licensed contractor first approved by Landlord which approval shall not be unreasonably withheld or delayed, in substantial compliance with the Landlord-approved plans and specifications therefor. All work undertaken by Tenant shall be done in accordance with all Laws and Restrictions and in a good and workmanlike manner using new (or reclaimed or recycled) materials of good quality. Tenant shall not commence the making of any such modifications or alterations or the construction of any such improvements until (i) any and all required governmental approvals and permits shall have been obtained, (ii) all requirements regarding insurance imposed by this Lease have been satisfied, (iii) Tenant shall have given Landlord at least five (5) business days prior written notice of its intention to commence such work so that Landlord may post and file notices of non-responsibility, and (iv) if requested by Landlord, Tenant shall have obtained contingent liability and broad form builder's risk insurance in an amount satisfactory to Landlord in its reasonable discretion to cover any perils relating to the proposed work not covered by insurance carried by Tenant pursuant to Article 9. In no event shall Tenant make any modification, alterations or improvements whatsoever to the Common Areas (except the Exclusive Use Areas). As used in this Article, the term "modifications, alterations and/or improvements" shall include, without limitation, the installation of additional electrical outlets, overhead lighting fixtures, drains, sinks, partitions, doorways, or the like. Notwithstanding the foregoing, Tenant, without Landlord's prior written consent, shall be permitted to make alterations to the Leased Premises which are not Non-Standard Improvements provided that: (a) Tenant shall timely provide Landlord the notices required pursuant to Paragraph 4.9 above, (b) Tenant shall have secured the approval of all governmental authorities and all permits required by governmental authorities having jurisdiction over such approvals and permits for such alterations, and shall provide copies of such approvals and permits to Landlord prior to commencing any work with respect to such alterations, (c) the cost of any such project does not exceed Two Hundred Thousand Dollars (\$200,000) and not more than three (3) such projects are performed in any twelve (12) month period, and (d) Tenant shall notify Landlord in writing within thirty (30) days of completion of the alteration and deliver to Landlord a set of the plans and specifications therefor, either "as built" or marked to show construction changes made. In addition, Tenant may perform any cabling and cosmetic alterations not visible outside the Leased Premises without Landlord's prior approval.

6.2 Ownership Of Improvements. All modifications, alterations and improvements made or added to the Leased Premises by Tenant (other than Tenant's inventory, equipment, movable furniture, decorations, personal property, trade fixtures ("Tenant's Property")) shall be deemed real property and a part of the Leased Premises, but shall remain the property of Tenant during the Lease Term. Any such modifications, alterations or improvements, once completed, shall not be altered or removed from the Leased Premises during the Lease Term without

Landlord's written approval first obtained, to the extent required in accordance with the provisions of Paragraph 6.1 above. At the expiration or sooner termination of this Lease, all such modifications, alterations and improvements other than Tenant's Property shall automatically become the property of Landlord and shall be surrendered to Landlord as part of the Leased Premises as required pursuant to Article 2, unless Landlord shall require Tenant to remove any of such modifications, alterations or improvements in accordance with Paragraph 6.1, in which case Tenant shall so remove same. Landlord shall have no obligations to reimburse Tenant for all or any portion of the cost or value of any such modifications, alterations or improvements so surrendered to Landlord. All modifications, alterations or improvements which are installed or constructed on or attached to the Leased Premises by Landlord and/or at Landlord's expense shall be deemed real property and a part of the Leased Premises and shall be property of Landlord. All lighting, plumbing, electrical, HVAC fixtures, wall coverings and floor coverings installed by Tenant shall be deemed improvements to the Leased Premises and not trade fixtures of Tenant.

6.3 Alterations Required By Law.

(a) Landlord at its sole cost shall make all modifications, alterations and improvements to the Building, the Property, or the Project, that are required by any governmental authority at any time due to the Landlord's Work constructed by Landlord not having been in compliance with the Laws then applicable governing its construction.

(b) From and after the Lease Commencement Date, but in no event prior to Substantial Completion of the Landlord Work, Tenant at its sole cost shall make all modifications, alterations and improvements to the Leased Premises, the Building, the Common Areas, the Property, or the Project that are required by any Law because of (i) Tenant's particular use or occupancy of the Leased Premises, the Building, the Common Areas, the Property, or the Project (as opposed to the Permitted Use generally), (ii) Tenant's application for any permit or governmental approval, or (iii) Tenant's making of any modifications, alterations or improvements to or within the Leased Premises.

(c) If Landlord shall, at any time during the Lease Term, be required by any governmental authority or Law to make any modifications, alterations or improvements to the Building, the Property, or the Project and the same is not Tenant's responsibility under Paragraph 6.3(b) above, then Landlord shall do so and the cost incurred by Landlord in making such modifications, alterations or improvements, including interest at a rate equal to the Standard Interest Rate shall be amortized by Landlord over the useful life of such modifications, alterations or improvements, as determined in accordance with GAAP, and the monthly amortized cost of such modifications, alterations and improvements as so amortized shall be considered a Property Maintenance Cost (subject, if applicable, to Paragraph 13.12 below).

6.4 Liens. Tenant shall keep the Property and the Project and every part thereof free from any lien, and shall pay when due all bills arising out of any work performed, materials furnished, or obligations incurred by Tenant, its agents, employees or contractors relating to the Property. If any such claim of lien is recorded against Tenant's interest in this Lease, the Property or any part thereof, Tenant shall bond against, discharge or otherwise cause such lien to be entirely released within thirty (30) days after the same has been recorded. Tenant's failure to do so shall be conclusively deemed a material default under the terms of this Lease.

ARTICLE 7
ASSIGNMENT AND SUBLETTING BY TENANT

7.1 By Tenant. Tenant shall not sublet the Leased Premises or any portion thereof or assign its interest in this Lease, or permit the occupancy of the Premises by other than Tenant, whether voluntarily or by operation of Law, without Landlord's prior written consent which shall not be unreasonably withheld and shall be given within the time periods set forth in Paragraph 7.3 below. Any attempted subletting or assignment, or occupancy of the Leased Premises by other than Tenant, without Landlord's prior written consent, at Landlord's election, shall constitute a default by Tenant under the terms of this Lease. The acceptance of rent by Landlord from any person or entity other than Tenant, or the acceptance of rent by Landlord from Tenant with knowledge of a violation of the provisions of this paragraph, shall not be deemed to be a waiver by Landlord of any provision of this Article or this Lease or to be a consent to any subletting by Tenant or any assignment of Tenant's interest in this Lease. Without limiting the circumstances in which it may be reasonable for Landlord to withhold its consent to an assignment or subletting, Landlord and Tenant acknowledge that it shall be reasonable for Landlord to withhold its consent in the following instances:

(a) the proposed assignee or sublessee is a governmental agency;

(b) in Landlord's reasonable judgment, the use of the Leased Premises by the proposed assignee or sublessee would involve occupancy other than for a Permitted Use;

(c) the proposed assignee or sublessee (or any of its affiliates) has filed for bankruptcy protection, has been the subject of an involuntary bankruptcy, or has been adjudged insolvent;

(d) Landlord (or any of its affiliates) is in litigation with the proposed assignee or sublessee (or any of their affiliates);

(e) in Landlord's reasonable judgment, the Leased Premises, or the relevant part thereof, will be used in a manner that will violate any negative covenant as to use contained in this Lease;

(f) the use of the Leased Premises by the proposed assignee or sublessee will violate any Law or Restriction;

(g) the proposed assignment or sublease fails to include all of the terms and provisions required to be included therein pursuant to this Article 7; or

(h) Tenant is in monetary or material non-monetary default of any obligation of Tenant under this Lease with respect to which it has received written notice from Landlord.

7.2 Merger, Reorganization, or Sale of Assets.

(a) Subject to Paragraphs 7.2(b) and 7.8 below: Any dissolution, merger, consolidation or other reorganization of Tenant, or the sale or other transfer in the aggregate over the Lease Term of a controlling percentage of the capital stock of or other equity interests in

Tenant, or the sale or transfer of all or a substantial portion of the assets of Tenant, shall be deemed a voluntary assignment of Tenant's interest in this Lease, and any transferee of this Lease as a result thereof shall be an assignee of this Lease (any sale of all or substantially all of the assets of Tenant where the transferee or purchaser assumes all of Tenant's obligations under this Lease, and any other transaction described in this sentence, other than a dissolution or reorganization in bankruptcy shall be a "Permitted Transaction"). The phrase "controlling percentage" means the direct or indirect ownership of or right to vote stock or membership interests possessing more than fifty percent of the total combined voting power of all classes of Tenant's membership interests or capital stock issued, outstanding and entitled to vote for the election of directors, or, in the case of a limited liability company, managers. If Tenant is a partnership, a withdrawal or change, voluntary, involuntary or by operation of Law, of any general partner, or the dissolution of the partnership, shall be deemed a voluntary assignment of Tenant's interest in this Lease.

(b) Notwithstanding anything in this Lease to the contrary, Tenant may, without Landlord's prior written consent, (x) engage in a Permitted Transaction or (y) sublet the Leased Premises or assign this Lease to a "Permitted Transferee," defined herein as (i) a subsidiary, affiliate, division, corporation or joint venture controlling, controlled by or under common control with Tenant, (ii) a successor entity resulting from a merger, consolidation, or nonbankruptcy reorganization by Tenant, or (iii) a purchaser of substantially all of Tenant's assets. Paragraphs 7.4 and 7.5 shall not be applicable to a Permitted Transferee or a Permitted Transaction. A Permitted Transferee who is an assignee is sometimes defined herein as a "Permitted Assignee." In all events, Tenant shall remain fully liable under this Lease.

7.3 Landlord's Election. Except as provided for in Paragraph 7.2 above, if Tenant shall desire to assign its interest under the Lease or to sublet the Leased Premises, Tenant must notify Landlord, in writing, of such sublease or assignment and provide an executed copy thereof to Landlord at least 20 days in advance of the commencement date of such sublease or assignment but not sooner than one hundred eighty (180) days in advance of such date, specifying in detail the terms of such proposed assignment or subletting, including the name of the proposed assignee or sublessee, the proposed assignee's or sublessee's intended use of the Leased Premises, current financial statements (including a balance sheet, income statement and statement of cash flow, all prepared in accordance with GAAP; *provided, however*, that, if applicable with respect to a proposed sublessee, during any period that the proposed sublessee actually does not prepare its financial statements in accordance with GAAP, then financial statements prepared and reviewed by a reputable, third-party, independent certified public accountant shall suffice) of such proposed assignee or sublessee, and such other information as Landlord may reasonably request. Such executed sublease or assignment shall be conditioned upon any required Landlord consent. Landlord shall have a period of ten (10) business days following receipt of such notice and the required information within which to do one of the following: (i) consent to such requested assignment or subletting subject to Tenant's compliance with the conditions set forth in Paragraph 7.4 below, or (ii) refuse to so consent to such requested assignment or subletting, provided that such consent shall not be unreasonably refused. During such ten (10) business day period, Tenant covenants and agrees to supply to Landlord, upon request, all necessary or relevant information which Landlord may reasonably request respecting such proposed assignment or subletting and/or the proposed assignee or sublessee. If Landlord fails to respond by the end of such ten (10) business day period to Tenant's request for consent to

any proposed Transfer, Tenant may send a second (2nd) request to Landlord, which request must contain the following inscription, in 14 point font and bold faced lettering: **“SECOND NOTICE DELIVERED PURSUANT TO PARAGRAPH 7.3 OF LEASE— FAILURE TO TIMELY RESPOND WITHIN FIVE (5) BUSINESS DAYS SHALL RESULT IN DEEMED APPROVAL OF ASSIGNMENT OR SUBLEASE.”** If Tenant sends such a second request, and Landlord fails to respond within five (5) business days after its receipt of same, the proposed assignment or subletting shall be deemed approved.

7.4 Conditions To Landlord’s Consent. If Landlord elects to consent, or shall have been ordered to so consent by a court of competent jurisdiction, to such requested assignment or subletting, such consent shall be expressly conditioned upon the occurrence of each of the conditions below set forth, and any purported assignment or subletting made or ordered prior to the full and complete satisfaction of each of the following conditions shall be void and, at the election of Landlord, which election may be exercised at any time following such a purported assignment or subletting but prior to the satisfaction of each of the stated conditions, shall constitute a material default by Tenant under this Lease until cured by satisfying in full each such condition by the assignee or sublessee. The conditions are as follows:

- (a) Landlord having approved in form and substance the assignment or sublease agreement and any ancillary documents, which approval shall not be unreasonably withheld by Landlord if the requirements of this Article 7 are otherwise complied with.
- (b) Each such sublessee or assignee having agreed, in writing satisfactory to Landlord and its counsel and for the benefit of Landlord, to assume, to be bound by, and to perform the obligations of this Lease to be performed by Tenant which relate to space being subleased (excluding those obligations that Tenant has agreed to retain in the applicable assignment or sublease).
- (c) Tenant not being in monetary or material non-monetary default of its obligations under the terms of this Lease (with respect to which it has received a written notice from Landlord) through and including the date of such assignment or subletting.
- (d) Tenant having reimbursed to Landlord all reasonable costs and reasonable attorneys’ fees incurred by Landlord in conjunction with the processing and documentation of any such requested subletting or assignment (not to exceed \$2,000 per request for sublease consent). Tenant shall be obligated to so reimburse Landlord whether or not such subletting or assignment is completed.
- (e) Tenant having delivered to Landlord a complete and fully-executed duplicate original of such sublease agreement or assignment agreement (as applicable) and all related agreements.
- (f) Tenant having paid, or having agreed in writing to pay as to future payments, to Landlord fifty percent (50%) of all assignment consideration or excess rentals paid to Tenant or to any other on Tenant’s behalf or for Tenant’s benefit for such assignment or subletting as follows:

(i) If Tenant assigns its interest under this Lease, that Tenant shall have paid to Landlord and Landlord shall have received an amount equal to fifty percent (50%) of the assignment consideration so paid; or

(ii) If Tenant assigns its interest under this Lease and if Tenant is to receive all or a portion of the consideration for such assignment in future installments, that Tenant and Tenant's assignee shall have entered into a written agreement with and for the benefit of Landlord satisfactory to Landlord and its counsel whereby Tenant and Tenant's assignee jointly agree to pay to Landlord an amount equal to fifty percent (50%) of all such future assignment consideration installments paid by such assignee as and when such assignment consideration is so paid; or

(iii) If Tenant subleases the Leased Premises, that Tenant and Tenant's sublessee shall have entered into a written agreement with and for the benefit of Landlord satisfactory to Landlord and its counsel whereby Tenant and Tenant's sublessee jointly agree to pay to Landlord fifty percent (50%) of all excess rentals paid by such sublessee.

7.5 Assignment Consideration And Excess Rentals Defined. For purposes of this Article, including any amendment to this Article by way of addendum or other writing: (i) the term "assignment consideration" shall mean all consideration paid by the assignee to Tenant or to any other party on Tenant's behalf or for Tenant's benefit as consideration for such assignment, without deduction for any costs or expenses incurred by Tenant in connection with such assignment, except that Tenant may deduct third party, market rate leasing commissions and legal fees paid, and tenant improvement costs incurred, in connection with the assignment, in which case the amount thereof may be deducted with the balance to be paid to Landlord, and (ii) the term "excess rentals" shall mean all consideration paid by the sublessee to Tenant or to any other party on Tenant's behalf or for Tenant's benefit for the sublease of all or any part of the Leased Premises in excess of the rent due to Landlord under the terms of this Lease for the portion subleased for the same period, without deduction for any costs or expenses incurred by Tenant in connection with such sublease, except that Tenant may deduct third party, market rate leasing commissions and legal fees paid, and tenant improvement costs incurred, in connection with the sublease, in which case the amount thereof may be deducted with the balance to be paid to Landlord. Tenant agrees that the portion of any assignment consideration and/or excess rentals arising from any assignment or subletting by Tenant which is to be paid to Landlord pursuant to this Article now is and shall then be the property of Landlord and not the property of Tenant.

7.6 Payments. All payments required by this Article to be made to Landlord shall be made in cash or other good funds in full as and when they become due. At the time Tenant, Tenant's assignee or sublessee makes each such payment to Landlord, Tenant or Tenant's assignee or sublessee, as the case may be, shall deliver to Landlord an itemized statement in reasonable detail showing the method by which the amount due Landlord was calculated and certified by the party making such payment as true and correct.

7.7 Good Faith. The rights granted to Tenant by this Article are granted in consideration of Tenant's express covenant, which Tenant hereby makes, that all pertinent allocations which are made by Tenant between the rental value of the Leased Premises and the value of any of Tenant's personal property which may be conveyed or leased (or services

provided) generally concurrently with and which may reasonably be considered a part of the same transaction as the permitted assignment or subletting shall be made fairly, honestly and in good faith.

7.8 Effect Of Landlord's Consent. No subletting or assignment, even with the consent of Landlord, shall relieve Tenant of its personal and primary obligation to pay rent and to perform all of the other obligations to be performed by Tenant hereunder, and Tenant hereby agrees as follows in connection with any assignment of this Lease:

(a) The liability of the "Assigning Tenant" under this Lease (defined herein as Palo Alto Networks, Inc. and any assignee(s) who further assign(s) this Lease) shall be primary, and in any right of action which shall accrue to Landlord under this Lease, Landlord may, at its option, proceed against the Assigning Tenant without having commenced any action or obtained any judgment against an assignee. The Assigning Tenant further agrees that it may be joined in any action against an assignee in connection with the said obligations of assignee and recovery may be had against the Assigning Tenant in any such action. The Assigning Tenant hereby expressly waives the benefits and defenses under California Civil Code Sections 2821, 2839, 2847, 2848, 2849 and 2855 to the fullest extent permitted by applicable law.

(b) If an assignee is in default of its obligations under this Lease, Landlord may proceed against the Assigning Tenant, the assignee, or both, or any prior Assigning Tenants (it being agreed that no Assigning Tenant shall be relieved of liability, and that the liability of all Assigning Tenants shall be joint and several), or Landlord may enforce against the Assigning Tenant(s) or the assignee any rights that Landlord has under the Lease, in equity or under applicable law. If the Lease terminates due to an assignee's default or bankruptcy or similar debtor protection law, Landlord may enforce this Lease against the Assigning Tenant(s), even if Landlord would be unable to enforce it against the assignee. The Assigning Tenant specifically agrees and understands that Landlord may proceed forthwith and immediately against an assignee or against the Assigning Tenant(s) following any default by an assignee. The Assigning Tenant(s) hereby waives all benefits and defenses under California Civil Code Sections 2845, 2848, 2849 and 2850, including without limitation: (i) the right to require Landlord to proceed against an assignee, proceed against or exhaust any security that Landlord holds from an assignee or pursue any other remedy in Landlord's power; (ii) any defense to its obligations hereunder based on the termination or limitation of an assignee's liability; and (iii) all notices of the existence, creation, or incurring of new or additional obligations. Landlord shall have the right to enforce this Lease regardless of the release or discharge of an assignee by Landlord or by operation of any law relating to protection of debtors, bankruptcy, assignments for the benefit of creditors, or insolvency.

(c) The obligations of the Assigning Tenant(s) under this Lease shall remain in full force and effect and the Assigning Tenant(s) shall not be discharged or limited by any of the following events with respect to an assignee or the Assigning Tenant(s): (i) insolvency, bankruptcy, reorganization arrangement, adjustment, composition, assignment for the benefits of creditors, liquidation, winding up or dissolution (each a "Financial Proceeding"); of (ii) any merger, acquisition, consolidation or change in entity structure, or any sale, lease, transfer, or other disposition of any entity's assets, or any sale or other transfer of interests in the entity (each an "Event of Reorganization"); or (iii) any sale, exchange, assignment, hypothecation or other

transfer, in whole or in part, of Landlord's interest in the Leased Premises or the Lease. Without limiting the foregoing, the Assigning Tenant(s) hereby expressly waives the benefits and defenses under any statute or judicial decision (including but not limited to the case styled *In Re Arden*, 176 F. 3d 1226 (9th Cir. 1999)) that would otherwise (i.e., were it not for such waiver) permit the Assigning Tenant(s) to claim or obtain the benefit of any so called "capped claim" available to an assignee in any Financial Proceeding. If all or any portion of the obligations guaranteed hereunder are paid or performed and all or any part of such payment or performance is avoided or recovered, directly or indirectly, from Landlord as a preference, fraudulent transfer or otherwise, then the Assigning Tenant(s)' obligations hereunder shall continue and remain in full force and effect as to any such avoided or recovered payment or performance.

(d) The provisions of this Lease may be changed by agreement between Landlord and an assignee without the consent of or notice to the Assigning Tenant(s). This Lease may be assigned by Landlord or an assignee, and the Leased Premises, or a portion thereof, may be sublet by an assignee, all in accordance with the provisions of this Lease, without the consent of or notice to the Assigning Tenant(s). The Assigning Tenant(s) shall remain primarily liable for the performance of the Lease so assigned. Without limiting the generality of the foregoing, the Assigning Tenant(s) waives the rights and benefits of California Civil Code Sections 2819 and 2820 with respect to any change to the Lease between Landlord and an assignee, and agrees that by doing so the Assigning Tenant(s)'s liability shall continue even if (i) Landlord and an assignee alter any Lease obligations, or (ii) the Assigning Tenant(s)'s remedies or rights against an assignee are impaired or suspended without the Assigning Tenant(s)'s consent by such alteration of Lease obligations.

Consent by Landlord to one or more assignments of Tenant's interest in this Lease or to one or more sublettings of the Leased Premises shall not be deemed to be a consent to any subsequent assignment or subletting. No subtenant shall have any right to assign its sublease or to further sublet any portion of the sublet premises or to permit any portion of the sublet premises to be used or occupied by any other party. No sublease may be terminated or modified during any period that Tenant is in monetary or material non-monetary default under this Lease, without Landlord's prior written consent. If Landlord shall have been ordered by a court of competent jurisdiction to consent to a requested assignment or subletting, or such an assignment or subletting shall have been ordered by a court of competent jurisdiction over the objection of Landlord, such assignment or subletting shall not be binding between the assignee (or sublessee) and Landlord until such time as all conditions set forth in Paragraph 7.4 above have been fully satisfied (to the extent not then satisfied) by the assignee or sublessee, including, without limitation, the payment to Landlord of all agreed assignment considerations and/or excess rentals then due Landlord. Upon a default while a sublease is in effect, Landlord may collect directly from the sublessee all sums becoming due to Tenant under the sublease and apply this amount against any sums due Landlord by Tenant, and Tenant authorizes and directs any sublessee to make payments directly to Landlord upon notice from Landlord. No direct collection by Landlord from any sublessee shall constitute a novation or release of Tenant or any guarantor, a consent to the sublease or a waiver of the covenant prohibiting subleases.

ARTICLE 8
LIMITATION ON LANDLORD'S LIABILITY AND INDEMNITY

8.1 Limitation On Landlord's Liability And Release. Landlord shall not be liable to Tenant for, and Tenant hereby releases and waives all claims and rights of recovery against Landlord and its partners, principals, members, managers, officers, agents, employees, lenders, attorneys, contractors, invitees, consultants, predecessors, successors and assigns (including without limitation prior and subsequent owners of the Property or the Project or portions thereof) (collectively, the "Landlord Indemnitees") from, any and all liability, whether in contract, tort or on any other basis, for any injury to or any damage sustained by Tenant or any of the Tenant Parties, any damage to property of Tenant or any of the Tenant Parties, or any loss to business, loss of profits or other financial loss of Tenant or any of the Tenant Parties resulting from or attributable to the condition of, the management of, the repair or maintenance of, the protection of, the supply of services or utilities to, the damage in or destruction of the Leased Premises, the Building, the Property, the Project, or the Common Areas, including without limitation (i) the failure, interruption, rationing or other curtailment or cessation in the supply of electricity, water, gas or other utility service to the Property, the Building or the Leased Premises; (ii) the vandalism or forcible entry into the Building or the Leased Premises; (iii) the penetration of water into or onto any portion of the Leased Premises; (iv) the failure to provide security and/or adequate lighting in or about the Property, the Building or the Leased Premises, (v) the existence of any design or construction defects within the Property, the Building or the Leased Premises; (vi) the failure of any mechanical systems to function properly (such as the HVAC systems); (vii) the blockage of access to any portion of the Property, the Building or the Leased Premises, except that Tenant does not so release Landlord from such liability to the extent such damage was caused by the gross negligence or willful misconduct of Landlord or any of Landlord's Parties, or Landlord's failure to perform an obligation expressly undertaken by Landlord pursuant to this Lease after a reasonable period of time shall have lapsed following receipt of written notice from Tenant to so perform such obligation. In this regard, Tenant acknowledges that it is fully apprised of the provisions of Law relating to releases, and particularly to those provisions contained in Section 1542 of the California Civil Code which reads as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

Notwithstanding such statutory provision, and for the purpose of implementing a full and complete release and discharge, Tenant hereby (i) waives the benefit of such statutory provision and (ii) acknowledges that, subject to the exceptions specifically set forth herein, the release and discharge set forth in this paragraph is a full and complete settlement and release and discharge of all claims and is intended to include in its effect, without limitation, all claims which Tenant, as of the date hereof, does not know of or suspect to exist in its favor.

8.2 Tenant's Indemnification Of Landlord.

(a) Tenant shall defend with competent counsel satisfactory to Landlord any claims made or legal actions filed or threatened against the Landlord Indemnitees with respect to

the violation of any Law, or the death, bodily injury, personal injury, property damage, or interference with contractual or property rights suffered by any third party occurring within the Leased Premises or resulting from the use or occupancy by Tenant or any of the Tenant Parties of the Leased Premises, the Building or the Common Areas, or resulting from the activities of Tenant or any of the Tenant Parties in or about the Leased Premises, the Building, the Common Areas, the Property, or the Project, and Tenant shall indemnify and hold the Landlord Indemnitees harmless from any loss liability, penalties, or expense whatsoever (including any loss attributable to vacant space which otherwise would have been leased, but for such activities) resulting therefrom, except to the extent caused by the negligence or willful misconduct of Landlord, its agents or contractors or Landlord's violation of its obligations under this Lease. This indemnity agreement shall survive the expiration or sooner termination of this Lease.

(b) Notwithstanding the foregoing Paragraph 8.2(a) and any other provision of this Lease to the contrary, during the Construction Period only, the following provisions shall be applicable:

(i) with respect to any indemnity obligation of Tenant arising at any time during the Construction Period only, (A) the term "Landlord Indemnitees" shall mean and shall be limited to Santa Clara Campus Property Owner I LLC, a Delaware limited liability company (or any entity that that succeeds to Santa Clara Campus Property Owner I LLC's interest as Landlord under the Lease) and shall not include any other person or entity; *provided, however*, that Landlord may include in any claim owed by Tenant to it any amount which Landlord shall pay or be obligated to indemnify any other person or entity, and (B) any indemnity obligation shall be limited to losses caused by, or arising as a result of any act or failure to act of, Tenant or Tenant's employees, agents or contractors;

(ii) during the Construction Period only, Tenant's liability under this Lease for (A) Tenant's actions or failures to act under the Lease, including, without limitation, Tenant's indemnity obligations, plus (B) Base Monthly Rent and Additional Rent (as a consequence of Tenant Delay), plus (C) any and all other costs payable to Landlord or otherwise payable by Tenant under this Lease, which amount shall calculated to include (i) the accreted value of any payments previously made by Tenant plus (ii) the present value of the maximum amount that Tenant could be required to pay as of that point in time (whether or not construction is completed) discounted at Tenant's incremental borrowing rate used to classify the Lease under ASC 840 (FAS 13), shall be limited to 89.9% of Landlord's Project Costs determined as of the date of Landlord's claim for such amount owed by Tenant. As used herein, "Landlord's Project Costs" shall mean the amount capitalized in the Property by Landlord in accordance with GAAP, plus other costs related to the Property paid by Landlord to third parties other than lenders or owners of Landlord (excluding land acquisition costs, but including land carrying costs, such as interest or ground rent incurred during the Construction Period, and all costs incurred by Landlord in connection with the development and construction of the Landlord Work); and

(iii) Notwithstanding anything to the contrary contained in this Lease, Tenant shall not be required to pay for Construction Period Costs (as defined below) during the Construction Period. Any Construction Period Costs paid by Landlord or which Tenant is responsible for during the Construction Period shall be amortized on a straight line basis over the

first five (5) years of the Lease Term (commencing after the expiration of the Construction Period) with interest at 8% per annum as Additional Rent, and such amounts will be payable by Tenant monthly at the same time and place as Base Monthly Rent commencing on the later of the expiration of the Construction Period or the Lease Commencement Date; provided, however, that in no event shall Landlord deliver such invoice to Tenant prior to the expiration of the Construction Period. As used herein, the term "Construction Period Costs" shall mean the following costs incurred for the Building and the Property during the Construction Period that are the responsibility of Tenant elsewhere under this Lease (including the Work Letter): costs arising from (A) utilities and insurance, (B) any amount owed to Landlord pursuant to any indemnification obligation on the part of Tenant in favor of Landlord (with the parties agreeing that, during the Construction Period, Tenant's indemnification obligation shall be limited as set forth in Paragraph 8.2(b)(ii) above), to the extent such indemnification obligation constitutes part of Landlord's Project Costs, or (C) any and all other costs payable to Landlord or otherwise payable by Tenant under this Lease, including payments arising from a default by Tenant, to the extent such costs (including payments arising from a default by Tenant) constitute part of Landlord's Project Costs.

For the avoidance of doubt, Landlord and Tenant agree that:

- (x) no claim by Landlord for Tenant's repudiation of this Lease at any time shall be limited under this Section 8.2(b); and
- (y) for any claim other than under clause (x) above, if during the Construction Period Landlord makes any claim for any anticipatory breach by Tenant of any obligation under this Lease owed to Landlord for any period after the Construction Period and the amount payable by Tenant for such claim is limited by the provisions of clause (ii) above, the entire amount (to the extent not theretofore paid) shall be payable promptly after the Construction Period.

8.3 Landlord's Indemnification Of Tenant. Landlord shall indemnify and hold Tenant harmless from any loss liability, penalties, or expense whatsoever (including but not limited to reasonable attorneys' fees) resulting from the gross negligence or willful misconduct of Landlord at or with respect to the Property or Landlord's knowing breach of this Lease, except to the extent caused by the negligence or willful misconduct of Tenant. This indemnity agreement shall survive the expiration or sooner termination of this Lease.

ARTICLE 9
INSURANCE

[TENANT'S ARTICLE 9 COMMENTS ARE UNDER REVIEW BY LANDLORD'S INSURANCE CONSULTANT]

9.1 Tenant's Insurance. Tenant shall maintain insurance complying with all of the following:

- (a) Tenant shall procure, pay for and keep in full force and effect, at all times during the Lease Term, the following:

(i) Commercial general liability insurance insuring Tenant against liability for personal injury, bodily injury, death and damage to property occurring within the Leased Premises, or resulting from Tenant's use or occupancy of the Leased Premises, the Building, the Common Areas, the Property, or the Project, or resulting from Tenant's activities in or about the Leased Premises, the Property, or the Project, with coverage in an amount equal to Tenant's Required Liability Coverage (as set forth in Article 1), which insurance shall contain "blanket contractual liability" and "broad form property damage" endorsements insuring Tenant's performance of Tenant's obligations to indemnify Landlord as contained in this Lease.

(ii) Fire and property damage insurance in "special form" coverage insuring Tenant against loss from physical damage to Tenant's personal property, inventory, trade fixtures and improvements within the Leased Premises with coverage for the full actual replacement cost thereof;

(iii) Business income/extra expense insurance sufficient to pay Base Monthly Rent and Additional Rent for a period of not less than twelve (12) months;

(iv) Plate glass insurance, at actual replacement cost;

(v) [Reserved]

(vi) Product liability insurance (including, without limitation, if food and/or beverages are distributed, sold and/or consumed within the Leased Premises, to the extent obtainable, coverage for liability arising out of the distribution, sale, use or consumption of food and/or beverages (including alcoholic beverages, if applicable) at the Leased Premises for not less than Tenant's Required Liability Coverage (as set forth in Article 1);

(vii) Workers' compensation insurance (statutory coverage) with employer's liability in amounts not less than \$1,000,000 insurance sufficient to comply with all laws; and

(viii) With respect to making of any alterations or modifications or the construction of improvements or the like undertaken by Tenant, course of construction, commercial general liability, automobile liability and workers' compensation (to be carried by Tenant's contractor), in an amount and with coverage reasonably satisfactory to Landlord and appropriate to the scope of the alterations, modifications, and improvements.

(b) Each policy of liability insurance required to be carried by Tenant pursuant to this paragraph or actually carried by Tenant with respect to the Leased Premises, the Property, or the Project: (i) shall with respect to insurance required by subparagraph (a) above, name Landlord, and such others as are designated by Landlord, as additional insureds; (ii) [reserved]; (iii) shall be primary insurance providing that the insurer shall be liable for the full amount of the loss, up to and including the total amount of liability set forth in the declaration of coverage, without the right of contribution from or prior payment by any other insurance coverage of Landlord; (iv) [reserved]; (v) shall be carried with companies with Best's ratings of at least A and VII; and (vi) shall contain a so-called "severability" or "cross liability" endorsement. Each policy of property insurance maintained by Tenant with respect to the Leased Premises, the

Property, or the Project or any property therein shall contain a waiver and/or a permission to waive by the insurer of any right of subrogation against Landlord, its partners, principals, members, managers, officers, employees, agents and contractors, which might arise by reason of any payment under such policy or by reason of any act or omission of Landlord, its partners, principals, members, managers, officers, employees, agents and contractors.

(c) Prior to the time Tenant or any of its contractors enters the Leased Premises, Tenant shall deliver to Landlord, with respect to each policy of insurance required to be carried by Tenant pursuant to this Article, a certificate of the insurer certifying in form satisfactory to Landlord that a policy has been issued, premium paid, providing the coverage required by this Paragraph and containing the provisions specified herein. Landlord may, at any time and from time to time, inspect and/or copy any and all insurance policies required to be carried by Tenant pursuant to this Article. If Landlord's Lender or insurance consultant reasonably determines at any time that the amount of coverage set forth in Paragraph 9.1(a) for any policy of insurance Tenant is required to carry pursuant to this Article is not adequate, then Tenant shall increase the amount of coverage for such insurance to such greater amount as Landlord's Lender or insurance consultant reasonably deems adequate; provided, however, that with respect to increases determined by Landlord's insurance consultant, such coverage need not be increased (i) during the first five (5) years of the Lease Term, or (ii) at any time above levels then generally being required in new leases of comparable buildings in the cities of Santa Clara or Sunnyvale. In the event Tenant does not maintain said insurance, Landlord may, in its sole discretion and without waiving any other remedies hereunder, procure said insurance and Tenant shall pay to Landlord as additional rent the cost of said insurance plus a ten percent (10%) administrative fee.

9.2 Landlord's Insurance. With respect to insurance maintained by Landlord:

(a) Landlord shall maintain, as the minimum coverage required of it by this Lease, fire and property damage insurance in so-called special form coverage insuring Landlord (and such others as Landlord may designate) against loss from physical damage to the Building with coverage of not less than one hundred percent (100%) of the full actual replacement cost thereof and against loss of rents for a period of not less than six months. Such fire and property damage insurance: (i) shall be written in so-called "all risk" form, excluding only those perils commonly excluded from such coverage by Landlord's then property damage insurer; (ii) shall provide coverage for physical damage to the improvements so insured for up to the entire full actual replacement cost thereof; (iii) may be endorsed to cover loss or damage caused by any additional perils against which Landlord may elect to insure, including earthquake and/or flood; and/or (iv) may provide coverage for loss of rents for a period of up to twelve months. Landlord shall not be required to cause such insurance to cover any of Tenant's Property, or any modifications, alterations, or improvements made or constructed by Tenant to or within the Leased Premises. Landlord shall use commercially reasonable efforts to obtain such insurance at competitive rates.

(b) Landlord shall maintain commercial general liability insurance insuring Landlord (and such others as are designated by Landlord) against liability for personal injury, bodily injury, death, and damage to property occurring in, on or about, or resulting from the use

or occupancy of the Property, or any portion thereof, with combined single limit coverage of at least Ten Million Dollars (\$10,000,000). Landlord may carry such greater coverage as Landlord or Landlord's Lender, insurance broker, advisor or counsel may from time to time determine is reasonably necessary for the adequate protection of Landlord, the Property, and the Project.

(c) Landlord may maintain boiler and machinery insurance to limits sufficient to restore the Building.

(d) Landlord may maintain any other insurance which in the opinion of its insurance broker, advisor or legal counsel is prudent to carry under the given circumstances, provided such insurance is commonly carried by owners of property similarly situated and operating under similar circumstances.

9.3 Mutual Waiver Of Subrogation. Notwithstanding anything to the contrary in this Lease, Landlord hereby releases Tenant, and Tenant hereby releases Landlord and its respective partners, principals, members, managers, shareholders, directors, officers, agents, employees, servants, and subtenants from any and all liability for loss, damage or injury to the property of the other in or about the Leased Premises, the Property, or the Project which is caused by or results from a peril or event or happening which is covered by insurance actually carried and in force at the time of the loss by the party sustaining such loss, or which is required to be insured against under this Lease, without regard to the negligence of the entities so released. All of Landlord's and Tenant's repair and indemnity obligations under this Lease shall be subject to the mutual releases contained in this Paragraph 9.3.

ARTICLE 10 DAMAGE TO LEASED PREMISES

10.1 Landlord's Duty To Restore. If the Leased Premises, the Building or the Common Area are damaged by any peril after the Effective Date of this Lease, Landlord shall restore the same, as and when required by this paragraph, unless this Lease is terminated by Landlord pursuant to Paragraph 10.3 or by Tenant pursuant to Paragraph 10.4. If this Lease is not so terminated, then upon the issuance of all necessary governmental permits, Landlord shall commence and diligently prosecute to completion the restoration of the Leased Premises, the Building or the Common Area, as the case may be, to the extent then allowed by law, to substantially the same condition in which it existed as of the Lease Commencement Date. Landlord's obligation to restore shall be limited to the improvements constructed by Landlord. Landlord shall have no obligation to restore any alterations, modifications or improvements made by Tenant to the Leased Premises or any of Tenant's personal property, inventory or trade fixtures. Upon completion of the restoration by Landlord, Tenant may replace or fully repair Tenant's Property.

10.2 Insurance Proceeds. All insurance proceeds available from the fire and property damage insurance carried by Landlord shall be paid to and become the property of Landlord. If this Lease is terminated pursuant to either Paragraph 10.3 or 10.4, all insurance proceeds available from insurance carried by Tenant which cover loss of Tenant's Property shall be paid to and become the property of Tenant. With respect to insurance proceeds payable under Tenant's

insurance policies for damage or destruction to the Tenant Improvements, Landlord and Tenant shall share such proceeds in accordance with their relative contributions to the initial cost thereof. For example, if the Tenant Improvements were to cost a total of \$120 per rentable square foot, and Landlord were to have contributed a total of \$60 per rentable square foot on the Tenant Improvements, then Landlord and Tenant would share such proceeds equally.

10.3 Landlord's Right To Terminate. Landlord shall have the option to terminate this Lease in the event any of the following occurs, which option may be exercised only by delivery to Tenant of a written notice of election to terminate within thirty (30) days after the date of such damage or destruction:

(a) Building E is damaged by any peril covered by valid and collectible insurance actually carried by Landlord and in force at the time of such damage or destruction (or any insurance Landlord was required to carry pursuant to the terms of this Lease) to such an extent that either (i) the estimated cost to restore the Building exceeds fifty percent of the then actual replacement cost thereof or (ii) any shortfall in insurance proceeds exceed ten percent (10%) of the then actual replacement cost of the Building (the "Shortfall Cap"). Notwithstanding the foregoing, Tenant may override Landlord's election to terminate the Lease pursuant to clause (ii) above if Tenant shall agree in writing within ten (10) days after receipt of Landlord's notice electing to terminate this Lease to pay any costs of restoration to the extent such costs exceed the Shortfall Cap (the "Casualty Shortfall Amount"), in which event Landlord cannot terminate this Lease and must rebuild the areas affected by the casualty; *provided, however*, that if Tenant exercises such election, Tenant shall enter into an agreement with Landlord pursuant to which Tenant will covenant to deposit into an escrow or, to the extent required by any lender with a lien on the Leased Premises, with such lender the Casualty Shortfall Amount on terms and conditions reasonably acceptable to Landlord. In addition, if Tenant elects to override Landlord's election to terminate this Lease as provided above, Tenant shall execute and deliver to any such lender any documents reasonably required by such lender to evidence Tenant's intention to keep this Lease in full force and effect.

(b) Building E is damaged by an uninsured peril, which peril Landlord was not required to, and did not, insure against pursuant to the provisions of Article 9 of this Lease and the cost to restore exceeds the Shortfall Cap. Notwithstanding the foregoing, Tenant may override Landlord's election to terminate the Lease pursuant to this Section if Tenant shall agree in writing within ten (10) days after receipt of Landlord's notice electing to terminate this Lease to pay any Casualty Shortfall Amount, in which event Landlord cannot terminate this Lease and must rebuild the areas affected by the casualty; *provided, however*, that if Tenant exercises such election, Tenant shall enter into an agreement with Landlord pursuant to which Tenant will covenant to deposit into an escrow or, to the extent required by any lender with a lien on the Leased Premises, with such lender the Casualty Shortfall Amount on terms and conditions reasonably acceptable to Landlord. In addition, if Tenant elects to override Landlord's election to terminate this Lease as provided above, Tenant shall execute and deliver to any such lender any documents reasonably required by such lender to evidence Tenant's intention to keep this Lease in full force and effect.

(c) Building E is damaged by any peril and, because of the Laws or Restrictions then in force, such Building (i) cannot be restored at reasonable cost or (ii) if restored, cannot be used for substantially the same use being made thereof before such damage.

10.4 Tenant's Right To Terminate. If the Leased Premises, the Building or the Common Area are damaged by any peril and Landlord does not elect to terminate this Lease or is not entitled to terminate this Lease pursuant to this Article, then as soon as reasonably practicable, Landlord shall furnish Tenant with the written opinion of Landlord's architect or construction consultant as to when the restoration work required of Landlord may be complete. Tenant shall have the option to terminate this Lease (if Tenant is not then in monetary or material non-monetary default with respect to which it has received a written notice from Landlord) in the event any of the following occurs, which option may be exercised only by delivery to Landlord of a written notice of election to terminate within seven days (7) after Tenant receives from Landlord the estimate of the time needed to complete such restoration:

(a) If the time estimated to substantially complete the restoration of the Landlord Work exceeds twelve months from and after the date the architect's or construction consultant's written opinion is delivered; or

(b) If the damage occurred within eighteen months of the last day of the Lease Term and the time estimated to substantially complete the restoration exceeds ninety (90) days from and after the date of the casualty.

10.5 Tenant's Waiver. Landlord and Tenant agree that the provisions of Paragraph 10.4 above, captioned "Tenant's Right To Terminate", are intended to supersede and replace the provisions contained in California Civil Code, Section 1932, Subdivision 2, and California Civil Code, Section 1933, and accordingly, Tenant hereby waives the provisions of such Civil Code Sections and the provisions of any successor Civil Code Sections or similar laws hereinafter enacted.

10.6 Abatement Of Rent. In the event of damage to the Leased Premises which does not result in the termination of this Lease, the Base Monthly Rent (and any Additional Rent) shall be temporarily abated during the period of restoration in proportion to the degree to which Tenant's use of the Leased Premises is impaired by such damage.

ARTICLE 11 CONDEMNATION

11.1 Tenant's Right To Terminate. Except as otherwise provided in Paragraph 11.4 below regarding temporary takings, Tenant shall have the option to terminate this Lease if, as a result of any taking, (i) all of the Leased Premises is taken, or (ii) twenty-five percent (25%) or more of the Leased Premises is taken and the part of the Leased Premises that remains cannot, within a reasonable period of time, be made reasonably suitable for the continued operation of Tenant's business, or (iii) Tenant's parking allocation is reduced below 2.97 parking spaces per 1,000 rentable square feet. Tenant must exercise such option within a reasonable period of time, to be effective on the later to occur of (i) the date that possession of that portion of the Leased

Premises that is condemned is taken by the condemnor or (ii) the date Tenant vacated the Leased Premises.

11.2 Landlord's Right To Terminate. Except as otherwise provided in Paragraph 11.4 below regarding temporary takings, Landlord shall have the option to terminate this Lease if, as a result of any taking, (i) all of the Leased Premises is taken, (ii) twenty-five percent (25%) or more of the Leased Premises is taken and the part of the Leased Premises that remains cannot, within a reasonable period of time, be made reasonably suitable for the continued operation of Tenant's business, or (iii) because of the Laws or Restrictions then in force, the Leased Premises may not be used for the same use being made before such taking, whether or not restored as required by Paragraph 11.3 below. Any such option to terminate by Landlord must be exercised within a reasonable period of time, to be effective as of the date possession is taken by the condemnor.

11.3 Restoration. If any part of the Leased Premises or the Building is taken and this Lease is not terminated, then Landlord shall, to the extent not prohibited by Laws or Restrictions then in force, repair any damage occasioned thereby to the remainder thereof to a condition reasonably suitable for Tenant's continued operations and otherwise, to the extent practicable, in the manner and to the extent provided in Paragraph 10.1.

11.4 Temporary Taking. If a material portion of the Leased Premises is temporarily taken for a period of one year or less and such period does not extend beyond the Lease Expiration Date, this Lease shall remain in effect. If any material portion of the Leased Premises is temporarily taken for a period which exceeds one year or which extends beyond the Lease Expiration Date, then the rights of Landlord and Tenant shall be determined in accordance with Paragraphs 11.1 and 11.2 above.

11.5 Division Of Condemnation Award. Any award made for any taking of the Property, the Building, or the Leased Premises, or any portion thereof, shall belong to and be paid to Landlord, and Tenant hereby assigns to Landlord all of its right, title and interest in any such award; *provided, however*, that Tenant shall be entitled to receive any portion of the award that is made specifically (i) for the taking of personal property, inventory or trade fixtures belonging to Tenant, (ii) for the interruption of Tenant's business or its moving costs, or (iii) for the value of any leasehold improvements installed and paid for by Tenant. The rights of Landlord and Tenant regarding any condemnation shall be determined as provided in this Article, and each party hereby waives the provisions of Section 1265.130 of the California Code of Civil Procedure, and the provisions of any similar law hereinafter enacted, allowing either party to petition the Supreme Court to terminate this Lease and/or otherwise allocate condemnation awards between Landlord and Tenant in the event of a taking of the Leased Premises.

11.6 Abatement Of Rent. In the event of a taking of the Leased Premises which does not result in a termination of this Lease (other than a temporary taking), then, as of the date possession is taken by the condemning authority, the Base Monthly Rent shall be reduced in the same proportion that the area of that part of the Leased Premises so taken (less any addition to the area of the Leased Premises by reason of any reconstruction) bears to the area of the Leased Premises immediately prior to such taking.

11.7 Taking Defined. The term “taking” or “taken” as used in this Article 11 shall mean any transfer or conveyance of all or any portion of the Property or the Project to a public or quasi-public agency or other entity having the power of eminent domain pursuant to or as a result of the exercise of such power by such an agency, including any inverse condemnation and/or any sale or transfer by Landlord of all or any portion of the Property or the Project to such an agency under threat of condemnation or the exercise of such power.

ARTICLE 12
DEFAULT AND REMEDIES

12.1 Events Of Tenant’s Default. Tenant shall be in default of its obligations under this Lease if any of the following events occur:

(a) Tenant shall have failed to pay Base Monthly Rent or any Additional Rent when due; provided that Tenant shall be entitled to receive written notice of late payment twice during each year of the Lease Term, and with respect to those two (2) late payments, Tenant shall not be in default under this Paragraph 12.1(a) unless Tenant has failed to make the required payment within three (3) business days after such notice from Landlord. After both notices have been given in any year of the Lease Term, Landlord shall not be required to provide any further notices to Tenant relating to such year; or

(b) Tenant shall have done or permitted to be done any act, use or thing in its use, occupancy or possession of the Leased Premises or the Building or Common Areas which is prohibited by the terms of this Lease or Tenant shall have failed to perform any term, covenant, or condition of this Lease (except those requiring the payment of Base Monthly Rent or Additional Rent, which failures shall be governed by subparagraph (a) above) and such default is not cured within the shorter of (i) any specific time period expressly provided under this Lease for the performance of such term, covenant or condition, or (ii) thirty (30) days after written notice from Landlord to Tenant specifying the nature of such default and requesting Tenant to cure the same, or within such longer period as is reasonably required in the event such default is curable but not within such thirty (30) day period, provided such cure is promptly commenced within such thirty (30) day period and is thereafter diligently prosecuted to completion; or

(c) Tenant shall have sublet the Leased Premises or assigned its interest in this Lease in violation of the provisions contained in Article 7, whether voluntarily or by operation of law; or

(d) Tenant shall have abandoned the Leased Premises (as defined in California Civil Code section 1951.3); or

(e) Tenant shall have permitted or suffered the sequestration or attachment of, or execution on, or the appointment of a custodian or receiver with respect to, all or any substantial part of the property or assets of Tenant or any property or asset essential to the conduct of Tenant’s business, and Tenant shall have failed to obtain a return or release of the same within thirty (30) days thereafter, or prior to sale pursuant to such sequestration, attachment or levy, whichever is earlier; or

(f) Tenant or any guarantor of this Lease shall have permitted or suffered the sequestration or attachment of, or execution on, or the appointment of a custodian or receiver with respect to, all or any substantial part of the property or assets of Tenant (or such guarantor) or any property or asset essential to the conduct of Tenant's (or such guarantor's) business, and Tenant (or such guarantor) shall have failed to obtain a return or release of the same within thirty (30) days thereafter, or prior to sale pursuant to such sequestration, attachment or levy, whichever is earlier; or

(g) Tenant or any guarantor of this Lease shall have made a general assignment of all or a substantial part of its assets for the benefit of its creditors; or

(h) Tenant or any guarantor of this Lease shall have allowed (or sought) to have entered against it a decree or order which: (i) grants or constitutes an order for relief, appointment of a trustee, or condemnation or a reorganization plan under the bankruptcy laws of the United States; (ii) approves as properly filed a petition seeking liquidation or reorganization under said bankruptcy laws or any other debtor's relief law or similar statute of the United States or any state thereof; or (iii) otherwise directs the winding up or liquidation of Tenant; *provided, however*, if any decree or order was entered without Tenant's consent or over Tenant's objection, Landlord may not terminate this Lease pursuant to this Subparagraph if such decree or order is rescinded or reversed within thirty (30) days after its original entry; or

(i) Tenant or any guarantor of this Lease shall have availed itself of the protection of any debtor's relief law, moratorium law or other similar law which does not require the prior entry of a decree or order.

(j) Tenant (or its affiliate or assignee) shall be in default beyond the expiration of express notice and cure periods, if any, set forth in the Building F and H Lease, the Building G Lease (to the extent applicable), or the Bridge Space Lease, with respect to Tenant's (or its affiliate or assignee's) obligations under the Building F and H Lease, the Building G Lease (to the extent applicable), and (following the date which is nine (9) months after the Lease Commencement Date of this Lease) the Bridge Space Lease. Landlord shall have the right, acting alone, to elect from time to time to limit this Paragraph 12.1(j) to fewer than all of such other leases and/or to reverse such limitation, or to delete and/or reinstate, as applicable, this Paragraph 12.1(j), by notice to Tenant delivered in accordance with this Lease. If at any time Landlord makes such election, then Tenant agrees: (1) at Landlord's request, to execute an amendment to this Lease the effect of which is to so limit this Paragraph 12.1(j) or if applicable, to reverse such limitation, or to delete or reinstate, as applicable, this Paragraph 12.1(j), and (2) that in the event of a limitation or deletion, such amendment shall retain for Landlord the right to reverse the limitation or to reinstate this Paragraph 12.1(j), as applicable.

12.2 Landlord's Remedies. In the event of any default by Tenant, and without limiting Landlord's right to indemnification as provided in Article 8.2, Landlord shall have the following remedies, in addition to all other rights and remedies provided by law or otherwise provided in this Lease, to which Landlord may resort cumulatively, or in the alternative:

(a) Landlord may, at Landlord's election, keep this Lease in effect and enforce, by an action at law or in equity, all of its rights and remedies under this Lease including,

without limitation, (i) the right to recover the rent and other sums as they become due by appropriate legal action, (ii) the right to make payments required by Tenant, or perform Tenant's obligations and be reimbursed by Tenant for the cost thereof with interest at a rate equal to the Default Interest Rate from the date the sum is paid by Landlord until Landlord is reimbursed by Tenant, and (iii) the remedies of injunctive relief and specific performance to prevent Tenant from violating the terms of this Lease and/or to compel Tenant to perform its obligations under this Lease, as the case may be.

(b) Landlord may, at Landlord's election, terminate this Lease by giving Tenant written notice of termination, in which event this Lease shall terminate on the date set forth for termination in such notice, in which event Tenant shall immediately surrender the Leased Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, in accordance with applicable Laws, enter upon and take possession of the Leased Premises and expel or remove Tenant and any other person who may be occupying the Leased Premises or any part thereof, without being liable for prosecution or any claim for damages therefor. Any termination under this subparagraph shall not relieve Tenant from its obligation to pay to Landlord all Base Monthly Rent and Additional Rent then or thereafter due, or any other sums due or thereafter accruing to Landlord, or from any claim against Tenant for damages previously accrued or then or thereafter accruing. In no event shall any one or more of the following actions by Landlord, in the absence of a written election by Landlord to terminate this Lease constitute a termination of this Lease:

(i) Appointment of a receiver or keeper in order to protect Landlord's interest hereunder;

(ii) Consent to any subletting of the Leased Premises or assignment of this Lease by Tenant, whether pursuant to the provisions hereof or otherwise; or

(iii) Any action taken by Landlord or its partners, principals, members, officers, agents, employees, or servants, which is intended to mitigate the adverse effects of any breach of this Lease by Tenant, including, without limitation, any action taken to maintain and preserve the Leased Premises on any action taken to relet the Leased Premises or any portion thereof for the account at Tenant and in the name of Tenant.

(c) In the event Tenant breaches this Lease and abandons the Leased Premises, Landlord may terminate this Lease, but this Lease shall not terminate unless Landlord gives Tenant written notice of termination. If Landlord does not terminate this Lease by giving written notice of termination, Landlord may enforce all its rights and remedies under this Lease, including the right and remedies provided by California Civil Code Section 1951.4 ("lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has right to sublet or assign, subject only to reasonable limitations"), as in effect on the Effective Date of this Lease.

(d) In the event Landlord terminates this Lease, Landlord shall be entitled, at Landlord's election, to the rights and remedies provided in California Civil Code Section 1951.2, as in effect on the Effective Date of this Lease. For purposes of computing damages pursuant to

Section 1951.2, an interest rate equal to the Default Interest Rate shall be used. Such damages shall include, without limitation:

plus (i) The worth at the time of the award of the unpaid rent which had been earned at the time of termination;

(ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided, computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco, at the time of award plus one percent; plus

(iv) Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom, including without limitation, the following: (i) expenses for cleaning, repairing or restoring the Leased Premises, (ii) to the extent allocable to the remainder of the Lease Term, expenses for altering, remodeling or otherwise improving the Leased Premises for the purpose of reletting, including removal of existing leasehold improvements and/or installation of additional leasehold improvements (regardless of how the same is funded, including reduction of rent, a direct payment or allowance to a new tenant, or otherwise), advertising costs and other expenses of reletting the Leased Premises; (iii) expenses incurred in removing, disposing of and/or storing any of Tenant's personal property, inventory or trade fixtures remaining therein; (iv) reasonable attorney's fees, expert witness fees, court costs and other reasonable expenses incurred by Landlord (but not limited to taxable costs) in retaking possession of the Leased Premises, establishing damages hereunder, and releasing the Leased Premises; and (v) any other expenses, costs or damages otherwise incurred or suffered as a result of Tenant's default.

(e) Landlord may recover its reasonable attorney's fees and costs incurred in enforcing Tenant's obligations under this Lease, curing any Tenant default, terminating the Lease, and recovering possession of the Leased Premises.

(f) Pursuant to California Code of Civil Procedure Section 1161.1, Landlord may accept a partial payment of Rent after serving a notice pursuant to California Code of Civil Procedure Section 1161, and may without further notice to the Tenant, commence and pursue an action to recover the difference between the amount demanded in that notice and the payment actually received. This acceptance of such a partial payment of Rent does not constitute a waiver of any rights, including any right the Landlord may have to recover possession of the Leased Premises. Further, Landlord and Tenant agree that any notice given by Landlord pursuant to Paragraph 12.1 of this Lease shall not satisfy the requirements for notice under California Code of Civil Procedure Section 1161, and Landlord shall also be required to give the notice required by Law in order to commence an unlawful detainer proceeding.

12.3 Landlord's Default And Tenant's Remedies. In the event Landlord fails to perform its obligations under this Lease, Landlord shall nevertheless not be in default under the terms of this Lease until such time as Tenant shall have first given Landlord written notice specifying the nature of such failure to perform its obligations, and then only after Landlord shall have had thirty (30) days following its receipt of such notice within which to perform such obligations; provided that, if longer than thirty (30) days is reasonably required in order to perform such obligations, Landlord shall have such longer period. In the event of Landlord's default as above set forth, then, and only then, Tenant may then proceed in equity or at law to compel Landlord to perform its obligations and/or to recover damages proximately caused by such failure to perform (except as and to the extent Tenant has waived its right to damages as provided in this Lease).

12.4 Limitation Of Tenant's Recourse. Tenant's sole recourse against Landlord shall be to Landlord's interest in the Project and the revenues, insurance proceeds and condemnation awards therefrom; provided, however, that in no event shall Tenant have recourse to any sums distributed to Landlord's members or manager(s) in the ordinary course of business (including but not limited to sale or refinancing proceeds distributed upon a sale or refinancing, as applicable). If Landlord is a corporation, trust, partnership, joint venture, limited liability company, unincorporated association, or other form of business entity, Tenant agrees that (i) the obligations of Landlord under this Lease shall not constitute personal obligations of the officers, directors, trustees, partners, joint venturers, members, managers, owners, stockholders, or other principals of such business entity, and (ii) Tenant shall have recourse only to the interest of such corporation, trust, partnership, joint venture, limited liability company, unincorporated association, or other form of business entity in Landlord's interest in the Project and the revenues, insurance proceeds and condemnation awards therefrom; provided, however, that in no event shall Tenant have recourse to any sums distributed to Landlord's members or manager(s) in the ordinary course of business (including but not limited to sale or refinancing proceeds distributed upon a sale or refinancing, as applicable) for the satisfaction of such obligations and not against the assets of such officers, directors, trustees, partners, joint venturers, members, managers, owners, stockholders or principals. Additionally, if Landlord is a partnership or limited liability company, then Tenant covenants and agrees:

(a) No partner, manager, or member of Landlord shall be sued or named as a party in any suit or action brought by Tenant with respect to any alleged breach of this Lease (except to the extent necessary to secure jurisdiction over the partnership or limited liability company and then only for that sole purpose);

(b) No service of process shall be made against any partner, manager, or member of Landlord except for the sole purpose of securing jurisdiction over the partnership or limited liability company; and

(c) No writ of execution will ever be levied against the assets of any partner, manager, or member of Landlord other than to the extent of his or her interest in the assets of the partnership or limited liability company constituting Landlord.

Tenant further agrees that each of the foregoing covenants and agreements shall be enforceable by Landlord and by any partner or manager or member of Landlord and shall be applicable to

any actual or alleged misrepresentation or nondisclosure made regarding this Lease or the Leased Premises or any actual or alleged failure, default or breach of any covenant or agreement either expressly or implicitly contained in this Lease or imposed by statute or at common law.

12.5 Tenant's Waiver. Landlord and Tenant agree that the provisions of Paragraph 12.3 above are intended to supersede and replace the provisions of California Civil Code Sections 1932(1), 1941 and 1942, and accordingly, Tenant hereby waives the provisions of California Civil Code Sections 1932(1), 1941 and 1942 and/or any similar or successor law regarding Tenant's right to terminate this Lease or to make repairs and deduct the expenses of such repairs from the rent due under this Lease.

ARTICLE 13
GENERAL PROVISIONS

13.1 Taxes On Tenant's Property. Tenant shall pay before delinquency any and all taxes, assessments, license fees, use fees, permit fees and public charges of whatever nature or description levied, assessed or imposed against Tenant or Landlord by a governmental agency arising out of, caused by reason of or based upon Tenant's estate in this Lease, Tenant's ownership of property, improvements made by Tenant to the Leased Premises or the Common Areas, improvements made by Landlord for Tenant's use within the Leased Premises or the Common Areas, Tenant's use (or estimated use) of public facilities or services or Tenant's consumption (or estimated consumption) of public utilities, energy, water or other resources (collectively, "Tenant's Interest"). Upon demand by Landlord, Tenant shall furnish Landlord with satisfactory evidence of these payments. If any such taxes, assessments, fees or public charges are levied against Landlord, Landlord's property, the Building, the Property, or the Project, or if the assessed value of the Building, the Property, or the Project is increased by the inclusion therein of a value placed upon Tenant's Interest, regardless of the validity thereof, Landlord shall have the right to require Tenant to pay such taxes, and if not paid and satisfactory evidence of payment delivered to Landlord at least ten (10) days prior to delinquency, then Landlord shall have the right to pay such taxes on Tenant's behalf and to invoice Tenant for the same, in either case whether before or after the expiration or earlier termination of the Lease Term. Tenant shall, within the earlier to occur of (a) thirty (30) days of the date it receives an invoice from Landlord setting forth the amount of such taxes, assessments, fees, or public charge so levied, or (b) the due date of such invoice, pay to Landlord, as Additional Rent, the amount set forth in such invoice. Tenant shall have the right to bring suit in any court of competent jurisdiction to recover from the taxing authority the amount of any such taxes, assessments, fees or public charges so paid.

13.2 Holding Over. This Lease shall terminate without further notice on the Lease Expiration Date (as set forth in Article 1). Any holding over by Tenant after expiration of the Lease Term shall neither constitute a renewal nor extension of this Lease nor give Tenant any rights in or to the Leased Premises except as expressly provided in this Paragraph. Any such holding over shall be construed to be a tenancy from month to month, on the same terms and conditions herein specified insofar as applicable, except that the Base Monthly Rent shall be increased to an amount equal to one hundred twenty-five percent (125%) of the Monthly Base Rent for the last month immediately preceding such holding over for the first ninety (90) days of

any such holding over, and thereafter one hundred fifty percent (150%) of the Base Monthly Rent payable during the last full month immediately preceding such holding over. Without limiting the foregoing, in the event of a holding over to which Landlord has consented, any rights of Landlord or obligations of Tenant set forth in this Lease and purporting to apply during the term of this Lease, shall nonetheless also be deemed to apply during any such hold over period. Tenant acknowledges that if Tenant holds over without Landlord's consent, such holding over may compromise or otherwise affect Landlord's ability to enter into new leases with prospective tenants regarding the Leased Premises.

Therefore, in the event Tenant does not vacate the Leased Premises in accordance with the terms of this Paragraph 13.2 on or before the expiration of the Lease Term (or the expiration of a holdover term, if applicable) after receiving at least ninety (90) days' advance written notice from Landlord, delivered not earlier than the expiration of the Lease Term, demanding that Tenant vacate the Leased Premises and otherwise satisfying the requirements set forth below (a "Vacation Notice"), Tenant shall be liable for all damages (including attorneys' fees and expenses) of whatever type (including consequential damages) incurred by Landlord as a result of such holding over, and Tenant shall protect, defend, indemnify and hold Landlord harmless from and against all claims resulting from such failure to vacate, including, without limiting the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender, and any losses suffered by Landlord, including lost profits, resulting from such failure to surrender. The Vacation Notice shall specifically refer to this Lease and the address of the Building, and shall include (on the first page of the Vacation Notice) the following language in bold, capitalized font: **"NOTICE: UNDER PARAGRAPH 13.2 OF THE LEASE, TENANT'S FAILURE TO VACATE THE LEASED PREMISES BY THE DATE SET FORTH HEREIN MAY RESULT IN SIGNIFICANT DAMAGES TO LANDLORD, INCLUDING CONSEQUENTIAL DAMAGES."**

13.3 Subordination To Mortgages. This Lease is subject to and subordinate to all ground leases, mortgages and deeds of trust which affect the Building, the Property, or the Project and which are of public record as of the Effective Date of this Lease, and to all renewals, modifications, consolidations, replacements and extensions thereof. Notwithstanding the foregoing, if requested by Landlord, Tenant agrees, within ten (10) days after Landlord's written request therefor, to execute, acknowledge and deliver to Landlord, a subordination agreement in the form attached to this Lease as Exhibit J-1, with respect to the deed of trust which is of public record as of the Effective Date of this Lease. However, if the lessor under any such ground lease or any lender holding any such mortgage or deed of trust shall advise Landlord that it desires or requires this Lease to be made prior and superior thereto, then, upon written request of Landlord to Tenant, Tenant shall promptly execute, acknowledge and deliver any and all customary or reasonable documents or instruments which Landlord and such lessor or lender deems necessary or desirable to make this Lease prior thereto. Tenant hereby consents to Landlord's ground leasing the land underlying the Building, the Property, or the Project and/or encumbering the Building, the Property, or the Project as security for future loans on such terms as Landlord shall desire, all of which future ground leases, mortgages or deeds of trust shall be subject to and subordinate to this Lease. However, if any lessor under any such future ground lease or any lender holding such future mortgage or deed of trust shall desire or require that this Lease be made subject to and subordinate to such future ground lease, mortgage or deed of trust, then

Tenant agrees, within ten (10) days after Landlord's written request therefor, to execute, acknowledge and deliver to Landlord any and all documents or instruments reasonably requested by Landlord or by such lessor or lender to assure the subordination of this Lease to such future ground lease, mortgage or deed of trust, but only if such lessor or lender agrees to execute a subordination, non-disturbance and attornment agreement in the form attached to this Lease as Exhibit J-2, or such other form as any such lessor or lender may reasonably require (an "SNDA") and acceptable to Tenant in its reasonable discretion (and Tenant agrees that any concept included in such alternate form which is substantially similar to a concept included in Exhibit J-2, shall be acceptable). Tenant's failure to execute and deliver such documents or instruments within ten (10) days after Landlord's request therefor shall be a material default by Tenant under this Lease, and no further notice shall be required under Paragraph 12.1(c) or any other provision of this Lease, and Landlord shall have all of the rights and remedies available to Landlord as Landlord would otherwise have in the case of any other material default by Tenant, it being agreed and understood by Tenant that Tenant's failure to so deliver such documents or instruments in a timely manner could result in Landlord being unable to perform committed obligations to other third parties which were made by Landlord in reliance upon this covenant of Tenant. Any SNDA executed with respect to a future deed of trust, ground lease, or mortgage (or with respect to an amendment of any existing deed of trust to provide construction financing for the construction of the Leased Premises), must contain a statement that, following any foreclosure of such deed of trust or mortgage, or termination of the ground lease, the holder thereof (for itself and any transferee of its interest in the deed of trust, mortgage, or ground lease, or of such holder's interest in the Property pursuant to such holder's exercise of remedies) will be obligated under the Lease to do the following to the extent not previously done (i) perform the Landlord's Work, (ii) disburse the Tenant Improvement Allowance and (iii) honor Tenant's rights of offset set forth in Section 7 of Exhibit C to the Lease (the "Required Lender Construction Agreements"). Tenant agrees that the SNDA attached hereto as Exhibit J-2 contains the Required Lender Construction Agreements. If Landlord commences construction of the Landlord's Work (as evidenced by Landlord's pulling of a building permit for the same and breaking ground on work for which a mechanic's lien may be filed) without obtaining an SNDA containing the Required Lender Construction Agreements from the then-current holder of any deed of trust, mortgage, or ground lease affecting the Property, then Tenant may terminate this Lease by written notice to Landlord given within ten (10) days of Tenant's knowledge that such construction has commenced. However, for avoidance of doubt, no such SNDA shall be required (and no termination right shall apply) if there is no ground lease, deed of trust, or mortgage encumbering the Property at the time that construction of the Leased Premises commences.

Tenant hereby agrees, concurrently with Tenant's execution of this Lease, to execute and deliver to Landlord an SNDA substantially in the form of Exhibit J-1 attached hereto, and Landlord agrees to cause Landlord's existing mortgage lender to execute, have acknowledged, and either (a) have the same recorded in the Official Records of Santa Clara County, or (b) deliver a complete original of the same to Tenant.

13.4 Tenant's Attornment Upon Foreclosure. Tenant shall, upon request, attorn (i) to any purchaser of the Building, the Property, or the Project at any foreclosure sale or private sale conducted pursuant to any security instruments encumbering the Building, the Property, or the Project, (ii) to any grantee or transferee designated in any deed given in lieu of foreclosure of any

security interest encumbering the Building, the Property, or the Project, or (iii) to the lessor under an underlying ground lease of the land underlying the Building, the Property, or the Project, should such ground lease be terminated; provided that such purchaser, grantee or lessor recognizes Tenant's rights under this Lease.

13.5 Mortgagee Protection. Tenant will give copies of any written default notice sent to Landlord by registered mail to any Lender or lessor under any underlying ground lease who shall have requested, in writing, to Tenant that it be provided with such notice, and Tenant shall offer such Lender or lessor a reasonable opportunity to cure the default, including time to obtain possession of the Leased Premises by power of sale if reasonably necessary to effect a cure.

13.6 Estoppel Certificate. Tenant will, following any request by Landlord, promptly execute and deliver to Landlord an estoppel certificate substantially in form attached as Exhibit K, (i) certifying that this Lease is unmodified and in full force and effect, or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect, (ii) stating the date to which the rent and other charges are paid in advance, if any, (iii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults if any are claimed, and (iv) certifying such other information about this Lease as may be reasonably requested by Landlord, its Lender or prospective lenders, investors or purchasers of the Building, the Property, or the Project. Tenant's failure to execute and deliver such estoppel certificate within ten (10) days after Landlord's request therefor shall be a material default by Tenant under this Lease, and no further notice shall be required under Paragraph 12.1(c) or any other provision of this Lease, and Landlord shall have all of the rights and remedies available to Landlord as Landlord would otherwise have in the case of any other material default by Tenant, it being agreed and understood by Tenant that Tenant's failure to so deliver such estoppel certificate in a timely manner could result in Landlord being unable to perform committed obligations to other third parties which were made by Landlord in reliance upon this covenant of Tenant. Landlord and Tenant intend that any statement delivered pursuant to this paragraph may be relied upon by any Lender or purchaser or prospective Lender or purchaser of the Building, the Property, or any interest in them.

13.7 Tenant's Financial Information. Tenant shall, within ten (10) days after Landlord's request therefor, deliver to Landlord a copy of Tenant's (and any guarantor's) current audited financial statements (including a balance sheet, income statement and statement of cash flow, all prepared in accordance with GAAP); provided, however, that as long as the common stock of Tenant (or its assigns permitted pursuant to this Lease or otherwise approved by Landlord in writing) is publicly-traded on a United States national stock exchange, and such information is available as part of Tenant's or such Permitted Assignee's 10-K or 10-Q report filings on the SEC's Edgar website, then such requirement shall be fulfilled by such filings. Landlord shall be entitled to disclose such financial statements or other information to its Lender, to any present or prospective principal of or investor in Landlord, or to any prospective Lender or purchaser of the Building, the Property, or any portion thereof or interest therein. Any such financial statement or other information (other than those available on the SEC's Edgar website) shall be confidential and shall not be disclosed by Landlord to any third party except as

specifically provided in this paragraph, unless the same becomes a part of the public domain without the fault of Landlord.

13.8 Transfer By Landlord. Landlord and its successors in interest shall have the right to transfer their interest in the Building, the Property, or any portion thereof at any time and to any person or entity; *provided, however*, that if Landlord sells the Building at any time before the Lease Commencement Date, Menlo Equities Development Company IX LLC (“MEDCO IX”) will enter into a development agreement with the buyer pursuant to which MEDCO IX shall be the developer until the Lease Commencement Date. In the event of any such transfer, the Landlord originally named herein (and in the case of any subsequent transfer, the transferor), from the date of such transfer, shall be automatically relieved, without any further act by any person or entity, of all liability for (i) the performance of the obligations of the Landlord hereunder which may accrue after the date of such transfer, and (ii) repayment of any unapplied portion of any security deposit (upon transferring or crediting the same to the transferee), and (iii) the performance of the obligations of the Landlord hereunder which have accrued before the date of transfer if its transferee agrees to assume and perform all such prior obligations of the Landlord hereunder. Tenant shall attorn to any such transferee. After the date of any such transfer, the term “Landlord” as used herein shall mean the transferee of such interest in the Building, the Property, or the Project.

13.9 Force Majeure. Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, acts of war, terrorist acts, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, delay in obtaining approvals, building permits and certificates of occupancy within normal time frames, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations imposed with regard to Rent and other charges to be paid by Tenant pursuant to this Lease (collectively, a “Force Majeure”), notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party’s performance caused by a Force Majeure. Notwithstanding the foregoing, the time periods set forth in Paragraph 2.4 and Paragraph 2.8 of this Lease shall not be affected by Force Majeure except as expressly set forth therein (including by references in Paragraph 2.8 to Paragraph 2.4).

13.10 Notices. Any notice required or permitted to be given under this Lease other than statutory notices shall be in writing and (i) personally delivered, (ii) sent by United States mail, registered or certified mail, postage prepaid, return receipt requested, or (iii) sent by Federal Express or similar nationally recognized overnight courier service, and in all cases addressed as follows, and such notice shall be deemed to have been given upon the date of actual receipt or delivery (or refusal to accept delivery) at the address specified below (or such other addresses as may be specified by notice in the foregoing manner) as indicated on the return receipt or air bill:

If to Landlord: Santa Clara Campus Property Owner I LLC
490 California Avenue
4th Floor

Palo Alto, California 94306
Attention: Henry Bullock/Richard Holmstrom

with a copy to: Mintz Levin Cohn Ferris Glovsky and Popeo PC
44 Montgomery Street
36th Floor
San Francisco, California 94104
Attention: Paul Churchill

If to Tenant: Palo Alto Networks, Inc.
4401 Great America Parkway
Santa Clara, California 95054
Attention: General Counsel

Any notice given in accordance with the foregoing shall be deemed received upon actual receipt or refusal to accept delivery. Any notice required by statute and not waived in this Lease shall be given and deemed received in accordance with the applicable statute or as otherwise provided by law.

13.11 Attorneys' Fees and Costs. In the event any party shall bring any action, arbitration, or other proceeding alleging a breach of any provision of this Lease, or a right to recover rent, to terminate this Lease, or to enforce, protect, interpret, determine, or establish any provision of this Lease or the rights or duties hereunder of either party, the prevailing party shall be entitled to recover from the non-prevailing party as a part of such action or proceeding, or in a separate action for that purpose brought within one year from the determination of such proceeding, reasonable attorneys' fees, expert witness fees, court costs and reasonable disbursements, made or incurred by the prevailing party.

13.12 Definitions. Any term that is given a special meaning by any provision in this Lease shall, unless otherwise specifically stated, have such meaning wherever used in this Lease or in any Addenda or amendment hereto. In addition to the terms defined in Article 1, the following terms shall have the following meanings:

(a) Real Property Taxes. The term "Real Property Tax" or "Real Property Taxes" shall each mean Tenant's Building Share of the following (to the extent applicable to any portion of the Lease Term, regardless of when the same are imposed, assessed, levied, or otherwise charged): (i) all taxes, assessments, levies and other charges of any kind or nature whatsoever, general and special, foreseen and unforeseen (including all installments of principal and interest required to pay any general or special assessments for public improvements and any increases resulting from reassessments caused by any change in ownership or new construction), now or hereafter imposed by any governmental or quasi-governmental authority or special district having the direct or indirect power to tax or levy assessments, which are levied or assessed for whatever reason against the Property or any portion thereof, or Landlord's interest herein, or the fixtures, equipment and other property of Landlord that is an integral part of the Property and located thereon, or Landlord's business of owning, leasing or managing the Property or the gross receipts, income or rentals from the Property, (ii) all charges, levies or fees imposed by any governmental authority against Landlord by reason of or based upon the use of

or number of parking spaces within the Property, the amount of public services or public utilities used or consumed (e.g. water, gas, electricity, sewage or waste water disposal) at the Property, the number of persons employed by tenants of the Property, the size (whether measured in area, volume, number of tenants or whatever) or the value of the Property, or the type of use or uses conducted within the Property, and all costs and fees (including attorneys' fees) reasonably incurred by Landlord in contesting any Real Property Tax and in negotiating with public authorities as to any Real Property Tax. In the event the Project is developed in a manner which results in separate legal parcels comprising some or all of the Common Areas, then with respect to those Common Area parcels, Real Property Taxes shall be calculated using Tenant's Project Share (as opposed to Tenant's Building Share). If, at any time during the Lease Term, the taxation or assessment of the Property prevailing as of the Effective Date of this Lease shall be altered so that in lieu of or in addition to any the Real Property Tax described above there shall be levied, awarded or imposed (whether by reason of a change in the method of taxation or assessment, creation of a new tax or charge, or any other cause) an alternate, substitute, or additional use or charge (i) on the value, size, use or occupancy of the Property or Landlord's interest therein or (ii) on or measured by the gross receipts, income or rentals from the Property, or on Landlord's business of owning, leasing or managing the Property or (iii) computed in any manner with respect to the operation of the Property, then any such tax or charge, however designated, shall be included within the meaning of the terms "Real Property Tax" or "Real Property Taxes" for purposes of this Lease. Notwithstanding the foregoing, the terms "Real Property Tax" or "Real Property Taxes" shall not include and Tenant shall not be required to pay any portion of any tax or assessment expense or any increase therein (a) attributable to estate, inheritance, transfer, gift or franchise taxes of Landlord or the federal or state income tax imposed on Landlord's income from all sources; or (c) imposed on land and improvements other than the Property or the Common Areas. In addition, if any Real Property Taxes may be paid in installments at the option of the taxpayer, then Landlord shall include within Real Property Taxes only those installments (including interest, if any) which would become due by exercise of such option.

(b) Landlord's Insurance Costs. The term "Landlord's Insurance Costs" shall mean (to the extent applicable to any portion of the Lease Term, regardless of when the same are incurred):

(i) Tenant's Building Share of the costs to Landlord to carry and maintain the policies of fire and property damage insurance for the Building and general liability and any other insurance required or permitted to be carried by Landlord pursuant to Article 9, together with any deductible amounts paid by Landlord upon the occurrence of any insured casualty or loss; plus

(ii) without duplication of amounts payable pursuant to subparagraph (i) above, to the extent any of the insurance policies carried by Landlord are specific to the Project as a whole (as opposed to the Building or the Property), then, Tenant's Project Share of the costs to Landlord to carry and maintain such policies of fire and property damage insurance for the Project (as opposed to just the Building or the Property) and general liability and any other insurance required or permitted to be carried by Landlord pursuant to Article 9 which is

applicable to the Project (as opposed to just the Building or the Property), together with any deductible amounts paid by Landlord upon the occurrence of any insured casualty or loss;

provided, however, that to the extent any deductible amounts or any uninsured amounts relate to damage to improvements the repair, replacement, or reconstruction of which would constitute a capital repair or replacement under GAAP, then the amount thereof (including related softs costs) shall be amortized by Landlord over the useful life of the applicable repaired or replaced (or reconstructed) improvements, as such useful life is set forth on Exhibit L attached hereto, including interest at the Standard Interest Rate, and the monthly amortized cost of such repairs or replacements as so amortized shall be considered a Property Maintenance Cost. If Exhibit L does not list the useful life of a particular item of repair, replacement, or reconstruction, then such useful life shall be determined by Landlord and Tenant, or their accountants, in accordance with GAAP.

(c) **Property Maintenance Costs.** The term “Property Maintenance Costs” shall mean (to the extent applicable to any portion of the Lease Term, regardless of when the same are incurred):

(i) monthly professional management fees equal to 2% of Base Monthly Rent, plus Tenant’s Building Share of all other costs and expenses (except Landlord’s Insurance Costs and Real Property Taxes) paid or incurred by Landlord in protecting, operating, maintaining, repairing and preserving the Building and the Property and all parts thereof, including without limitation, (A) the amortizing portion of any costs incurred by Landlord in the making of any modifications, alterations or improvements required by any governmental authority as set forth in Article 6, which are so amortized during the Lease Term, and (B) such other costs as may be paid or incurred with respect to operating, maintaining, and preserving the Building or the Property, such as repairing and resurfacing the exterior surfaces of the Building (including roof), repairing and replacing structural parts of the Building, and repairing and replacing, when necessary, electrical, plumbing, and HVAC systems serving the Building; plus

(ii) without limitation or duplication of the foregoing, Tenant’s Project Share of all costs and expenses (except Landlord’s Insurance Costs and Real Property Taxes) paid or incurred by Landlord in protecting, operating, maintaining, repairing and preserving the Project (as opposed to just the Building or the Property) and all parts thereof (excluding the Building and the Other Buildings); plus

(iii) without limitation or duplication of the foregoing, Tenant’s Project Share of all costs and expenses paid or incurred by Landlord for transportation management efforts (excluding employee shuttles) at the Project, but only to the extent such transportation management efforts benefit the Property.

(d) **Property Operating Expenses.** The term “Property Operating Expenses” shall mean and include all Real Property Taxes, plus all Landlord’s Insurance Costs, plus all Property Maintenance Costs. Notwithstanding the foregoing provisions of this Paragraph 13.12, the following are specifically excluded from the definition of Property Operating Expenses and Tenant shall have no obligation to pay directly or reimburse Landlord for all or any portion of the following except to the extent any of the following result from the failure of Tenant to comply

with the terms of this Lease: (a) costs occasioned by casualties or by the exercise of the power of eminent domain; (b) costs of any renovation, improvement, painting or redecorating of any portion of the Project outside the Property not available for Tenant's use or enjoyment; (d) costs incurred in connection with negotiations or disputes with any other occupant of the Project; (e) costs incurred in connection with the presence of any Hazardous Material, except to the extent caused by the release of the Hazardous Material in question by Tenant or any of the Tenant Parties; (f) interest, charges and fees incurred on debt; (g) expense reserves; (h) costs of any repair, maintenance, construction, replacement or alteration of any Other Buildings, (l) operating costs and other charges related to any other amenities buildings located outside the Property and serving the Project, (m) co-insurance payments resulting from the failure of Landlord to maintain any insurance which it is obligated to maintain pursuant to this Lease; and (n) costs paid by Landlord for shuttle services, including any fees related to any Cal Train or other public shuttle.

(e) Law. The term "Law" or "Laws" shall mean any judicial decisions and any statute, constitution, ordinance, resolution, regulation, rule, code, administrative order, condition of approval, or other requirements of any municipal, county, state, federal, or other governmental agency or authority having jurisdiction over the parties to this Lease, the Leased Premises, the Building, the Property, or the Project, or any of them, in effect either at the Effective Date of this Lease or at any time during the Lease Term, including, without limitation, any regulation, order, or policy of any quasi-official entity or body (e.g. a board of fire examiners or a public utility or special district). Except to the extent otherwise expressly provided in this Lease, to the extent any Law or Restriction places limits on the Building or any portion thereof, or on the Property or the Project or any portion thereof, such limits shall be equitably allocated to the Leased Premises pro rata in the same proportion that the rentable square footage of the Leased Premises bears to the rentable square footage of the applicable Building or portion thereof, or the Property or the Project or portion thereof, as applicable.

(f) Lender. The term "Lender" shall mean the holder of any promissory note or other evidence of indebtedness secured by the Property or any portion thereof.

(g) Rent. The term "Rent" shall mean collectively Base Monthly Rent and all Additional Rent.

(h) Restrictions. The term "Restrictions" shall mean (as they may exist from time to time) any and all covenants, conditions and restrictions, private agreements, easements, and any other recorded documents or instruments affecting the use of the Property, the Building, the Leased Premises, or the Common Areas, so long as the Required Conditions are satisfied.

13.13 General Waivers. One party's consent to or approval of any act by the other party requiring the first party's consent or approval shall not be deemed to waive or render unnecessary the first party's consent to or approval of any subsequent similar act by the other party. No waiver of any provision hereof, or any waiver of any breach of any provision hereof, shall be effective unless in writing and signed by the waiving party. The receipt by Landlord of any rent or payment with or without knowledge of the breach of any other provision hereof shall not be deemed a waiver of any such breach. No waiver of any provision of this Lease shall be deemed a continuing waiver unless such waiver specifically states so in writing and is signed by both Landlord and Tenant. No delay or omission in the exercise of any right or remedy accruing

to either party upon any breach by the other party under this Lease shall impair such right or remedy or be construed as a waiver of any such breach theretofore or thereafter occurring. The waiver by either party of any breach of any provision of this Lease shall not be deemed to be a waiver of any subsequent breach of the same or any other provisions herein contained.

13.14 Miscellaneous. Should any provisions of this Lease prove to be invalid or illegal, such invalidity or illegality shall in no way affect, impair or invalidate any other provisions hereof, and such remaining provisions shall remain in full force and effect. Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor. Any copy of this Lease which is executed by the parties shall be deemed an original for all purposes. This Lease shall, subject to the provisions regarding assignment, apply to and bind the respective heirs, successors, executors, administrators and assigns of Landlord and Tenant. The term "party" shall mean Landlord or Tenant as the context implies. If Tenant consists of more than one person or entity, then all members of Tenant shall be jointly and severally liable hereunder. If this Lease is signed by an individual "doing business as" or "dba" another person or entity or entity name, the individual who signs this Lease will be deemed to be the Tenant hereunder for all purposes. Submission of this Lease for review, examination or signature by Tenant does not constitute an offer to lease, a reservation of or an option for lease, or a binding agreement of any kind, and notwithstanding any inconsistent language contained in any other document, this Lease is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant, and prior to such mutual execution and delivery, neither party shall have any obligation to negotiate and may discontinue discussions and negotiations at any time for any reason or no reason. This Lease shall be construed and enforced in accordance with the Laws of the State in which the Leased Premises are located. The headings and captions in this Lease are for convenience only and shall not be construed in the construction or interpretation of any provision hereof. When the context of this Lease requires, the neuter gender includes the masculine, the feminine, a partnership, corporation, limited liability company, joint venture, or other form of business entity, and the singular includes the plural. The terms "must," "shall," "will," and "agree" are mandatory. The term "may" is permissive. The term "governmental agency" or "governmental authority" or similar terms shall include, without limitation, all federal, state, city, local and other governmental and quasi-governmental agencies, authorities, bodies, boards, etc., and any party or parties having enforcement rights under any Restrictions. When a party is required to do something by this Lease, it shall do so at its sole cost and expense without right of reimbursement from the other party unless specific provision is made therefor. Where Landlord's consent is required hereunder, it shall be reasonable for any such consent to be withheld until Landlord's receipt of the consent of any Lender, if and to the extent Landlord is required to obtain such Lender's consent. Landlord and Tenant shall both be deemed to have drafted this Lease, and the rule of construction that a document is to be construed against the drafting party shall not be employed in the construction or interpretation of this Lease. Where Tenant is obligated not to perform any act or is not permitted to perform any act, Tenant is also obligated to restrain any others reasonably within its control, including agents, invitees, contractors, subcontractors and employees, from performing such act. Landlord shall not become or be deemed a partner or a joint venturer with Tenant by reason of any of the provisions of this Lease. Whenever this Lease requires an approval, consent, selection or judgment by either Landlord or Tenant, unless another standard is expressly set forth, such approval, consent, selection or judgment shall be reasonable and shall not be

unreasonably withheld or delayed. Any expenditure by a party permitted or required under this Lease, for which such party demands reimbursement from the other party, shall be limited to the market cost of the goods and services involved, shall be reasonably incurred, and shall be substantiated by documentary evidence available for inspection and review by the other party. At Tenant's request, Landlord shall execute a Memorandum of Lease with respect to this Lease in a form reasonably satisfactory to Landlord and Tenant, and shall cause the same to be recorded in the Official Records of Santa Clara County, California, which Memorandum of Lease shall be recorded against the entire Project and shall include the rights described in Article 16 of the Building F and H Lease.

13.15 Further Development and Subdivision. Notwithstanding anything to the contrary contained herein, Landlord itself and through its agents, employees and contractors shall be entitled to sell one or more parcels or buildings located on the Project, and to further improve the Project, including without limitation by modifying the Site Plan and/or the Parcel Map, by adjusting the boundaries of the Property or the Project (or the parcels comprising it) including but not limited to adding other property to it, by constructing additional buildings and parking structures, in the event that Landlord or its affiliate has or obtains the legal right to further develop the Project, either alone or in connection with acquiring property adjacent to the Project. Such sale and development efforts by Landlord may include, without limitation, the relocation, restriping, or reconfiguration of the parking areas, application for building permits use permits, and other development approvals, parcelization, lot combination or merger, or lot line adjustment of the Property or Project, and construction of buildings and parking structures. Tenant agrees to execute such reasonable documents and take such actions as reasonably necessary to assist Landlord with such efforts and actions, provided such documents do not materially increase Tenant's obligations or materially diminish Tenant's rights under the Lease and the Required Conditions are satisfied. Tenant agrees that such efforts and actions of Landlord shall not constitute constructive eviction of Tenant from the Project, the Property, or the Leased Premises. Following any parcelization, lot combination or merger, or lot line adjustment of the Property or the Project after which the Required Conditions are satisfied, Landlord and Tenant agree to amend this Lease to conform the descriptions of the Property, Project, Site Plan, and Common Areas, and (subject to there being no decrease in the number of parking spaces to which Tenant is entitled) the parking areas contained herein, to the parcelization, lot combination or merger, lot line adjustment, or reconfiguration. Landlord agrees to minimize the disruption of Tenant's use of the Leased Premises, the Building, the Common Areas and the Project to the extent reasonable, given Landlord's efforts and actions described herein. In connection with any sale or subdivision of a portion of the Project, Landlord may amend the description of the Common Areas outside the Property. Landlord's right to exercise any of the foregoing rights shall be subject to Landlord's satisfaction of the Required Conditions.

13.16 Patriot Act Compliance.

(a) Tenant will use its good faith and commercially reasonable efforts to comply with the Patriot Act (as defined below) and all applicable requirements of governmental authorities having jurisdiction over Tenant, the Property, or the Project, including those relating to money laundering and terrorism. Landlord shall have the right to audit Tenant's compliance with the Patriot Act and all applicable requirements of governmental authorities having

jurisdiction over Tenant, the Property, or the Project, including those relating to money laundering and terrorism. In the event that Tenant fails to comply with the Patriot Act or any such requirements of governmental authorities, then Landlord may, at its option, cause Tenant to comply therewith and any and all reasonable costs and expenses incurred by Landlord in connection therewith shall be deemed Additional Charges and Rent and shall be immediately due and payable. For purposes hereof, the term "Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as the same may be amended from time to time, and corresponding provisions of future laws.

(b) Neither Tenant nor, to Tenant's actual knowledge, any partner in Tenant (a) is listed on any Government Lists (as defined below), (b) is a person who has been determined by competent authority to be subject to the prohibitions contained in Presidential Executive Order No. 13224 (Sept. 23, 2001) or any other similar prohibitions contained in the rules and regulations of OFAC (as defined below) or in any enabling legislation or other Presidential Executive Orders in respect thereof, (c) has been previously indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any Patriot Act Offense (as defined below), or (d) is currently under investigation by any governmental authority for alleged criminal activity. For purposes hereof, the term "Patriot Act Offense" means any violation of the criminal laws of the United States of America or of any of the several states, or that would be a criminal violation if committed within the jurisdiction of the United States of America or any of the several states, relating to terrorism or the laundering of monetary instruments, including any offense under (a) the criminal laws against terrorism; (b) the criminal laws against money laundering, (c) the Bank Secrecy Act, as amended, (d) the Money Laundering Control Act of 1986, as amended, or the (e) Patriot Act. "Patriot Act Offense" also includes the crimes of conspiracy to commit, or aiding and abetting another to commit, a Patriot Act Offense. For purposes hereof, the term "Government Lists" means (i) the Specially Designated Nationals and Blocked Persons Lists maintained by Office of Foreign Assets Control ("OFAC"), (ii) any other list of terrorists, terrorist organizations or narcotics traffickers maintained pursuant to any of the Rules and Regulations of OFAC or pursuant to any Executive Order of the President of the United States of America.

ARTICLE 14
LEGAL AUTHORITY
BROKERS AND ENTIRE AGREEMENT

14.1 Legal Authority. If Tenant or any entity constituting Tenant is a corporation, limited partnership, limited liability company, or other legal entity, Tenant represents and warrants that Tenant is validly formed and duly authorized and existing, that Tenant is qualified to do business in the State in which the Leased Premises are located, that Tenant has the full right and legal authority to enter into this Lease, and that each individual executing this Lease on behalf of Tenant is duly authorized to execute and deliver this Lease on behalf of Tenant in accordance with its terms. Tenant shall, within three (3) business days after the later of (i) the execution of this Lease and (ii) the satisfaction of the Adjacent Property Condition (as defined in Paragraph 16.6 of the Building F and H Lease), deliver to Landlord a certified copy of the resolution of its board of directors (if a corporation), members and manager(s) (if a limited

liability company), or partners (if a limited partnership), authorizing or ratifying the execution of this Lease.

14.2 Brokerage Commissions.

(a) Tenant represents, warrants and agrees that it has not had any dealings with any real estate broker(s), leasing agent(s), finder(s) or salesmen, other than the Brokers (as named in Article 1) with respect to the lease by it of the Leased Premises pursuant to this Lease, and that it will indemnify, defend with competent counsel, and hold Landlord harmless from any liability for the payment of any real estate brokerage commissions, leasing commissions or finder's fees claimed by any other real estate broker(s), leasing agent(s), finder(s), or salesmen to be earned or due and payable by reason of Tenant's agreement or promise (implied or otherwise) to pay (or to have Landlord pay) such a commission or finder's fee by reason of its leasing the Leased Premises pursuant to this Lease.

(b) Landlord represents, warrants and agrees that it has not had any dealings with any real estate broker(s), leasing agent(s), finder(s) or salesmen, other than the Brokers (as named in Article 1) with respect to the lease by it of the Leased Premises pursuant to this Lease, and that it will indemnify, defend with competent counsel, and hold Tenant harmless from any liability for the payment of any real estate brokerage commissions, leasing commissions or finder's fees claimed by any other real estate broker(s), leasing agent(s), finder(s), or salesmen to be earned or due and payable by reason of Landlord's agreement or promise (implied or otherwise) to pay (or to have Tenant pay) such a commission or finder's fee by reason of its leasing the Leased Premises pursuant to this Lease.

(c) Landlord shall be responsible for payment to Landlord's Broker of a commission only if, as, and when the same is becomes due and payable pursuant to that Exclusive Leasing Agreement dated January 31, 2013, between Landlord and Landlord's Broker (the "Listing Broker Agreement").

(d) Landlord shall be responsible for payment to Tenant's Broker of a commission only if, as, and when the same becomes due and payable pursuant to that certain letter agreement dated April 3, 2015 between Landlord and Tenant's Broker (the "Procuring Broker Agreement").

(e) Notwithstanding any provision of this Lease to the contrary, Landlord is not obligated to pay any leasing commission or compensation of any kind or type in connection with an extension of the term of this Lease, an expansion of the Leased Premises, a lease or sublease of any other premises leased by Tenant pursuant to any right of first offer or right of first refusal or other similar right granted to Tenant, unless such obligation is set forth in the Listing Broker Agreement or the Procuring Broker Agreement, as applicable.

14.3 Entire Agreement. This Lease and the Exhibits (as described in Article 1), which Exhibits are by this reference incorporated herein, constitute the entire agreement between the parties, and there are no other agreements, understandings or representations between the parties relating to the lease by Landlord of the Leased Premises to Tenant, except as expressed herein.

No subsequent changes, modifications or additions to this Lease shall be binding upon the parties unless in writing and signed by both Landlord and Tenant.

14.4 Landlord's Representations. Tenant acknowledges that neither Landlord nor any of its agents made any representations or warranties respecting the Property, the Building or the Leased Premises, upon which Tenant relied in entering into the Lease, which are not expressly set forth in this Lease. Tenant further acknowledges that neither Landlord nor any of its agents made any representations as to (i) whether the Leased Premises may be used for Tenant's intended use under existing Law, or (ii) the suitability of the Leased Premises for the conduct of Tenant's business, or (iii) the exact square footage of the Leased Premises or the Building, and that Tenant relies solely upon its own investigations with respect to such matters. Tenant expressly waives any and all claims for damage by reason of any statement, representation, warranty, promise or other agreement of Landlord or Landlord's agent(s), if any, not contained in this Lease or in any Exhibit attached hereto.

ARTICLE 15 OPTIONS TO EXTEND

15.1 Options to Extend. So long as Tenant is leasing the entirety of Building F, Building H, and Building E, and subject to the conditions set forth below, Tenant shall have three (3) options to extend the term of this Lease, the Building F and H Lease, and, if applicable, the Building G Lease, the first for a period of six (6) years from the expiration of the initial, unextended Lease Term (the "First Extension Period"), the second (the "Second Extension Period") for a period of six (6) years from the expiration of the First Extension Period, and the third (the "Third Extension Period") for a period of six (6) years from the expiration of the Second Extension Period, subject to the following conditions:

(a) Each option to extend shall be exercised, if at all, by notice of exercise given to Landlord by Tenant not more than twelve (12) months nor less than nine (9) months prior to the expiration of the initial, unextended Lease Term or the expiration of the First Extension Period or the Second Extension Period, as applicable;

(b) Tenant shall not have the right to extend the term of this Lease without extending the term of the Building F and H Lease.

(c) Anything herein to the contrary notwithstanding, if Tenant is in default under any of the terms, covenants or conditions of this Lease or the Building F and H Lease beyond applicable notice and cure period, if any, expressly set forth in this Lease, at the time Tenant exercises any extension option, Landlord shall have, in addition to all of Landlord's other rights and remedies provided in this Lease, the right to terminate such option(s) to extend upon notice to Tenant. For the avoidance of confusion, the foregoing shall not be read to prevent Tenant from curing the applicable default and then exercising the applicable option to extend once the default is cured if such cure is completed within the applicable cure period, if any, expressly set forth in this Lease.

15.2 Fair Market Rent. In the event the applicable option is exercised in a timely fashion, the Lease shall be extended for the term of the applicable extension period upon all of

the terms and conditions of this Lease, provided that the Base Monthly Rent applicable to each extension period shall be the sum of (a) Tenant's Amortization Payment, plus (b) 95% of the "Fair Market Rent" for the Leased Premises. For purposes hereof, "Fair Market Rent" shall mean the initial Base Monthly Rent for each extension period and any escalations thereto, as determined with reference to the then-prevailing rates for recently negotiated direct leases (i.e., not subleases) in comparable buildings in the cities of Santa Clara or Sunnyvale and taking into account that this will be a lease renewal rather than a lease origination (but not taking into account Tenant's furniture, fixtures, or equipment, or any tenant improvements made by Tenant at its sole cost), pursuant to the process described below. No leasing commissions shall be due or payable to any broker retained by Tenant with regard to this Lease for any extension period except (if at all) to the extent set forth in a separate written agreement with Tenant's broker.

15.3 Tenant's Election. Within thirty (30) days after receipt of Tenant's notice of exercise, Landlord shall notify Tenant in writing of Landlord's estimate of the Base Monthly Rent for the applicable extension period, based on the provisions of Paragraph 15.2 above. Within thirty (30) days after receipt of such notice from Landlord, Tenant shall have the right to (i) accept Landlord's statement of Base Monthly Rent as the Base Monthly Rent for the applicable extension period; or (ii) elect to arbitrate Landlord's estimate of Fair Market Rent, such arbitration to be conducted pursuant to the provisions hereof or (iii) withdraw its exercise of the extension option. Failure on the part of Tenant to require arbitration of Fair Market Rent or withdraw its exercise of the extension option within such thirty (30) day period shall constitute acceptance of the Base Monthly Rent for the applicable extension period as calculated by Landlord. If Tenant elects arbitration, the arbitration shall be concluded within ninety (90) days after the date of Tenant's election, subject to extension for an additional thirty (30) day period if a third arbitrator is required and does not act in a timely manner. To the extent that arbitration has not been completed prior to the expiration of any preceding period for which Base Monthly Rent has been determined, Tenant shall pay Base Monthly Rent at the rate calculated by Landlord, with the potential for an adjustment to be made once Fair Market Rent is ultimately determined by arbitration.

15.4 Rent Arbitration. In the event of arbitration, the judgment or the award rendered in any such arbitration may be entered in any court having jurisdiction and shall be final and binding between the parties. The arbitration shall be conducted and determined in the City and County of Santa Clara in accordance with the then prevailing rules of JAMS or its successor for arbitration of commercial disputes except to the extent that the procedures mandated by such rules shall be modified as follows:

(a) Tenant shall make demand for arbitration in writing within thirty (30) days after service of Landlord's determination of Fair Market Rent given under Paragraph 15.3 above, specifying therein the name and address of the person to act as the arbitrator on its behalf. The arbitrator shall be qualified as a real estate appraiser familiar with the Fair Market Rent of comparable buildings in the Santa Clara area who would qualify as an expert witness over objection to give opinion testimony addressed to the issue in a court of competent jurisdiction. Failure on the part of Tenant to make a proper demand in a timely manner for such arbitration shall constitute a waiver of the right thereto. Within fifteen (15) days after the service of the demand for arbitration, Landlord shall give notice to Tenant, specifying the name and address of

the person designated by Landlord to act as arbitrator on its behalf who shall be similarly qualified. If Landlord fails to notify Tenant of the appointment of its arbitrator, within or by the time above specified, then the arbitrator appointed by Tenant shall be the arbitrator to determine the issue.

(b) In the event that two arbitrators are chosen pursuant to Paragraph 15.4(a) above, the arbitrators so chosen shall, within fifteen (15) days after the second arbitrator is appointed determine the Fair Market Rent. If the two arbitrators shall be unable to agree upon a determination of Fair Market Rent within such fifteen (15) day period, they, themselves, shall appoint a third arbitrator, who shall be a competent and impartial person with qualifications similar to those required of the first two arbitrators pursuant to Paragraph 15.4(a). In the event they are unable to agree upon such appointment within seven (7) days after expiration of such fifteen (15) day period, the third arbitrator shall be selected by the parties themselves, if they can agree thereon, within a further period of fifteen (15) days. If the parties do not so agree, then either party, on behalf of both, may request appointment of such a qualified person by the then Presiding Judge of the California Superior Court having jurisdiction over the County of Santa Clara, and the other party shall not raise any question as to such Judge's full power and jurisdiction to entertain the application for and make the appointment. The three arbitrators shall decide the dispute if it has not previously been resolved by following the procedure set forth below.

(c) Where an issue cannot be resolved by agreement between the two arbitrators selected by Landlord and Tenant or settlement between the parties during the course of arbitration, the issue shall be resolved by the three arbitrators within fifteen (15) days of the appointment of the third arbitrator in accordance with the following procedure. The arbitrator selected by each of the parties shall state in writing his determination of the Fair Market Rent supported by the reasons therefor with counterpart copies to each party. The arbitrators shall arrange for a simultaneous exchange of such proposed resolutions. The role of the third arbitrator shall be to select which of the two proposed resolutions most closely approximates his determination of Fair Market Rent. The third arbitrator shall have no right to propose a middle ground or any modification of either of the two proposed resolutions. The resolution he chooses as most closely approximating his determination shall constitute the decision of the arbitrators and be final and binding upon the parties.

(d) In the event of a failure, refusal or inability of any arbitrator to act, his successor shall be appointed by him, but in the case of the third arbitrator, his successor shall be appointed in the same manner as provided for appointment of the third arbitrator. The arbitrators shall decide the issue within fifteen (15) days after the appointment of the third arbitrator. Any decision in which the arbitrator appointed by Landlord and the arbitrator appointed by Tenant concur shall be binding and conclusive upon the parties. Each party shall pay the fee and expenses of its respective arbitrator and both shall share the fee and expenses of the third arbitrator, if any, and the attorneys' fees and expenses of counsel for the respective parties and of witnesses shall be paid by the respective party engaging such counsel or calling such witnesses.

(e) The arbitrators shall have the right to consult experts and competent authorities to obtain factual information or evidence pertaining to a determination of Fair Market

Rent, but any such consultation shall be made in the presence of both parties with full right on their part to cross examine. The arbitrators shall render their decision and award in writing with counterpart copies to each party. The arbitrators shall have no power to modify the provisions of this Lease.

ARTICLE 16
EXPANSION RIGHT; RIGHT OF FIRST OFFER TO LEASE;
RIGHT OF FIRST OFFER TO PURCHASE; RIGHT OF FIRST
REFUSAL TO PURCHASE

16.1 Acknowledgment and Agreement. Landlord and Tenant hereby acknowledge their rights and obligations set forth in Article 16 of the Building F and H Lease, and agree that a default by Landlord under Article 16 of the Building F and H Lease shall be a default by Landlord under this Lease, subject, however, to Paragraph 16.7 of the Building F and H Lease and Paragraph 16.2 below.

16.2 Sale. If any property in the Project is sold or conveyed by Landlord to a third party, and provided that Landlord has complied with Paragraphs 16.4 and 16.5 of the Building F and H Lease to the extent they are applicable, and such third party assumes Landlord's obligations under Article 16 of the Building F and H Lease as it applies to the parcel in the Project being acquired by such third party, then Landlord shall have no further liability to Tenant, and Tenant shall have no rights or remedies against Landlord, under the Building F and H Lease or this Lease with respect to such property so sold or conveyed.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the respective dates below set forth with the intent to be legally bound thereby as of the Effective Date of this Lease first above set forth.

TENANT:

PALO ALTO NETWORKS, INC.,
a Delaware corporation

Dated: May 28, 2015 By: /s/ MARK D. MCLAUGHLIN
Printed Name: President and CEO
Title: President

Dated: May 28, 2015 By: /s/ STEFFAN TOMLINSON
Printed Name: Chief Financial Officer
Title: Chief Financial Officer

LANDLORD:

SANTA CLARA CAMPUS PROPERTY OWNER I LLC, a Delaware limited liability company

By: Santa Clara Campus Partners LLC,
a Delaware limited liability company,
its Sole Member

By: Menlo Equities Development Company IX LLC, a California limited liability
company,
its Manager

By: Menlo Equities V LLC,
a California limited liability company, its Manager

By: Menlo Legacy Holdings L.P.,
a California limited partnership, its Managing Member

Dated: May 28, 2015 By: /s/ HENRY D. BULLOCK

Henry D. Bullock, President

EXHIBIT A-1

PARCEL MAP

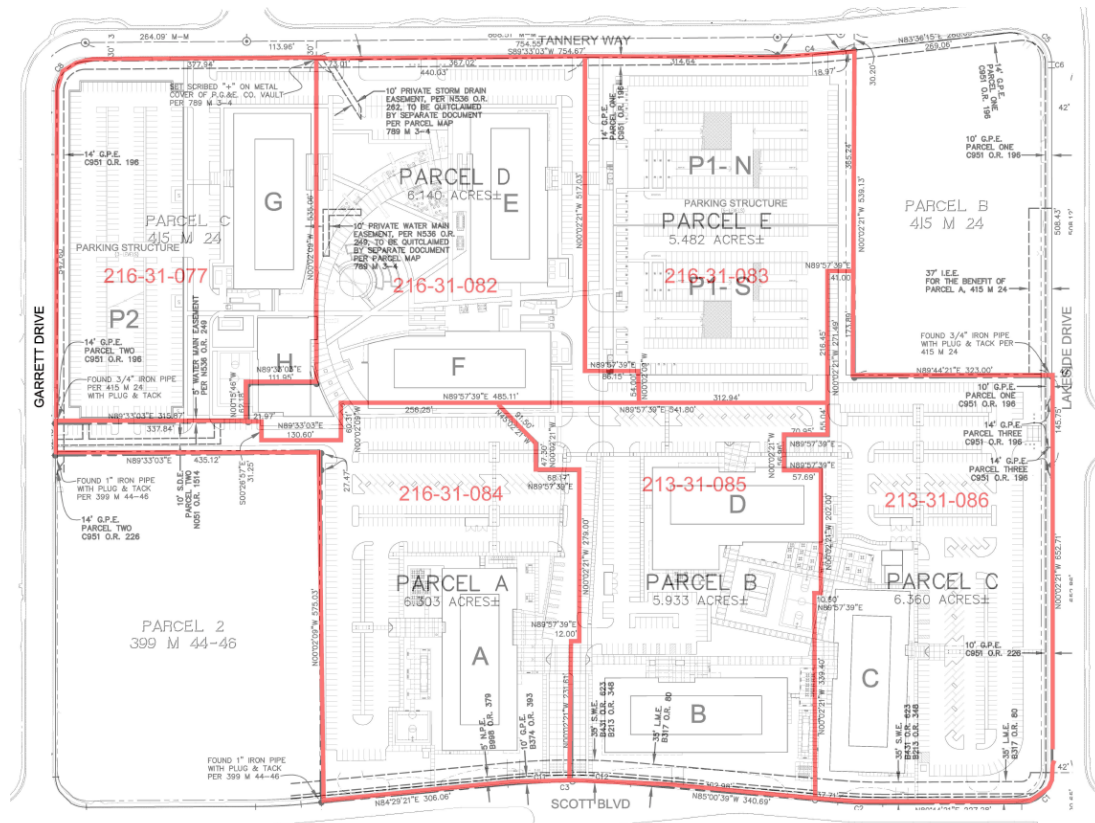


Exhibit A

EXHIBIT A-2

SITE PLAN

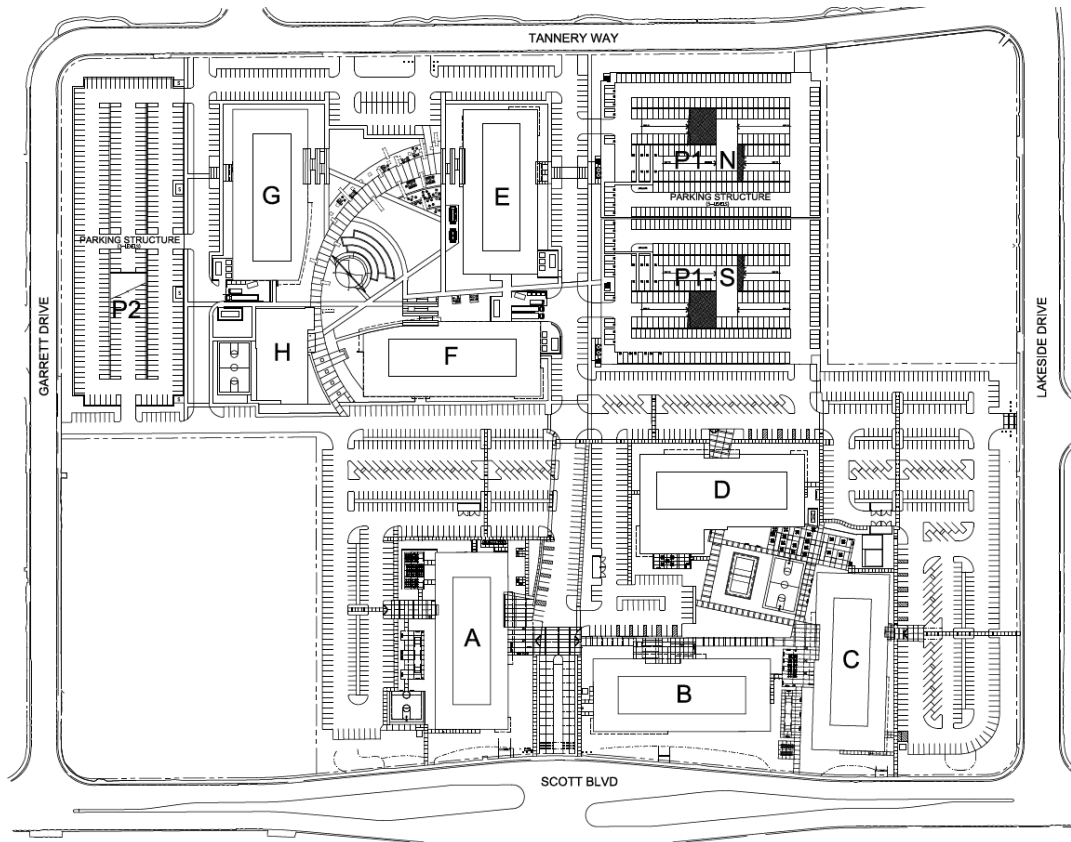


Exhibit A

EXHIBIT A-3
TARGET PARCEL MAP



Exhibit A

EXHIBIT A-4

EXCLUSIVE USE AREAS

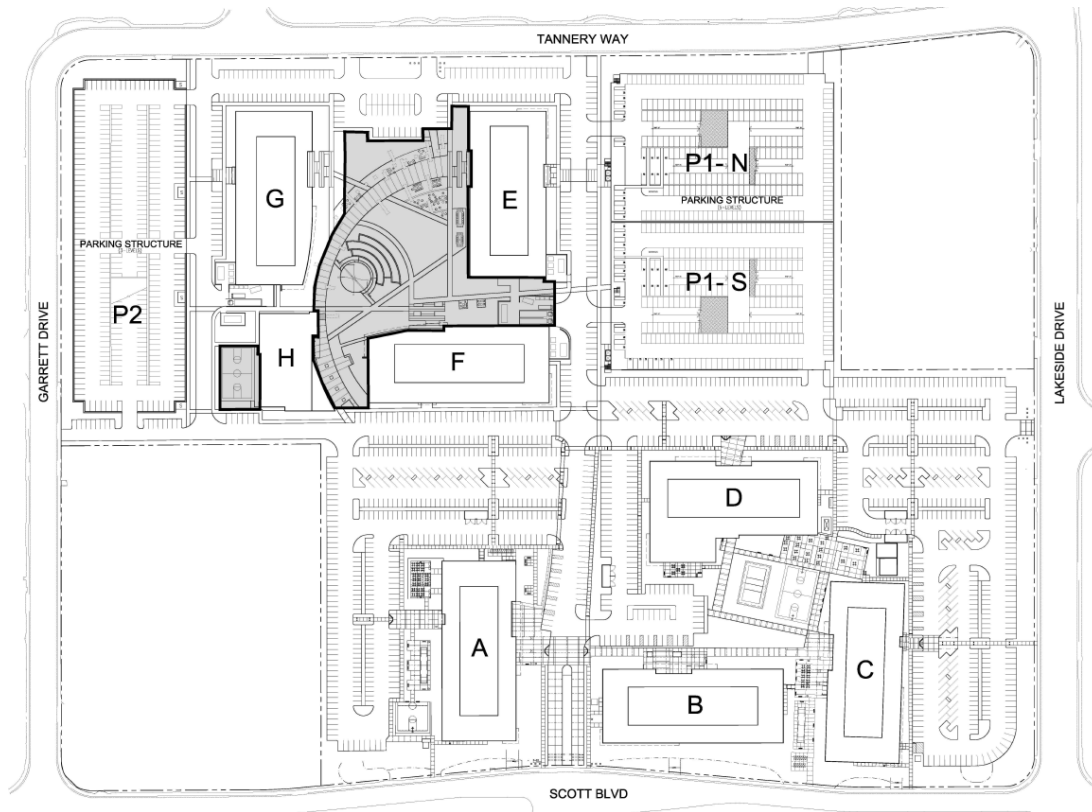


Exhibit A

EXHIBIT A-5
BICYCLE STORAGE AREA

Exhibit A

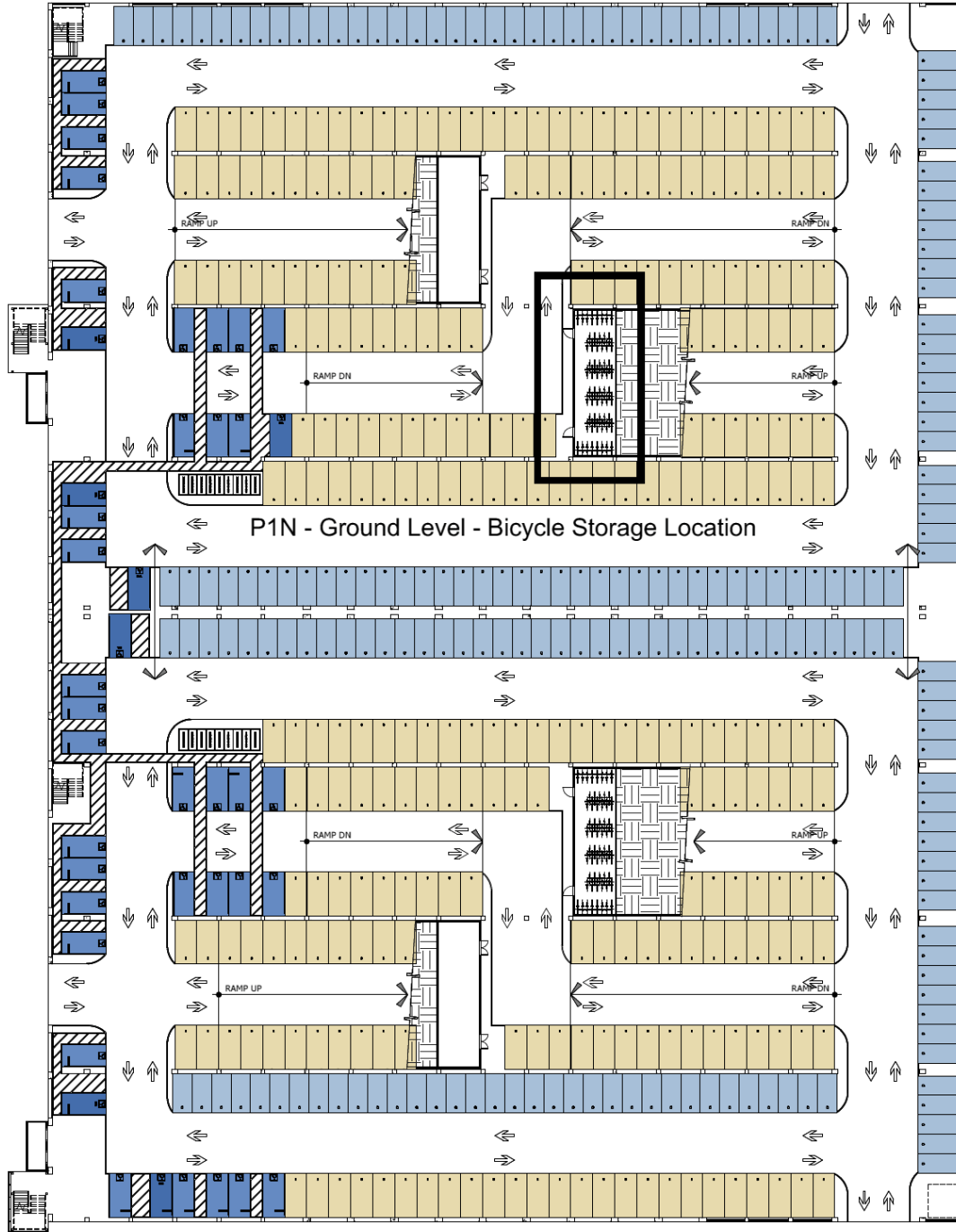


Exhibit A

EXHIBIT A-6
PAN VISITOR PARKING SPACES

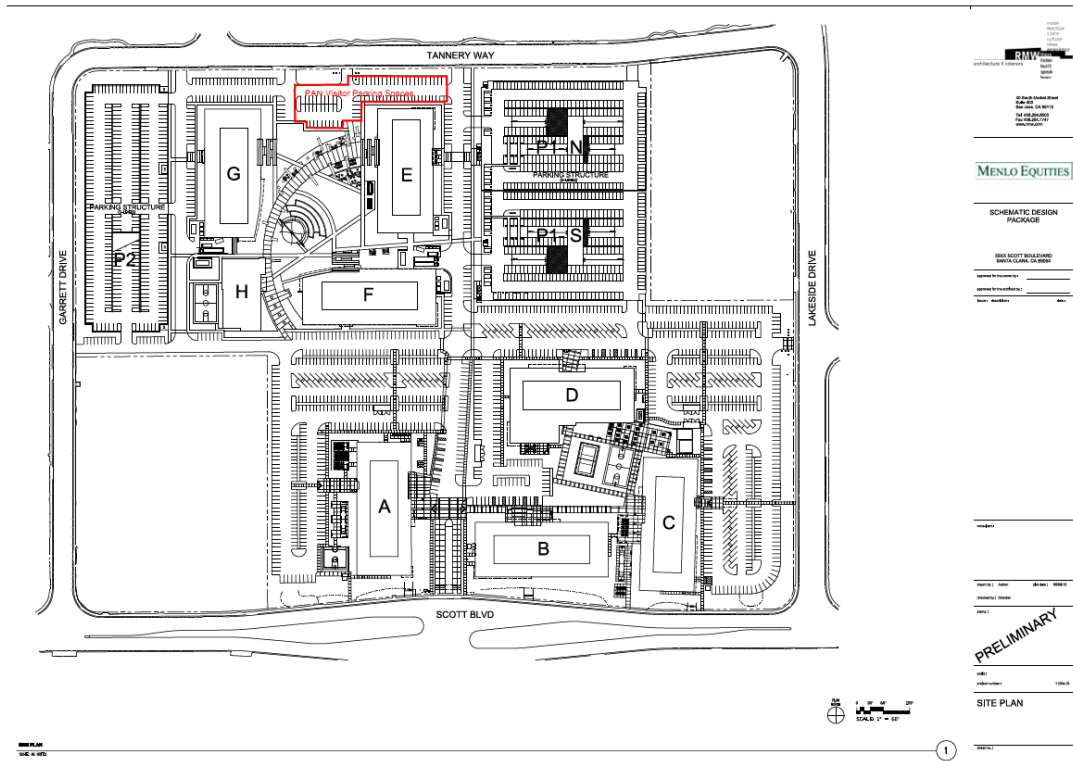
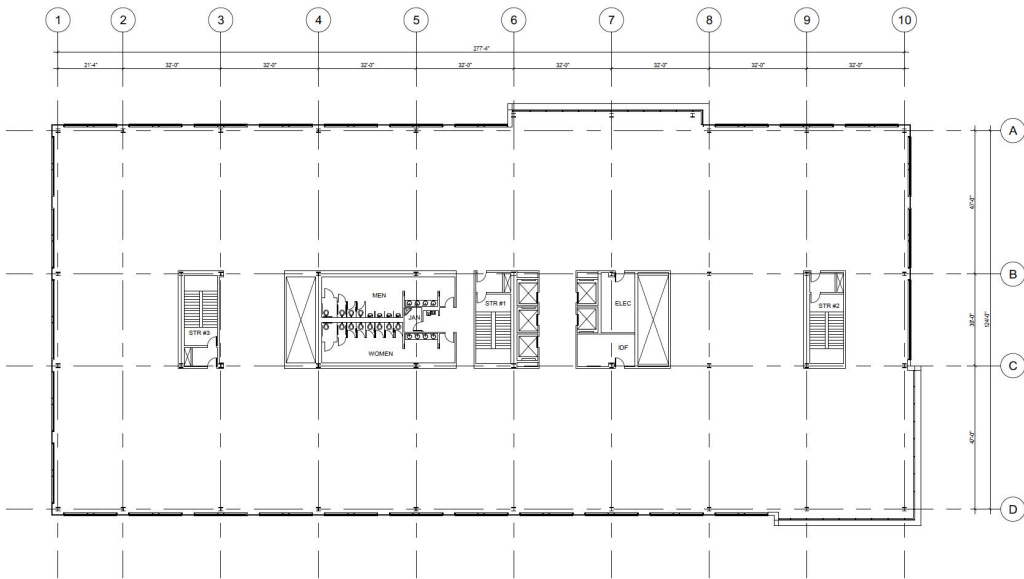


Exhibit A

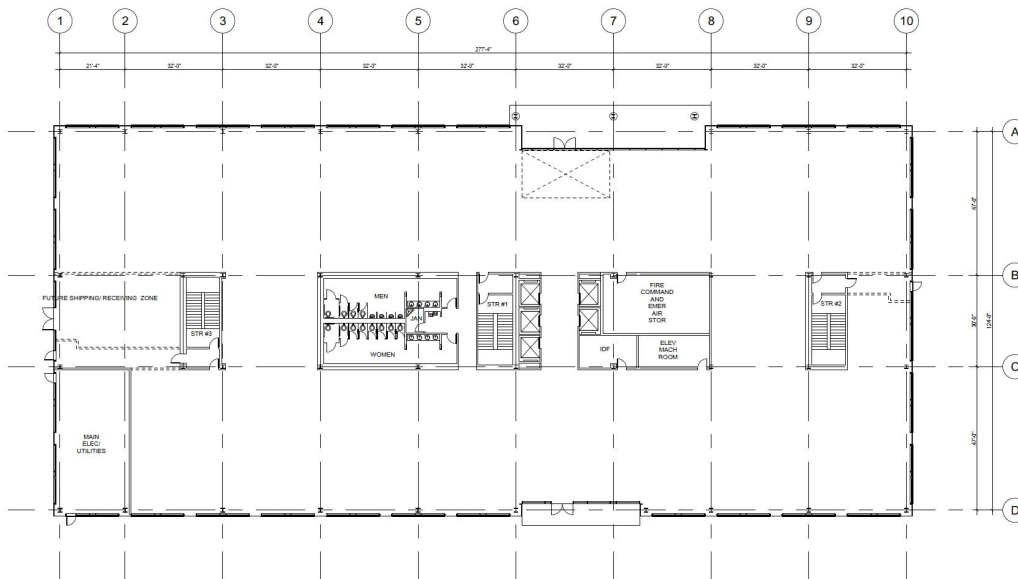
EXHIBIT B

FLOOR PLAN



3RD - 8TH FLOOR PLANS - BUILDING E
1/16" = 1'-0"

2



1ST FLOOR PLAN (2ND FLOOR SIM) - BUILDING E
1/16" = 1'-0"

1

EXHIBIT C

WORK LETTER

THIS TENANT WORK LETTER (“Work Letter”) sets forth the agreement of Landlord and Tenant with respect to the improvements to be constructed in the Leased Premises, as defined in the Lease to which this Work Letter is attached as an exhibit. In the event of any inconsistency between the terms of this Work Letter and the terms of the Lease, the terms of the Lease shall control. All defined terms used herein shall have the meanings set forth in the Lease, unless otherwise defined in this Work Letter.

1. Landlord’s Work.

(a) Landlord will construct the base building warm shell of Building E, which shall be an eight-story, steel frame building containing the components listed on Exhibit A-1 attached hereto, and including the improvements to the Common Areas (including the Exclusive Use Area) shown on such exhibit(the “Warm Shell Components”), substantially in accordance with the plans for the Building which are being developed by Landlord (based on the rendered plans which are listed on Exhibit A-2 attached hereto) and the Site Plan (such plans and Site Plan are subject to adjustment by Landlord and approval, and changes if any are required, by the City), and in compliance with all Laws applicable thereto on the date the Building is substantially completed by Landlord (the “Landlord’s Work”). Such plans, prior to approval by the City are defined herein as the “Interim Base Building Plans” and, after approval by the City are defined herein as the “Final Base Building Plans.” The exterior architecture of Building E shall be comparable to Building C with regard to materials and color, but shall consist of eight (8) stories. Landlord shall provide Tenant’s architect with a CAD file of the Final Base Building Plans within three (3) business days after the same have been upon submittal of same to the City of Santa Clara Building Department (the “Submittal Date”).

(b) Landlord will deliver drafts of the Interim Base Building Plans to Tenant as the same are developed and revised, within three (3) business days after each revision set is completed. In addition, Landlord shall use reasonable efforts to provide Tenant with copies of other material submissions to the City of Santa Clara and to keep Tenant informed of material discussions and correspondence with the City and other relevant governmental authorities. Tenant shall have the right to approve any material changes to the Interim Base Building Plans, unless the same are required solely by the City of Santa Clara.

(c) In the event it is determined that Landlord’s Work has not been completed in accordance with the requirements of this Work Letter, Landlord agrees to correct (or to cause Landlord’s contractor to correct) Landlord’s Work as necessary with the result that that Landlord’s Work will have been completed in accordance with the requirements of this Work Letter (and the foregoing shall also apply to work required due to a governmental agency requiring remediation of any Hazardous Materials on or about the Property not released by Tenant or any of the Tenant Parties).

2. Tenant Improvements. Tenant shall be permitted to construct, furnish or install all improvements that are necessary for the use and occupancy of the entirety of the Leased

Premises (collectively, the “Tenant Improvements”). Tenant will engage a consultant reasonably approved by Landlord to manage the design and construction of the Tenant Improvements (“Tenant Improvement Project Manager”). Tenant shall cause all drawings and specifications for the Tenant Improvements to be prepared by an architect selected by Tenant and reasonably approved by Landlord (“Tenant Improvement Architect”) and to be constructed by a general contractor licensed in California, selected by Tenant, and reasonably approved by Landlord (“Tenant Improvement Contractor”). Without limiting Tenant’s right to propose others, Landlord hereby approves the general contractors, architects and project managers listed on Schedule 1 to this Work Letter. Landlord’s prior written consent, which shall not be unreasonably withheld, shall be required if Tenant desires to change its Tenant Improvement Architect, Tenant Improvement Contractor or Tenant Improvement Project Manager. Tenant shall furnish to Landlord a copy of the executed contracts between Tenant and Tenant Improvement Architect, and Tenant and Tenant Improvement Contractor, covering all of Tenant’s obligations under this Work Letter.

The Tenant Improvements shall be in conformity with drawings and specifications submitted to and approved by Landlord, which approval shall not be unreasonably withheld or delayed, and shall be performed in accordance with the following provisions:

Tenant Improvement Space Plans: Tenant shall prepare and submit to Landlord for its approval Tenant Improvement space plans (the “Tenant Improvement Space Plans”). Within five (5) business days after receipt of Tenant’s drawings Landlord shall return one set of prints thereof with Landlord’s approval and/or suggested modifications noted thereon. If Landlord has approved Tenant’s drawings subject to modifications, such modifications shall be deemed to be acceptable to and approved by Tenant unless Tenant shall prepare and resubmit revised drawings for further consideration by Landlord. If Landlord has suggested modifications without approving Tenant’s drawings Tenant shall prepare and resubmit revised drawings within five (5) business days for consideration by Landlord. All revised drawings shall be submitted, with changes highlighted, to Landlord within five (5) business days following Landlord’s return to Tenant of the drawings originally submitted, and Landlord shall approve or disapprove such revised drawings within five (5) business days following receipt of the same. Landlord shall be provided with a copy of Tenant’s preliminary floor plan and associated CAD files as a condition to receiving reimbursement.

Tenant Improvement Design Development Plans: Tenant shall prepare and submit to Landlord for its approval Tenant Improvement design development plans (“Tenant Improvement Design Development Plans”). Within five (5) business days after receipt of Tenant’s drawings Landlord shall return one set of prints thereof with Landlord’s approval and/or suggested modifications noted thereon. If Landlord has approved Tenant’s drawings subject to modifications, such modifications shall be deemed to be acceptable to and approved by Tenant unless Tenant shall prepare and resubmit revised drawings for further consideration by Landlord. If Landlord has suggested modifications without approving Tenant’s drawings Tenant shall prepare and resubmit revised drawings within five (5) business days for consideration by Landlord. All revised drawings shall be submitted, with changes highlighted, to Landlord within five (5) business days

following Landlord's return to Tenant of the drawings originally submitted, and Landlord shall approve or disapprove such revised drawings within five (5) business days following receipt of the same.

Tenant Improvement Working Drawings: Tenant shall prepare and submit to Landlord for its approval Tenant Improvement working drawings ("Tenant Improvement Working Drawings") including mechanical, electrical, and plumbing plans ("MEP"). Within five (5) business days after receipt of Tenant's drawings Landlord shall return one set of prints thereof with Landlord's approval and/or suggested modifications noted thereon. If Landlord has approved Tenant's drawings subject to modifications, such modifications shall be deemed to be acceptable to and approved by Tenant unless Tenant shall prepare and resubmit revised drawings for further consideration by Landlord. If Landlord has suggested modifications without approving Tenant's drawings Tenant shall prepare and resubmit revised drawings within seven (7) business days for consideration by Landlord. All revised drawings shall be submitted, with changes highlighted, to Landlord within seven (7) business days following Landlord's return to Tenant of the drawings originally submitted, and Landlord shall approve or disapprove such revised drawings within five (5) business days following receipt of the same.

Final Tenant Improvement Plans: Tenant shall submit the approved Tenant Improvement Working Drawings to the Santa Clara Building Department for a Tenant Improvement building permit prior to the commencement of such work. The Tenant Improvement Working Drawings as modified by the City are defined herein as the "Final Tenant Improvement Plans." Prior to commencing construction, Tenant shall deliver to Landlord a copy of the City of Santa Clara building permit for the Final Tenant Improvement Plans.

Tenant shall have the right to install a key card security system for the exterior doors of the Building and in the elevator cabs, subject to Landlord's approval over the plans and specifications therefor as set forth below. Tenant shall have the right, but not the obligation, to achieve LEED Silver, Gold or Platinum for the Tenant Improvements. In addition, Tenant, at Tenant's sole discretion, may elect not to achieve any LEED certification.

Any material changes to the Final Tenant Improvement Plans shall be subject to Landlord's prior written approval, which shall not be unreasonably withheld or delayed. Only new materials or other materials of good quality (such as recycled or reclaimed materials) shall be used in the construction of the Tenant Improvements, except with the written consent of Landlord, which consent shall not be unreasonably withheld.

Tenant acknowledges that it will engage the Tenant Improvement Architect, the Tenant Improvement Project Manager, and the Tenant Improvement Contractor, and Landlord shall not be liable for the actions and omissions of Tenant's architects, engineers, contractors, and project/construction managers. Landlord's approval of any of Tenant's architects, engineers or project/construction managers and of any documents prepared by any of them shall not be for the benefit of Tenant or any third party, and Landlord shall have no duty to Tenant or to any third parties for the actions or omissions of Tenant's architects, engineers or project/construction managers.

The Tenant Improvements shall be constructed by Tenant Improvement Contractor in accordance with the Final Tenant Improvement Plans, in compliance with all of the terms and conditions of this Work Letter and the Lease, and with all applicable Laws and Restrictions. Tenant or the Tenant Improvement Contractor shall obtain a builder's risk policy of insurance in an amount and form and issued by a carrier reasonably satisfactory to Landlord, and its subcontractors shall carry worker's compensation insurance for their employees as required by law. The builder's risk policy of insurance shall name Landlord as an additional insured and shall not be cancelled without at least thirty (30) days' prior written notice to Landlord.

Tenant shall notify Landlord of its intention to commence construction ten (10) days prior to commencement and shall again notify Landlord of actual commencement within one (1) business day thereafter. Landlord shall have the right to post in a conspicuous location on the Building or the Leased Premises, as well as record with the County of Santa Clara, a Notice of Nonresponsibility. Tenant shall provide Landlord with a copy of the City of Santa Clara building permit allowing for the construction of the Final Tenant Improvement Plans prior to commencement of construction of the Tenant Improvements.

All work to be performed inside or outside of the Building shall be coordinated with Landlord. Tenant and the Tenant Improvement Contractor shall conduct their work and employ labor in such manner as to maintain harmonious labor relations, and Landlord and Tenant shall reasonably cooperate with each other with respect to securing their respective entitlements/building permits and avoiding interfering with each other's respective work.

Tenant shall submit to Landlord on or before the Lease Commencement Date (as defined in the Lease) a Certificate of Substantial Completion, AIA Document G704, by its Tenant Improvement Architect for the Final Tenant Improvement Plans, a copy of all final inspection cards for the Tenant Improvements signed by the appropriate City of Santa Clara inspector and the Temporary Certificate of Occupancy from the City of Santa Clara.

Tenant shall submit to Landlord two CDs containing copies of all Tenant Improvement as-built plans and specifications (including but not limited to final as-built design-build mechanical, electrical, and plumbing plans), warranties, and operating manuals covering all of the work in the Final Tenant Improvement Plans.

Any minor work required for Tenant's occupancy of the Leased Premises but not included in the Final Tenant Improvement Plans such as the procurement and installation of furniture, fixtures, equipment, interior artwork and signage, shall not require Landlord approval but shall be installed in a good and workmanlike manner by Tenant.

3. Project Costs. The costs and expenses of the development and construction of the Landlord's Work and the Tenant Improvements ("Project Costs") shall be paid in accordance with this Paragraph 3.

(a) Landlord's Work. The costs and expenses of the development and construction of the Landlord's Work shall be paid by Landlord.

(b) Tenant Improvements. Unless specified otherwise herein, Tenant shall bear and pay the cost of the Tenant Improvements (which cost shall include, without limitation, the costs of construction as provided for in the Tenant Improvement Contractor's contract, the cost of permits, and all architectural, design, space planning, and engineering services obtained by Tenant in connection with Tenant Improvements, office improvements, wiring and cabling costs, and cubicle costs; provided that so long as Tenant is not in monetary or material non-monetary default under the Lease with respect to which it has received written notice from Landlord, Landlord shall contribute a maximum of \$60 per rentable square foot, for an aggregate maximum of \$17,400,000⁴ (the "Tenant Improvement Allowance"), which shall be utilized only for improvements to the Building, and for any related "soft costs," including but not limited to design fees, consulting fees for audio/visual, cabling, telephone, security and computer systems; mechanical/electrical engineers' fees; and construction management (the "TI Costs"). The foregoing shall not be read to prevent Tenant from curing the applicable default and then being entitled to the applicable disbursement(s) once the default is cured if such cure is completed within the applicable cure period, if any, expressly set forth in this Work Letter or the Lease. The Tenant Improvement Allowance shall be available to Tenant only until October 31, 2018 (the "TI Allowance Deadline"). Landlord shall have no further obligation to make disbursements of the Tenant Improvement Allowance with respect to requests for disbursements made by Tenant after the TI Allowance Deadline; provided, however, that Landlord will remain obligated to honor requests for disbursement properly made by Tenant prior to the TI Allowance Deadline. There shall be no construction management fee or architectural review fee charged by Landlord in connection with the Tenant Improvements. Subject to such deadline:

(i) Not later than the 25th day of each month Tenant may submit applications for payment to Landlord in a form reasonably acceptable to Landlord, including Tenant Improvement Contractor's Application and Certification for Payment AIA G702 certified by Tenant Improvement Architect, certified as correct by an authorized representative of Tenant and by Tenant's architect, for payment of that portion of the TI Costs allocable to the prior month. Each application for payment shall set forth such information and shall be accompanied by such supporting documentation as shall be reasonably requested by Landlord, including the following:

(A) Invoices.

(B) Fully executed conditional lien releases in the form prescribed by law from the Tenant Improvement Contractor and all subcontractors and suppliers furnishing labor or materials during such period and fully executed unconditional lien releases from all such entities covering the prior payment period.

(C) Tenant Improvement Contractor's worksheets showing percentages of completion.

(D) Tenant Improvement Contractor's certification as follows:

⁴ Based on the Leased Premises containing 290,000 rentable square feet, and subject to measurement as described in the "Leased Premises" definition in the Lease, and adjustment.

“There are no known mechanics’ or materialmen’s liens outstanding at the date of this application for payment, all due and payable bills with respect to the Building have been paid to date or shall be paid from the proceeds of this application for payment, and there is no known basis for the filing of any mechanics’ or materialmen’s liens against the Building or the Property, and, to the best of our knowledge, waivers from all subcontractors are valid and constitute an effective waiver of lien under applicable law to the extent of payments that have been made or shall be made concurrently herewith.”

(ii) On or before the 30th day following submission of the application for payment, so long as Tenant is not in default under the terms of this Work Letter or the Leases, Landlord shall pay the amount so requested (but in no event more than \$60 per square foot for the applicable space under construction), provided that at such time as Landlord has paid the entire Tenant Improvement Allowance on account of such Tenant Improvement work, all billings shall be paid entirely by Tenant. Notwithstanding the foregoing, Landlord shall have no obligation to make disbursements of the Tenant Improvement Allowance at any time that Landlord has delivered written notice of a monetary or material non-monetary default under the Lease or this Work Letter by Tenant until such default has been cured. If upon completion of the Tenant Improvement Work and payment in full to the Tenant Improvement Contractor, the architect and engineer, and payment in full of all fees and permits, the portion of the cost of the Tenant Improvement Work, architects’ and engineers’ fees, permits and fees theretofore paid by Landlord is less than the Tenant Improvement Allowance, Landlord shall reimburse Tenant for costs expended by Tenant for Tenant Improvement work up to the amount by which the Tenant Improvement Allowance exceeds the portion of such cost theretofore paid by Landlord. Landlord shall have no obligation to advance the Tenant Improvement Allowance to the extent it exceeds the total cost of the Tenant Improvement Work. In no event shall Landlord have any responsibility for the cost of the Tenant Improvement Work in excess of the Improvement Allowance. Landlord shall have no obligation to make any payments to Tenant Improvement Contractor’s material suppliers or subcontractors or to determine whether amounts due them from Tenant Improvement Contractor in connection with the Tenant Improvement work have, in fact, been paid. The foregoing shall not be read to prevent Tenant from curing the applicable default and then being entitled to the applicable disbursement once the default is cured if such cure is completed within the applicable cure period, if any, expressly set forth in this Work Letter or the Lease.

(c) Test Fit Allowance and Moving Allowance. Landlord shall pay Tenant up to \$46,032⁵ in reimbursement of the reasonable, third party costs incurred by Tenant in the development of the Tenant Improvement Space Plans; such reimbursement(s) shall be paid within 30 days following receipt by Landlord from time to time of reasonable supporting documentation as requested by Landlord. Landlord shall pay Tenant up to \$345,238⁶ in

⁵ Based on the Leased Premises containing 290,000 rentable square feet and the premises leased pursuant to the Building F and H Lease containing 310,000 rentable square feet, and subject to measurement as described in the “Leased Premises” definition in the Lease, and adjustment.

⁶ See footnote no. 5.

reimbursement of the reasonable, third party costs incurred by Tenant in moving to the Leased Premises from other space in the Project and its existing headquarters located at 4301 and 4401 Great America Parkway, Santa Clara, California; such reimbursement(s) shall be paid within 30 days following receipt by Landlord of reasonable supporting documentation as requested by Landlord, or, if later, on the later to occur of the Lease Commencement Date or the date Tenant has completed its move.

(e) Evidence of Completion of Improvement Work. Upon the completion of the Improvement Work, Tenant shall:

(i) Submit to Landlord a detailed breakdown of Tenant's final and total construction costs, together with receipted evidence showing payment thereof, satisfactory to Landlord.

(ii) Submit to Landlord all evidence reasonably available from governmental authorities showing compliance with any and all other laws, orders and regulations of any and all governmental authorities having jurisdiction over the Building, including, without limitation, authorization for physical occupancy of the Building.

(iii) Submit to Landlord the as-built plans and specifications referred to above.

4. Tenant's Contracts with Architect, Contractor, etc. Tenant agrees to cause its contracts with Tenant Improvement Contractor, the Tenant Improvement Architect, the Tenant Improvement Project Manager, and any other of Tenant's consultants, subcontractors, agents, etc., relating to the Tenant Improvements, to include provisions the effect of which is that the warranties and indemnities in favor of Tenant set forth in such contracts shall name Landlord as an intended beneficiary.

5. Tenant Delay. For the purposes of this Work Letter and the Lease, "Tenant Delay" means any actual delay in any of (a) Substantial Completion of the Landlord Work, or (b) achievement of the Required Delivery Condition, or (c) achievement any of the milestones listed in Paragraph 2.8 of the Lease, in each of cases (a) through (c) beyond the dates specified therefor set forth in Article 2 of the Lease, resulting from either: (i) Tenant's failure to fulfill its obligation with respect to provide either documents or approvals within the time periods specified therefor herein, (ii) any change orders requested by Tenant, (iii) an act or omission of Tenant or any Tenant Parties which interferes with the progress of construction of the Building. In the event of any Tenant Delay the date upon which Substantial Completion of the Landlord's Work, completion of the Warm Shell Components and Exclusive Use Areas in the Required Delivery Condition, or achievement of an affected milestone, is deemed to have occurred shall be advanced by the cumulative duration of such Tenant Delays, and the Delivery Date shall be deemed to have occurred in advance of the actual delivery date as a sole and direct result of the cumulative duration of such Tenant Delays. A Tenant Delay shall not be deemed to have commenced until Landlord has provided written notice to Tenant that a Tenant Delay is occurring. With respect to any changes to the Warm Shell Components requested by Tenant, Landlord hereby notifies Tenant that such request will result in a Tenant Delay, and Tenant agrees that this notice satisfies the requirement for written notice set forth in the previous sentence.

6. Landlord Delay. A "Landlord Delay" means any actual delay in the permitting, construction or completion of the Tenant Improvements or equipment to be installed by Tenant which actually and directly delays Substantial Completion of the Tenant Improvements beyond the date set forth in Paragraph 2.4(c) of the Lease (as such date may be extended pursuant to Paragraph 2.4(c) of the Lease), which (a) is not caused by Force Majeure, and (b) is caused by (i) Landlord's breach of this Work Letter, (ii) Landlord's changes to the Final Base Building Plans as approved by the City of Santa Clara other than as required solely by the City of Santa Clara, (iii) any alterations, improvements or work required due to a governmental agency requiring remediation of any Hazardous Materials on or about the Property not released by Tenant or any of the Tenant Parties, or (iv) any other interference with Tenant's Substantial Completion of the Tenant Improvements or placement of furniture, fixtures or equipment in the Leased Premises caused by acts or omissions of Landlord or its agents or contractors. For the purposes of this Paragraph 6 only, the term "Substantial Completion" means that the Tenant Improvements have been substantially completed pursuant to the details of the Final Tenant Improvement Plans but for punch list items which don't materially and adversely affect Tenant's use of the Leased Premises and a temporary certificate of occupancy for the Leased Premises has been issued by the City of Santa Clara. In the event Landlord Delays occur, the Lease Commencement Date shall be delayed by on day for each day of such Landlord Delays.

7. Offset Right. Landlord acknowledges that if Landlord fails to pay any portion of the Tenant Improvement Allowance as and when it is obligated to do so under this Work Letter, and Landlord thereafter fails to pay such portion of the Tenant Improvement Allowance within thirty (30) days after Landlord's receipt of a written notice from Tenant describing Landlord's failure to pay such portion of the Tenant Improvement Allowance, then Tenant shall be entitled to deduct from Base Monthly Rent payable by Tenant under the Lease, the amount set forth in such written notice from Tenant, but limited each month to an amount not to exceed 40% of each payment of Base Monthly Rent, until fully paid. If, however, Landlord delivers to Tenant, within thirty (30) days after Landlord's receipt of such written notice from Tenant, a written objection to the requested payment setting forth with reasonable particularity Landlord's reasons for its claim that such payment did not have to be made (including, without limitation, the fact that such payment has already been made), then Tenant shall not then be entitled to such deduction from Base Monthly Rent unless and until such dispute is resolved in accordance with the procedures set forth in Paragraph 5.1(b)(iii) of the Lease; provided, however, Tenant shall be entitled to offset any undisputed amounts set forth in the written notice from Tenant (subject to the foregoing 40% limitation) within thirty (30) days after Landlord's receipt of the same.

Exhibit C

EXHIBIT A-1 TO WORK LETTER

The Campus @ 3333 Scott
Landlord's Warm Shell
8-Story Base Building & Core
(Restrooms, Stairwells, HVAC, Elevators, Electrical/MPOE)

GENERAL DESCRIPTION: Landlord's shell and core will comply with all codes and regulations, including fire, building, Title 24 and ADA. Building is to achieve LEED Silver, at minimum.

- The building will be a steel frame structure with glass, metal and thin-shell concrete window wall system similar in design to the existing 4-story buildings on the Site Plan.
- Interior brace frames with exterior moment frames.
- Glass/metal frame entry doors.
- Roof Screen will be incorporated in the overall architectural design and included in the warm shell.
- 15' floor-to-floor clearance on ground floor and 14' on upper floors to allow for an 11'+/- ceiling height on the ground floor and a 10' +/- finished ceiling on the upper floors.
- Three exit stairs.
- 15mil Stego vapor barrier installed under building slabs.
- Ground floor and upper floor elevator lobbies to be completed by Tenant as part of TIs.

CONCRETE FLOORS

- Floor flatness/levelness consistent with ASTM E1155/E 1155M.
- The floors will be designed for structural loading capability that can accommodate the placement of furnishings, fixtures and equipment that is consistent with the needs of a typical office tenant - live load of 100psf. High density loads by Tenant are not anticipated.

EXTERIOR GLASS

- Exterior glass Title 24 compliant, insulated, free from scratches, nicks, cracks, marring and the intrusion of weather.

ELEVATORS

- Five (5) 3,500 lb capacity traction passenger elevators that have a rated speed of 200 fpm will be provided.
- Side/center opening doors with 9'-3" cab finished ceiling height.
- Finished interior cabs, except floors which will be finished by Tenant to match Tenant's ground floor lobby.
- All elevator cars, lobby call lanterns and call buttons in compliance with all codes and regulations.
- No service or freight elevator provided.
- No elevator cars security card readers; part of TIs.

PERIMETER CONDITIONS AND BUILDING CORE (restrooms, elevators, stairwells and electrical rooms)

- Lights, finished walls, ceiling and floor tile provided in restrooms and exit corridors only; lights and unfinished walls in electrical rooms. Toilet exhaust at restrooms included. IT closets are part of TI construction except ground floor MPOE room.
- Exit stairwells with painted walls, finished ceilings, handrails, lights and noise reducing epoxy sealed floors stairs and landings.
- Exposed window wall system. Completed window assembly with painted metal frames.
- Exterior building envelope insulation as per Title 24, roof insulation and firesafing are included. No drywall is included except in the core areas. Core walls are framed, drywalled and fire taped finish.
- Code compliant premium grade finished doors, complete with frame, trim and hardware, installed at all stairwells, toilet rooms and service areas. Finish to be mutually agreed to by Tenant and Landlord.

PERIMETER WINDOW COVERINGS

- Tenant shall install window blinds and/or shades as part of TIs, subject to Landlord approval.

TOILET ROOMS

- Women's and men's toilet rooms designed and constructed in compliance with current code requirements, laws and recommendations for size and quantity, including the Americans with Disabilities Act/Title 24, except that Landlord will provide two additional toilet stalls and one additional sink per restroom. The design and finish shall be mutually approved by Landlord and Tenant and include the following:
 - Water (hot and cold) shall be provided for all toilet rooms.
 - Lavatory counters shall have high quality solid surface tops with recessed lavatories.
 - All faucets shall have auto-sensors.
 - Code required wet walls shall be finished with full height ceramic tile.
 - Includes floor drains.
 - The ceilings shall be painted with semi-gloss paint.
 - Toilet partitions shall be floor mounted; baked enamel or P-lam.
 - Urinal partitions shall be wall mounted.
 - Low flow toilets and urinals shall be wall mounted in all restrooms.
 - Code compliant lighting only.
 - Showers in each ground floor men's and women's restroom.
- All fixtures are porcelain and ADA compliant.
- Accessories include:
 - Recessed seat cover dispenser
 - Recessed paper towel dispenser/waste receptacles
 - Recessed feminine napkin vendor
 - Recessed mounted roll toilet tissue dispensers
 - Handicap grab bar as required by code
 - Lavatory soap dispensers

WASTE WATER AND VENT SYSTEM (PLUMBING)

- One cold water line, two hot water lines, a sanitary waste and vent on every floor for Tenant's use, size to be mutually determined. All plumbing required for TIs, including any break areas, to be installed by Tenant as part of TIs.
- An ADA accessible drinking water refrigerated fountain installed on each floor. Location determined by Tenant, subject to code requirements.
- Domestic water booster pump, if required.

HVAC SYSTEM

- Built-up HVAC system with sufficient capacity for each office building with energy management controls and vertical shafts to each floor as part of the Base Building per Landlord's mechanical engineer's specifications. Supply and exhaust ductwork and air outlets for warm shell "core" areas such as the restrooms also provided.
- Rooftop boiler and hot water line vertically distributed and valved to each floor included.
- Stairwell pressurization fans with vertical distribution as required to meet code.
- Fire/smoke control system inclusive of smoke removal fans, damper and overriding controls at Fire Control room
- Tenant to install all additional exhaust and HVAC systems related to TIs, including connecting to the base building energy management system.

SUPPLEMENTAL and 24 hour HVAC

- Supplied by Tenant in TI construction. Landlord to provide a rooftop equipment pad within Landlord's roof screen area for Tenant's supplemental HVAC units or other equipment.

ELECTRICAL AND POWER SYSTEM

- 12KV Primary service to ground floor electrical room. Service to accommodate tenant's connected loads of 10w/sf in the office areas and 20w/sf in the lab areas, subject to Silicon Valley Power approval.
- Normal power distribution system for office use with vertical bus duct riser feeding lighting and power bus circuit breakers at each floor and rooftop HVAC.
- Emergency distribution system consisting of standby generator, distribution board at ground floor with life safety and legally required automatic transfer switches, distribution boards and feeders.
- Step-down transformers in electrical rooms on all upper floors provided.

- Landlord to provide switchgear and panels in the main electrical room sufficient to distribute power to accommodate the core, landscape lighting, HVAC, elevators and fire alarm.
- Power and lighting per 2013 Title 24 Requirements
- Receptacles provided in the restrooms and exit corridors.
- Downlights and specialty lighting provided in the restrooms and stairs.
- Each building is to be separately metered. Landlord will coordinate with the utility companies to have meter installed at Landlord's cost.
- No Emergency/Backup Power Supply and/or Generators supplied by Landlord for Tenant's use. Landlord to provide conduit from electrical room to a site outside the building for future "Optional Standby" Tenant installed generator if requested by Tenant.
- Emergency supply and exhaust fan service
- Emergency elevator service.
- Emergency fire pump service
- Egress lighting to be internal battery, central inverter or generator fed at landlord's discretion.
- DAS System

FIRE & LIFE SAFETY SYSTEMS

- Major fire line throughout the buildings with sprinkler heads pointing up in unfinished interior space. Complete sprinkler assembly in restrooms and stairwells. Fire monitoring system for base building with core; adequately sized to allow tenant to expand as part of TIs.
- Includes fire pump and water tanks, per code.
- Monitoring provided for sprinklers, elevators and HVAC base building and core systems per code. Tenant to expand monitoring for TI.
- Landlord to provide required Fire/Life Safety systems per code.

SECURITY ACCESS SYSTEMS

- None provided. Supplied by Tenant in TI construction if desired by Tenant. Landlord to provide rough-in provisions at locations requested by Tenant.

TELECOMMUNICATION

- Landlord will provide four 4" conduits into the ground floor MPOE room in each building from central underground telecom vaults on site which all service providers can access.
- Tenant is responsible for distribution of its teledata/IT from the MPOE room to rest of the building.
- Landlord will provide roof top space and conduit from the MPOE room for Tenant's satellite dish. Tenant is responsible for installing its satellite dish.

PARKING

- Landlord is to install all surface parking and garage P1 as shown on the site plan, excluding Garage P2 and surface parking surrounding Garage P2 and Building G.

LANDSCAPE

- Landlord is to provide landscape and hardscape at all common area as shown on the attached Site Plan, excluding landscaping and hardscaping surrounding Building G and Garage P2.
- Bike storage areas as per code/LEED will be provided in Garage P1.
- Conduit from the main ground floor electrical room in Garage P2 to two locations in the parking lot or Garage P2 for future tenant EV charging stations.
- The landscaped areas are to be planted such that areas containing flowers shall mature within one year of initial occupancy. Areas planted with shrubs and trees shall mature within two years of initial occupancy.
- All landscaped path of pedestrian travel areas to be lighted and irrigated with electrically controlled automatic systems.

LOADING DOCK

- Two depressed and one grade level loading docks provided in between Buildings E and F as shown on the Site Plan.
- No trash compactors.

EXHIBIT A-2 TO WORK LETTER

RENDERED PLANS

Building F:



Exhibit C

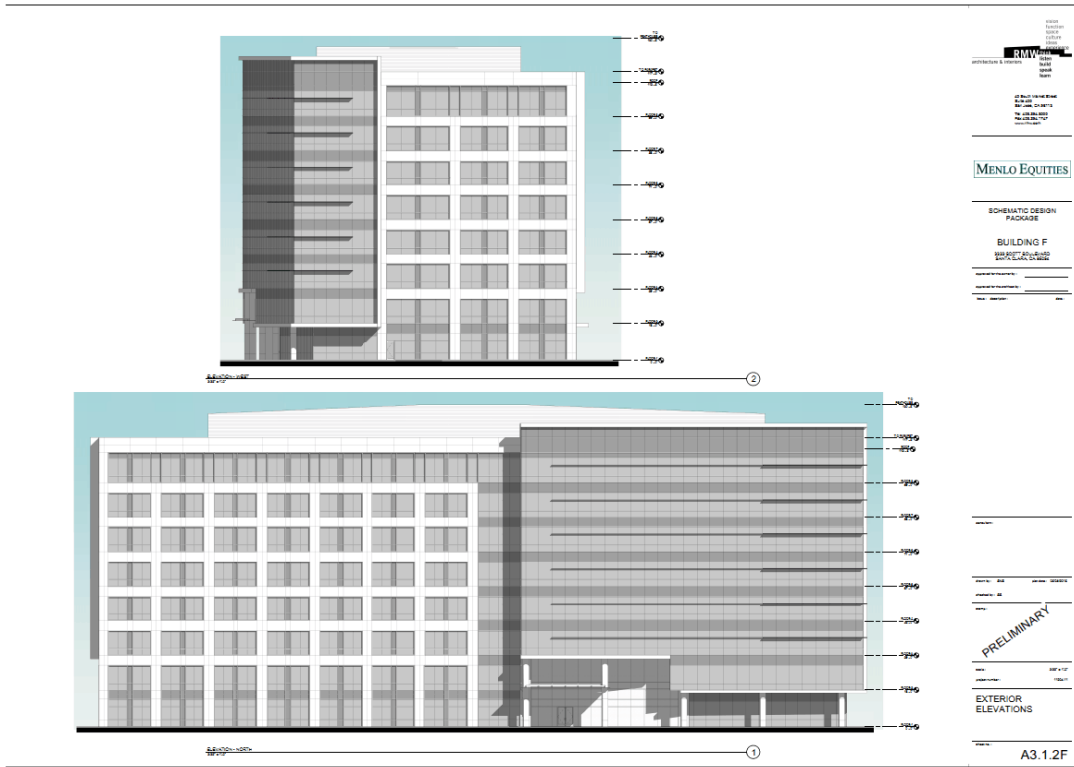


Exhibit C

SCHEDULE 1 TO WORK LETTER

LIST OF APPROVED GENERAL CONTRACTORS, ARCHITECTS
AND PROJECT MANAGERS

Architects

- AP&I
- ArcTec
- Gensler
- IA
- Rapt Studios
- RMW
- Studio O + A

General Contractors

- Devcon Construction
- DPR
- Novo Construction
- SC Builders
- Skyline Construction
- South bay Construction

Project Managers

- Jones Lang LaSalle

EXHIBIT D

EXCLUSIVE USE AREA CONCEPTUAL PLAN



LANDLORD PROVIDES:

1. ALL LANDSCAPE AND HARDSCAPE FOR RECREATION, OUTDOOR DINING, SEATING, AND MEETINGS (FURNITURE BY TENANT)
2. AMENITY BUILDING 2ND FLOOR OUTDOOR PATIO (50 PERSON CAPACITY)
3. AMENITY BUILDING CANOPY FOR SHELTERED OUTDOOR CAFETERIA DINING BELOW
4. BBQ
5. AMPHITHEATRE WITH BUILT-IN SEATING (320 - 570 PERSON CAPACITY) AND OVERHEAD CANOPY
6. BASKETBALL COURT
7. MONUMENTS FOR TENANT'S SIGNAGE
8. LOADING DOCKS (2 DEPRESSED AND 1 AT GRADE)

TENANT OPTIONS:

- A. PUTTING GREEN
- B. BOCCE COURTS
- C. ROCK CLIMBING WALL
- D. FIRE PIT
- E. WATER FEATURE

Exhibit D

EXHIBIT E

LEASE COMMENCEMENT DATE CERTIFICATE

This LEASE COMMENCEMENT CERTIFICATE ("Certificate") is made this _____ day of _____, 201_, by and between _____ ("Landlord"), and _____, a _____ ("Tenant"), and is attached to and made a part of that certain Lease dated as of _____, 201_, by and between Landlord and Tenant (the "Lease").

Landlord and Tenant hereby acknowledge and agree for all purposes of the Lease that:

1. Tenant has accepted possession of the Leased Premises and formally accepts the same and acknowledges that the Leased Premises are in the condition called for by the Lease (including the Work Letter), subject to latent defects, and subject to the punch list items noted by Landlord's architect or by the City of Santa Clara upon its sign-off on the building permit for the Building, as listed on Schedule 1 attached hereto.
2. the Lease Commencement Date as defined in Paragraph 2.3 of the Lease is _____, 201_.
3. the rentable square footage of the Leased Premises is _____, and
4. Tenant's Building Share is __. __%,
5. Tenant's Project Share is __. __%,
6. the Tenant Improvement Allowance is \$_____.
7. the Additional Tenant Improvement Allowance is \$_____, and
8. the schedule of Base Monthly Rent is:

<u>Period</u>	<u>Base Monthly Rent*</u>
Months 1-12	\$_____.
Months 13-24	\$_____.
Months 25-36	\$_____.
Months 37-48	\$_____.
Months 49-60	\$_____.
Months 61-72	\$_____.
Months 73-84	\$_____.
Months 85-96	\$_____.
Months 97-108	\$_____.
Months 109-120	\$_____.
Months 121-132	\$_____.

[NTD: Paragraphs 3 through 8 to be completed only if the determination of the rentable square footage of the Leased Premises pursuant to Paragraph 2.1(b) of the Lease results in rentable square footages different than those set forth in Article 1 of the Lease]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Certificate on the date first above written.

TENANT:

PALO ALTO NETWORKS, INC., a Delaware corporation

By: _____
Printed Name: _____
Title: President

By: _____
Printed Name: _____
Title: Chief Financial Officer

LANDLORD:

SANTA CLARA CAMPUS PROPERTY OWNER I LLC, a Delaware limited liability company

By: Santa Clara Campus Partners LLC,
a Delaware limited liability company,
its Sole Member

By: Menlo Equities Development Company IX LLC,
a California limited liability company,
its Manager

By: Menlo Equities V LLC,
a California limited liability company,
its Manager

By: Menlo Legacy Holdings L.P.,
a California limited partnership,
its Managing Member

By: _____
Henry D. Bullock, President

SCHEDULE 1
PUNCH LIST ITEMS NOTED BY LANDLORD'S ARCHITECT
AND BY THE CITY OF SANTA CLARA

Exhibit E

EXHIBIT F

FORM OF LUMP SUM PAYMENT AMENDMENT

AMENDMENT NO. __ TO LEASE

This AMENDMENT TO LEASE (“Amendment”) is dated as of this __ day of _____, 201_ (the “Amendment Date”), by and between _____ LLC, a California limited liability company (“Landlord”), and _____, a _____ (“Tenant”).

RECITALS

- A. Landlord and Tenant entered into that certain Lease dated as of _____, 201_ [as amended by that certain _____ dated as of _____] (collectively, the “Lease”) for premises located in the City of Santa Clara, County of Santa Clara, State of California, commonly known as or otherwise described as _____ Street, Suite _____, _____, California, comprised of approximately _____ rentable square feet of floor area as more particularly described in the Lease; and
- B. Landlord has exercised the Lump Sum Payment Option as defined in Paragraph 3.1(b) of the Lease.
- C. Landlord and Tenant now desire to amend the Lease to set forth the on the terms and conditions set forth herein.

AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

- 1. Definitions. All capitalized terms used in this Amendment but not otherwise defined shall have the meanings assigned to them in the Lease.
- 2. Lump Sum Payment Date. The Lump Sum Payment Date is _____, 201_.
- 3. Base Monthly Rent Start Date. The Base Monthly Rent Start Date is _____, 201_.
- 4. Abated Rent Lump Sum Payment. The amount of the Abated Rent Lump Sum Payment is _____ Dollars (\$_____).
- 5. Base Monthly Rent. The schedule of Base Monthly Rent, as set forth in Article 1 of the Lease, is hereby amended in its entirety to read as follows:

<u>Period</u>	<u>Base Monthly Rent</u>
[Months ___-___	\$0.00
Months ___**-24	\$874,640.00
Months 25-36	\$900,879.20
Months 37-48	\$921,148.98
Months 49-60	\$939,571.96
Months 61-72	\$958,363.40
Months 73-84	\$977,530.67
Months 85-96	\$977,081.28
Months 97-108	\$1,017,022.91
Months 109-120	\$1,037,363.37
Months 121-132	\$1,058,110.63

*Based upon the Leased Premises containing 290,000 rentable square feet of space, and subject to measurement as described in the “Leased Premises” definition in the Lease, and adjustment.

**[DRAFTING NOTE: COMPLETE TO CORRESPOND WITH BASE MONTHLY RENT START DATE AND CONFORM THE FIRST ROW IN THE SCHEDULE; IF BASE MONTHLY RENT START DATE IS MONTH 1, DELETE THE FIRST ROW IN THE SCHEDULE.]

6. Ratification. The Lease, as amended by this Amendment, is hereby ratified by Landlord and Tenant and Landlord and Tenant hereby agree that the Lease, as so amended, shall continue in full force and effect.

7. Miscellaneous.

7.1 Voluntary Agreement. The parties have read this Amendment and the mutual releases contained in it, and on the advice of counsel they have freely and voluntarily entered into this Amendment.

7.2 Attorney’s Fees. If either party commences an action against the other party arising out of or in connection with this Amendment, the prevailing party shall be entitled to recover from the non-prevailing party, reasonable attorney’s fees and costs of suit.

7.3 Successors. This Amendment shall be binding on and inure to the benefit of the parties and their successors.

7.4 Counterparts. This Amendment may be signed in two or more counterparts. When at least one such counterpart has been signed by each party, this Amendment shall be deemed to have been fully executed, each counterpart shall be deemed to be an original, and all counterparts shall be deemed to be one and the same agreement.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the date first written above.

LANDLORD:

SANTA CLARA CAMPUS PROPERTY OWNER I LLC, a Delaware limited liability company

By: Santa Clara Campus Partners LLC,
a Delaware limited liability company,
its Sole Member

By: Menlo Equities Development Company IX LLC,
a California limited liability company,
its Manager

By: Menlo Equities V LLC,
a California limited liability company,
its Manager

By: Menlo Legacy Holdings L.P.,
a California limited partnership,
its Managing Member

By: _____
Henry D. Bullock, President

Exhibit F

EXHIBIT G
BUILDING SIGNAGE

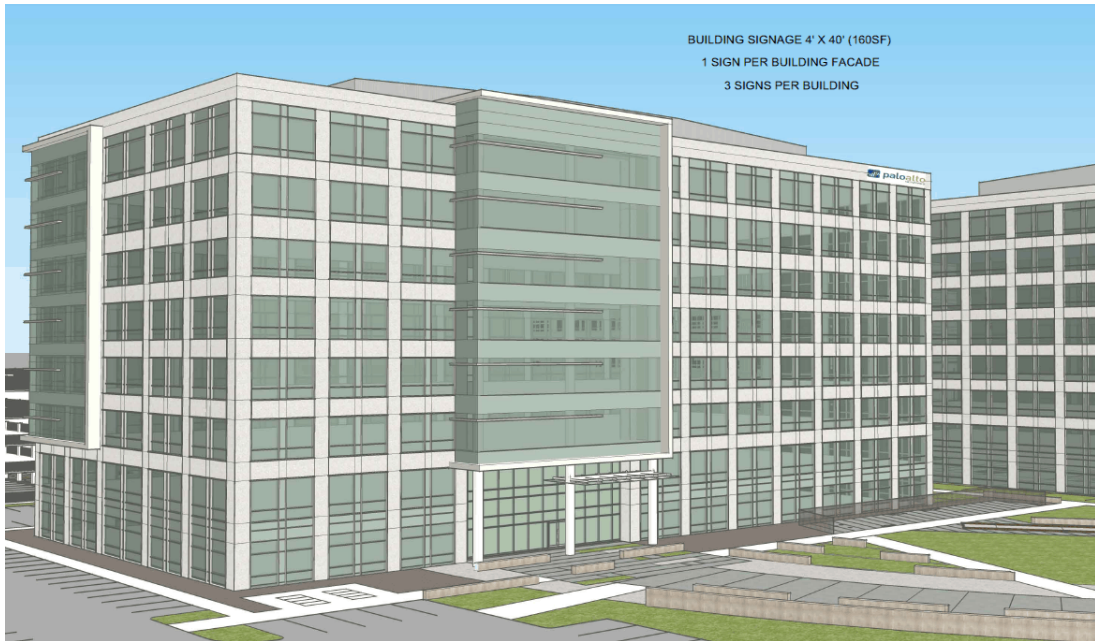


Exhibit H

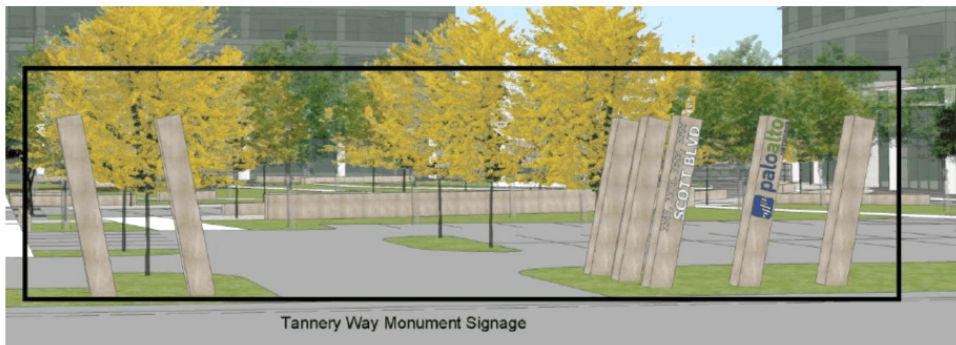


Exhibit G

EXHIBIT H
LANDLORD SIGNAGE ILLUSTRATION

LANDLORD'S NAME/OWNERSHIP AFFILIATION FOR SIGNAGE

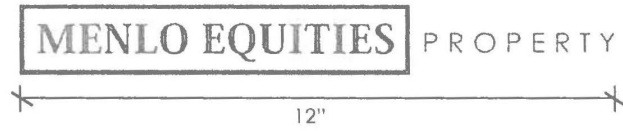


Exhibit H

EXHIBIT I

RULES AND REGULATIONS

1. No sign, advertisement, name or notice shall be installed or displayed on any part of the outside, or inside if visible from the outside, of the Building without the prior written consent of Landlord. Landlord shall have the right to remove, at Tenant's expense and without notice, any sign installed or displayed in violation of this rule.

2. Tenant shall not place anything or allow anything to be placed near the glass of any window, door, partition or wall which may appear unsightly from outside the Leased Premises. No awnings or other projection shall be attached to the outside walls of the Building without the prior written consent of Landlord. No curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Leased Premises, other than Building standard materials, without the prior written consent of Landlord.

3. Tenant shall not obstruct any sidewalks, halls, passages, exits, entrances, elevators, escalators or stairways of the Building. The halls, passages, exits, entrances, elevators, escalators, stairways and other common areas (excluding such spaces in the Leased Premises) are not for the general public, and Landlord shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the reasonable judgment of Landlord would be prejudicial to the safety, character, reputation and interests of the Building and its tenants; provided, that nothing herein contained shall be construed to prevent such access to persons with whom any tenant normally deals in the ordinary course of its business, unless such persons are engaged in illegal activities. Except as otherwise set forth in Paragraph 4.14 of the Lease, neither tenant nor any employee, invitee, agent, licensee or contractor of Tenant shall go upon or be entitled to use any portion of the roof of the Building.

4. The directory of the Building will be provided exclusively for the display of the name and location of tenants only, and Landlord reserves the right to exclude any other names therefrom.

5. All cleaning and janitorial services for the Building Common Areas and the Leased Premises shall be provided exclusively through Landlord or Landlord's janitorial contractors in accordance with the provisions of Paragraph 5.1(b) of the Lease. No person or persons other than those approved by Landlord shall be employed by Tenant or permitted to enter the Building for the purpose of cleaning the same. Tenant shall not cause any unnecessary labor by carelessness or indifference to the good order and cleanliness of the Leased Premises. Landlord shall not in any way be responsible to Tenant for loss of property on the Leased Premises, however occurring, or for any damage to Tenant's property by the janitors or any other employee or any other person.

6. Tenant, upon termination of its tenancy, shall deliver to Landlord the keys of all doors which have been furnished to, or otherwise procured by Tenant, and, in the event of loss of any keys, shall pay Landlord the cost of replacing the same or of changing the lock or locks opened by such lost key if Landlord shall deem it necessary to make such change. Landlord may impose a reasonable charge for keys it furnishes to Tenant, if any. Tenant may not make or have

made additional keys, and Tenant shall not alter any lock or install a new additional lock or bolt on any door or window of the Leased Premises.

7. Tenant shall not place a load upon any floor of the Leased Premises which exceeds the one hundred (100) pounds per square foot of live load which such floor was designed to carry and which is allowed by law. Business machines and mechanical equipment which cause noise or vibration that may be transmitted to the structure of the Building or to any space therein to such a degree as to be objectionable to Landlord or to any tenants in the Building, shall be placed and maintained by Tenant, at Tenant's expense, on vibration eliminators or other devices sufficient to eliminate noise or vibration. Landlord will not be responsible for loss of, or damage to, any such equipment or other property from any cause, and all damage done to the Building by maintaining or moving such equipment or other property shall be repaired at the expense of Tenant.

8. Tenant shall not use or keep in the Leased Premises any kerosene, gasoline or inflammable or combustible fluid or material other than those limited quantities necessary for the operation or maintenance of office equipment. Tenant shall not use or permit to be used in the Leased Premises any foul or noxious gas or substance, or permit or allow the Leased Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Property or the project of which the Property is a part (the "Project") by reason of noise, odors or vibrations, nor shall Tenant bring into or keep in or about the Leased Premises any birds or animals other than "seeing-eye" or other assistance animals.

9. Tenant shall not use any method of heating or air-conditioning other than that supplied by Landlord or as approved by Landlord pursuant to the Work Letter attached to the Lease.

10. Tenant shall not waste electricity, water or air-conditioning and agrees to cooperate fully with Landlord to assure the most effective operation of the Building's heating and air-conditioning and to comply with any governmental energy-saving rules, laws or regulations of which Tenant has actual notice, and shall not adjust controls other than room thermostats installed for Tenant's use. Tenant shall keep corridor doors closed at the end of each business day.

11. Landlord shall not be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. Tenant shall be responsible for all persons for whom it requests passes and shall be liable to Landlord for all acts of such persons. Landlord reserves the right to prevent access to the Building in case of invasion, mob, riot, public excitement or other commotion by closing the doors or by other appropriate action.

12. Tenant shall close and lock all doors of the Leased Premises and entirely shut off all water faucets or other water apparatus, and, except with regard to Tenant's computers and other equipment which reasonably require electricity on a 24-hour basis, all electricity, gas or air outlets before Tenant and its employees leave the Leased Premises. Tenant shall be responsible for any damage or injuries sustained by other tenants or occupants of the Building or by Landlord for noncompliance with this rule.

Exhibit I

13. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substances of any kind whatsoever shall be thrown therein.

14. Tenant shall not sell, or permit the sale at retail, of newspapers, magazines, periodicals, theater tickets, or any other goods or merchandise to the general public in or on the Leased Premises. Tenant shall not make any room-to-room solicitation of business from other tenants of the Property or the Project. Tenant shall not use the Leased Premises for any business or activity other than that specifically provided for in the Lease.

15. Except as otherwise set forth in Paragraph 4.14 of the Lease, Tenant shall not install any radio or television antenna, loudspeaker or other device on the roof or exterior walls of the Building. Tenant shall not interfere with radio or television broadcasting or reception from or in the Building or elsewhere.

16. Except as expressly permitted in the Lease, Tenant shall not mark, drive nails, screw or drill into the partitions, window mullions, woodwork or plaster, or in any way deface the Leased Premises or any part thereof, except to install normal wall hangings. Tenant shall repair any damage resulting from noncompliance under this rule.

17. Tenant shall not install, maintain or operate upon the Leased Premises any vending machines that do not serve solely the occupants of the Leased Premises, without the prior written consent of Landlord, .

18. Canvassing, soliciting and distribution of handbills or any other written material, and peddling in and around the Property or the Project or the Building are expressly prohibited, and each tenant shall cooperate to prevent same.

19. Landlord reserves the right to exclude or expel from the Property or the Project and/or the Building any person who, in Landlord's judgment, is intoxicated or under the influence of liquor or drugs or who is in violation of any of the Rules and Regulations of the Building, the Property, or the Project.

20. Tenant shall store all its trash and garbage within the Leased Premises or the outdoor trash enclosure/receptacle as described in Paragraph 4.4 of the Lease. Tenant shall not place in any trash box or receptacle any material which cannot be disposed of in the ordinary and customary manner of trash and garbage disposal. All recycling, garbage and refuse disposal shall be made in accordance with directions reasonably issued from time to time by Landlord.

21. The Leased Premises shall not be used for the storage of merchandise held for sale to the general public, or for lodging or for manufacturing of any kind. No cooking shall be done or permitted by Tenant on the Leased Premises, except that use by Tenant of Underwriters' Laboratory-approved equipment for brewing coffee, tea, hot chocolate and similar beverages shall be permitted and the use of a microwave shall be permitted, provided that such equipment and use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations.

22. Tenant shall not use in any space, or in the public halls of the Building, any hand trucks except those equipped with rubber tires and side guards, or such other material-handling equipment as Landlord may approve. Tenant shall not bring any other vehicles of any kind into the Building.

23. Tenant shall not use the name of the Building, the Property, or the Project in connection with, or in promoting or advertising, the business of Tenant, except for Tenant's address.

24. Tenant agrees that it shall comply with all fire and security regulations that may be issued from time to time by Landlord, and Tenant also shall provide Landlord with the name of a designated responsible employee to represent Tenant in all matters pertaining to such fire or security regulations. Tenant shall cooperate fully with Landlord in all matters concerning fire and other emergency procedures.

25. Tenant assumes any and all responsibility for protecting the Leased Premises from theft, robbery and pilferage. Such responsibility shall include keeping doors locked and other means of entry to the Leased Premises closed.

26. Landlord may waive any one or more of these Rules and Regulations for the benefit of Tenant or any other tenant.

27. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of any lease of premises in the Building, the Property, or the Project.

28. Landlord reserves the right to make such other and reasonable Rules and Regulations as, in its judgment, may from time to time be needed for safety, security, care and cleanliness of the Building, the Property, or the Project and for the preservation of good order therein. Tenant agrees to abide by all such Rules and Regulations hereinabove stated and any additional rules and regulations which are adopted.

29. Tenant shall be responsible for the observance of all of the foregoing rules by Tenant's employees, agents, clients, customers, invitees or guests.

30. Except as otherwise provided in Paragraph 6.1 of the Lease, Tenant shall not lay linoleum, tile, carpet or other similar floor covering without the prior written approval of Landlord. The expense of repairing any damage resulting from a violation of this rule shall be borne by Tenant.

PARKING RULES AND REGULATIONS

1. In addition to the parking provisions contained in the Lease to which these Rules and Regulations are attached, the following rules and regulations shall apply with respect to the use of the Building's parking facilities.

2. Every parker is required to park and lock his/her own vehicle. All responsibility for damage to or loss of vehicles is assumed by the parker and Landlord shall not be responsible

for any such damage or loss by water, fire, defective brakes, the act or omissions of others, theft, or for any other cause.

3. Tenant shall not park or permit its employees to park in any parking areas designated by Landlord as areas for parking by visitors to the Building, the Property, or the Project. Tenant shall not leave vehicles in the parking areas overnight (except vehicles belonging to Akamai employees who are working overnight or who have legitimate business needs for occasional overnight parking) nor park any vehicles in the parking areas other than automobiles, motorcycles, motor driven or non-motor driven bicycles or four wheeled trucks.

4. No overnight or extended term storage of vehicles shall be permitted.

5. Vehicles must be parked entirely within painted stall lines of a single parking stall.

6. All directional signs and arrows must be observed.

7. The speed limit within all parking areas shall be five (5) miles per hour.

8. Parking is prohibited: (a) in areas not striped for parking; (b) in aisles; (c) where "no parking" signs are posted; (d) on ramps; (e) in cross-hatched areas; and (f) in reserved spaces and in such other areas as may be designated by Landlord or Landlord's parking operator.

9. Landlord may elect in the future to implement a parking system which includes the use of parking identification devices, and if Landlord does so: (a) the loss or theft of parking identification devices must be reported to the Property Manager designated by Landlord immediately, (b) a lost or stolen report must be filed by the Tenant or user of such parking identification device at the time, (c) any parking identification devices reported lost or stolen found on any unauthorized car will be confiscated and the illegal holder will be subject to prosecution, and (d) Landlord will have the right to exclude any vehicle from the parking facilities that does not have an identification device.

10. Washing, waxing, cleaning or servicing of any vehicle in any area not specifically reserved for such purpose is prohibited.

11. The parking operators, managers or attendants, if any, are not authorized to make or allow any exceptions to these rules and regulations.

12. Tenant's continued right to park in the parking facilities is conditioned upon Tenant abiding by these rules and regulations and the applicable terms of the Lease. Further, if the Lease terminates for any reason whatsoever, Tenant's right to park in the parking facilities shall terminate concurrently therewith.

13. Landlord reserves the right to modify and/or adopt such other commercially reasonable and non-discriminatory rules and regulations for the parking facilities as it deems necessary for the operation of the parking facilities. Landlord may refuse to permit any person who violates these rules to park in the parking facilities, and any violation of the rules shall subject the vehicle to removal, at such vehicle owner's expense.

EXHIBIT J-1

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT PROVISIONS
(CURRENT FINANCING)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Wells Fargo Bank, National Association
CRE – San Francisco - Gold ([Redacted])
420 Montgomery Street, 6th Floor
San Francisco, CA 94104

Attn: Colleen King
Loan No. [Redacted]

(Space Above For Recorder's Use)

SUBORDINATION AGREEMENT, ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ESTOPPEL, ATTORNMENT AND NON-DISTURBANCE AGREEMENT
(Lease to Security Instrument)

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT, ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ESTOPPEL, ATTORNMENT AND NON-DISTURBANCE AGREEMENT ("Agreement") is made [DATE] by and between [PROPERTY OWNER NAME], A(N) [ENTITY TYPE], OWNER(S) OF THE REAL PROPERTY HEREINAFTER DESCRIBED ([[collectively,]] "Mortgagor"), [TENANT NAME] ("Tenant") and Wells Fargo Bank, National Association (collectively with its successors or assigns, "Lender").

R E C I T A L S

- A. Pursuant to the terms and provisions of a lease dated [DATE OF LEASE] ("Lease"), Mortgagor granted to Tenant a leasehold estate in and to [[a portion of]] the property described on Exhibit A attached hereto and incorporated herein by this reference (which property, together with all improvements now or hereafter located on the property, is defined as the "Property").
- B. Mortgagor has executed, or proposes to execute, that certain Deed Of Trust ("Security Instrument") securing, among other things, that certain Promissory Note dated [DATE OF NOTE] ("Note") in the principal sum of [LOAN AMOUNT (\$NUMBERS)], in favor

of Lender ("Loan"). The Security Instrument has been or will be recorded concurrently herewith in the real property records where the Property is located.

- C. As a condition to Lender making the Loan secured by the Security Instrument, Lender requires that the Security Instrument be unconditionally and at all times remain a lien on the Property, prior and superior to all the rights of Tenant under the Lease and that the Tenant specifically and unconditionally subordinate the Lease to the lien of the Security Instrument.
- D. Mortgagor and Tenant have agreed to the subordination, attornment and other agreements herein in favor of Lender.

NOW THEREFORE, for valuable consideration and to induce Lender to make the Loan, Mortgagor and Tenant hereby agree for the benefit of Lender as follows:

(1) SUBORDINATION. Mortgagor and Tenant hereby agree that:

- 1. Prior Lien. The Security Instrument securing the Note in favor of Lender, and any modifications, renewals or extensions thereof (including, without limitation, any modifications, renewals or extensions with respect to any additional advances made subject to the Security Instrument), shall unconditionally be and at all times remain a lien on the Property prior and superior to the Lease;
- 2. Subordination. Lender would not make the Loan or approve the Lease without this agreement to subordinate; and
- 3. Whole Agreement. This Agreement shall be the whole agreement and only agreement with regard to the subordination of the Lease to the lien of the Security Instrument and shall supersede and cancel, but only insofar as would affect the priority between the Security Instrument and the Lease, any prior agreements as to such subordination, including, without limitation, those provisions, if any, contained in the Lease which provide for the subordination of the Lease to a deed or deeds of trust or to a mortgage or mortgages.

AND FURTHER, Tenant individually declares, agrees and acknowledges for the benefit of Lender, that:

- 4. Use of Proceeds. Lender, in making disbursements pursuant to the Note, the Security Instrument or any loan agreements with respect to the Property, is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat this agreement to subordinate in whole or in part; and
- 5. Waiver, Relinquishment and Subordination. Tenant intentionally and unconditionally subordinates all of Tenant's right, title and interest in and to the Property

to the lien of the Security Instrument and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination, specific loans and advances are being and will be made by Lender and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

(2) ASSIGNMENT. Tenant acknowledges and consents to the assignment of the Lease by Mortgagor in favor of Lender.

(3) ESTOPPEL. Tenant acknowledges and represents that:

1. Entire Agreement. The Lease constitutes the entire agreement between Mortgagor and Tenant with respect to the Property and Tenant claims no rights with respect to the Property other than as set forth in the Lease;
2. No Prepaid Rent. No deposits or prepayments of rent have been made in connection with the Lease;
3. No Default. To Tenant's actual knowledge, as of the date hereof: (i) there exists no breach, default, or event or condition which, with the giving of notice or the passage of time or both, would constitute a breach or default under the Lease; and (ii) there are no existing claims, defenses or offsets against rental due or to become due under the Lease;
4. Lease Effective. The Lease has been duly executed and delivered by Tenant and, subject to the terms and conditions thereof, the Lease is in full force and effect, the obligations of Tenant thereunder are valid and binding and there have been no amendments, modifications or additions to the Lease, written or oral; and
5. No Broker Liens. Neither Tenant nor Mortgagor has incurred any fee or commission with any real estate broker which would give rise to any lien right under state or local law, except as follows (if none, state "None"):_____

(4) ADDITIONAL AGREEMENTS. Tenant covenants and agrees that, during all such times as Lender is the Beneficiary under the Security Instrument:

1. Modification, Termination and Cancellation. Any modification, amendment, termination or cancellation of the Lease (in whole or in part) and any payment to Mortgagor made in consideration thereof without Lender's prior written consent shall not be binding on Lender and shall be deemed null and void; provided, however, that if the Lease is terminated without Lender's prior written consent (except pursuant to the provisions of Paragraphs 2.4, 2.8 or 16.6 thereof or Paragraph 5(3) of this Agreement), the Lease shall be reinstated regardless of the timing of any foreclosure or other enforcement action under the Security Instrument. Tenant hereby agrees that, from and after the date hereof, in the event of any act or omission by the Landlord under the Lease which would give Tenant the right, either immediately or after the lapse of a period of time, to terminate the Lease, or to claim a partial or total eviction, Tenant will not

exercise any such right until it has given Lender the opportunity to cure any such act or omission of Landlord in accordance with Section 4(2) below; provided, however, that, the foregoing shall not prevent Tenant from terminating the Lease pursuant to the provisions of Paragraph 5(3) of this Agreement or Paragraphs 2.4, 2.8 or 16.6 of the Lease or within the time periods set forth in such sections (without additional allowance for Lender cure periods, provided that Tenant has delivered to Lender concurrent notice of its intent to terminate). Lender's consent to any modification or amendment of the Lease shall not be unreasonably withheld, conditioned or delayed and shall be deemed given if Lender fails to approve or disapprove the same within 10 business days after receipt of Mortgagor's written request for approval, together with a draft of the proposed modification or amendment and such other information as shall be necessary for Lender's review thereof, and provided that Mortgagor's request for approval contains a prominent statement on the first page notifying Lender of the consequences of Lender's failure to respond within such 10-business day period. For the avoidance of doubt, the foregoing sentence shall not apply to Lender's consent to any termination of the Lease;

2. Notice of Default. Tenant will notify Lender in writing concurrently with any notice given to Mortgagor of any default by Mortgagor under the Lease, and Tenant agrees that Lender has the right (but not the obligation) to cure any breach or default specified in such notice within the time periods set forth below and Tenant will not declare a default of the Lease, as to Lender, if Lender cures such default within fifteen (15) days from and after the expiration of the time period provided in the Lease for the cure thereof by Mortgagor; provided, however, that if such default cannot with diligence be cured by Lender within such fifteen (15) day period, the commencement of action by Lender within such fifteen (15) day period to remedy the same followed by diligent pursuit of such action shall be deemed sufficient so long as Lender pursues such cure with diligence; provided, that such cure period shall not exceed one hundred eighty (180) days.

3. No Advance Rents. No advance payments or prepayments of rent more than one (1) month in advance of the time when the same is due under the Lease shall be binding on Lender unless such rent is actually received by Lender.

4. Assignment of Rents. Upon receipt by Tenant of written notice from Lender that Lender has elected to terminate the license granted to Mortgagor to collect rents, as provided in the Security Instrument, and directing the payment of rents by Tenant to Lender, Tenant shall comply with such direction to pay and shall not be required to determine whether Mortgagor is in default under the Loan and/or the Security Instrument, and, Mortgagor agrees that any amount so paid by Tenant shall automatically be credited towards Tenant's obligations under the Lease.

(5) ATTORNMEN. In the event of a foreclosure under the Security Instrument, Tenant agrees for the benefit of Lender (including for this purpose any transferee of Lender or any transferee of Mortgagor's title in and to the Property by Lender's exercise of the remedy of sale by foreclosure under the Security Instrument) as follows:

1. Payment of Rent. Tenant shall pay to Lender all rental payments required to be made by Tenant pursuant to the terms of the Lease for the duration of the term of the Lease;
2. Continuation of Performance. Tenant shall be bound to Lender in accordance with all of the provisions of the Lease for the balance of the term thereof, and Tenant hereby attorns to Lender as its landlord, such attornment to be effective and self-operative without the execution of any further instrument immediately upon Lender succeeding to Mortgagor's interest in the Lease and giving written notice thereof to Tenant;
3. No Offset. Lender shall not be liable for, nor subject to, any offsets or defenses which Tenant may have by reason of any act or omission of Mortgagor under the Lease, nor for the return of any sums which Tenant may have paid to Mortgagor under the Lease as and for security deposits, advance rentals or otherwise, except to the extent that such sums are actually delivered by Mortgagor to Lender, nor shall Lender be obligated to perform the Construction Obligations (as hereinafter defined), unless Lender or any such transferee so elects as hereinafter provided; provided, however, that Lender or any such transferee shall be required to cure any continuing non-monetary defaults under the Lease other than the Construction Obligations (except as set forth below). Upon Lender's or any such transferee's obtaining title to the Property (whether by foreclosure or otherwise) and delivery to Tenant of written notice that it has obtained title, Tenant will deliver to Lender a written statement confirming the then outstanding Construction Obligations ("Outstanding Construction Obligations Notice"). Within thirty (30) days of the date upon which Lender or any such transferee receives the Outstanding Construction Obligations Notice, Lender or any such transferee will give Tenant written notice of whether Lender or any such transferee will elect to perform all of the outstanding Construction Obligations as set forth in the Outstanding Construction Obligations Notice. If Lender or any such transferee does not elect within such thirty (30) day period to perform all such outstanding Construction Obligations, then Tenant may terminate the Lease within ten (10) days of Tenant's receipt of notice of Lender's or any such transferee's election not to perform the outstanding Construction Obligations (or within ten (10) days after the expiration of such thirty (30) day period if no election to perform such Construction Obligations has been made). If Lender or any such transferee elects to perform the outstanding Construction Obligations, then Lender or any such transferee (and any successor landlord) shall perform them in accordance with the Lease. As used herein, the term "Construction Obligations" shall mean Landlord's obligations to (i) perform the Landlord's Work, (ii) disburse the Tenant Improvement Allowance, and (iii) honor Tenant's rights of offset set forth in Section 7 of Exhibit C to the Lease.
4. Subsequent Transfer. If Lender, by succeeding to the interest of Mortgagor under the Lease, should become obligated to perform the covenants of Mortgagor thereunder, then, upon any further transfer of Mortgagor's interest by Lender, all of such obligations shall terminate as to Lender.

(6) NON-DISTURBANCE. In the event of a foreclosure under the Security Instrument, so long as there shall then exist no breach, default, or event of default on the part of Tenant under

the Lease beyond applicable notice and cure periods, Lender agrees for itself and its successors and assigns that the leasehold interest of Tenant under the Lease shall not be extinguished or terminated by reason of such foreclosure, but rather the Lease shall continue in full force and effect and Lender shall recognize and accept Tenant as tenant under the Lease subject to the terms and provisions of the Lease except as modified by this Agreement.

(7) MISCELLANEOUS.

1. Remedies Cumulative. All rights of Lender herein to collect rents on behalf of Mortgagor under the Lease are cumulative and shall be in addition to any and all other rights and remedies provided by law and by other agreements between Lender and Mortgagor or others.
2. NOTICES. All notices, demands, or other communications under this Agreement and the other Loan Documents shall be in writing and shall be delivered to the appropriate party at the address set forth below (subject to change from time to time by written notice to all other parties to this Agreement). All notices, demands or other communications shall be considered as properly given if delivered personally or sent by first class United States Postal Service mail, postage prepaid, or by Overnight Express Mail or by overnight commercial courier service, charges prepaid, except that notice of Default may be sent by certified mail, return receipt requested, charges prepaid. Notices so sent shall be effective three (3) Business Days after mailing, if mailed by first class mail, and otherwise upon delivery or refusal; provided, however, that non-receipt of any communication as the result of any change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication. For purposes of notice, the address of the parties shall be:

Exhibit J-1

Mortgagor:	[OWNER NAME STREET ADDRESS CITY, STATE ZIP] Attention: [CONTACT NAME]
Tenant:	[TENANT NAME TENANT ADDRESS 1 TENANT ADDRESS 2 TENANT CITY, STATE ZIP] Attention: [TENANT CONTACT]
Lender:	Wells Fargo Bank, National Association CRE – San Francisco Gold ([Redacted]) 420 Montgomery Street, 6th Floor San Francisco, CA 94104 Attention: Ivane Tatt Loan #: [Redacted]
With a copy to:	Wells Fargo Bank, National Association WLS Minneapolis Loan Center 608 2nd Avenue South, 11th Floor Minneapolis, MN 55402 Attention: Jessica Bistodeau

Any party shall have the right to change its address for notice hereunder to any other location within the continental United States by the giving of thirty (30) days' notice to the other party in the manner set forth hereinabove.

3. Heirs, Successors and Assigns. Except as otherwise expressly provided under the terms and conditions herein, the terms of this Agreement shall bind and inure to the benefit of the heirs, executors, administrators, nominees, successors and assigns of the parties hereto.
4. Headings. All article, section or other headings appearing in this Agreement are for convenience of reference only and shall be disregarded in construing this Agreement.
5. Counterparts. To facilitate execution, this document may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single document. It shall not be necessary in making proof of this document to produce or

account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

6. Exhibits, Schedules and Riders. All exhibits, schedules, riders and other items attached hereto are incorporated into this Agreement by such attachment for all purposes.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT HERETO.

“MORTGAGOR”

[[SIGNATURE BLOCK FOR PROPERTY MORTGAGOR(S)]]

“TENANT”

[[SIGNATURE BLOCK FOR TENANT]]

“LENDER”

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: _____

Name: _____

Its: _____

(IF DOCUMENT TO BE RECORDED, ALL SIGNATURES
MUST BE ACKNOWLEDGED)

EXHIBIT A - DESCRIPTION OF PROPERTY

[[TO BE ATTACHED]]

Exhibit J-1

[[IF LEASE GUARANTY]] LEASE GUARANTOR'S CONSENT

The undersigned ("Lease Guarantor") consents to the foregoing [[Subordination Agreement]] [[Subordination Agreement; Acknowledgment of Lease Assignment, Estoppel, Attornment and Non-Disturbance Agreement]] [[Acknowledgment of Lease Assignment, Estoppel, Attornment and Non-Disturbance Agreement]] and the transactions contemplated thereby and reaffirms its obligations under the lease guaranty ("Lease Guaranty") dated LEASE GUARANTY DATE. Lease Guarantor further reaffirms that its obligations under the Lease Guaranty are separate and distinct from Tenant's obligations.

AGREED:

Dated as of: _____

"LEASE GUARANTOR"

[[SIGNATURE BLOCK FOR LEASE GUARANTOR]]

(IF DOCUMENT TO BE RECORDED, ALL SIGNATURES
MUST BE ACKNOWLEDGED)

EXHIBIT J-2

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT PROVISIONS

(FUTURE FINANCING)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Wells Fargo Bank, National Association
CRE – San Francisco - Gold ([Redacted])
420 Montgomery Street, 6th Floor
San Francisco, CA 94104

Attn: Colleen King
Loan No. [Redacted]

(Space Above For Recorder's Use)

SUBORDINATION AGREEMENT, ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ESTOPPEL, ATTORNMENT AND NON-DISTURBANCE AGREEMENT
(Lease to Security Instrument)

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT, ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ESTOPPEL, ATTORNMENT AND NON-DISTURBANCE AGREEMENT ("Agreement") is made [DATE] by and between [PROPERTY OWNER NAME], A(N) [ENTITY TYPE], OWNER(S) OF THE REAL PROPERTY HEREINAFTER DESCRIBED ([[collectively,] "Mortgagor"), [TENANT NAME] ("Tenant") and Wells Fargo Bank, National Association (collectively with its successors or assigns, "Lender").

R E C I T A L S

A. Pursuant to the terms and provisions of a lease dated [DATE OF LEASE] ("Lease"), Mortgagor granted to Tenant a leasehold estate in and to [[a portion of]] the property described on Exhibit A attached hereto and incorporated herein by this reference (which property, together with all improvements now or hereafter located on the property, is defined as the "Property").

B. Mortgagor has executed, or proposes to execute, that certain Deed Of Trust ("Security Instrument") securing, among other things, that certain Promissory Note dated [DATE OF NOTE] ("Note") in the principal sum of [LOAN AMOUNT (\$NUMBERS)], in favor of Lender ("Loan"). The Security Instrument has been or will be recorded concurrently herewith in the real property records where the Property is located.

C. As a condition to Lender making the Loan secured by the Security Instrument, Lender requires that the Security Instrument be unconditionally and at all times remain a lien on the Property, prior and superior to all the rights of Tenant under the Lease and that the Tenant specifically and unconditionally subordinate the Lease to the lien of the Security Instrument.

D. Mortgagor and Tenant have agreed to the subordination, attornment and other agreements herein in favor of Lender.

NOW THEREFORE, for valuable consideration and to induce Lender to make the Loan, Mortgagor and Tenant hereby agree for the benefit of Lender as follows:

(1) SUBORDINATION. Mortgagor and Tenant hereby agree that:

1. Prior Lien. The Security Instrument securing the Note in favor of Lender, and any modifications, renewals or extensions thereof (including, without limitation, any modifications, renewals or extensions with respect to any additional advances made subject to the Security Instrument), shall unconditionally be and at all times remain a lien on the Property prior and superior to the Lease;
2. Subordination. Lender would not make the Loan or approve the Lease without this agreement to subordinate; and
3. Whole Agreement. This Agreement shall be the whole agreement and only agreement with regard to the subordination of the Lease to the lien of the Security Instrument and shall supersede and cancel, but only insofar as would affect the priority between the Security Instrument and the Lease, any prior agreements as to such subordination, including, without limitation, those provisions, if any, contained in the Lease which provide for the subordination of the Lease to a deed or deeds of trust or to a mortgage or mortgages.

AND FURTHER, Tenant individually declares, agrees and acknowledges for the benefit of Lender, that:

4. Use of Proceeds. Lender, in making disbursements pursuant to the Note, the Security Instrument or any loan agreements with respect to the Property, is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such

agreement or agreements shall not defeat this agreement to subordinate in whole or in part; and

5. Waiver, Relinquishment and Subordination. Tenant intentionally and unconditionally subordinates all of Tenant's right, title and interest in and to the Property to the lien of the Security Instrument and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination, specific loans and advances are being and will be made by Lender and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

(2) ASSIGNMENT. Tenant acknowledges and consents to the assignment of the Lease by Mortgagor in favor of Lender.

(3) ESTOPPEL. Tenant acknowledges and represents that:

1. Entire Agreement. The Lease constitutes the entire agreement between Mortgagor and Tenant with respect to the Property and Tenant claims no rights with respect to the Property other than as set forth in the Lease;

2. No Prepaid Rent. No deposits or prepayments of rent have been made in connection with the Lease;

3. No Default. To Tenant's actual knowledge, as of the date hereof: (i) there exists no breach, default, or event or condition which, with the giving of notice or the passage of time or both, would constitute a breach or default under the Lease; and (ii) there are no existing claims, defenses or offsets against rental due or to become due under the Lease;

4. Lease Effective. The Lease has been duly executed and delivered by Tenant and, subject to the terms and conditions thereof, the Lease is in full force and effect, the obligations of Tenant thereunder are valid and binding and there have been no amendments, modifications or additions to the Lease, written or oral; and

5. No Broker Liens. Neither Tenant nor Mortgagor has incurred any fee or commission with any real estate broker which would give rise to any lien right under state or local law, except as follows (if none, state "None"): _____

(4) ADDITIONAL AGREEMENTS. Tenant covenants and agrees that, during all such times as Lender is the Beneficiary under the Security Instrument:

1. Modification, Termination and Cancellation. Any modification, amendment, termination or cancellation of the Lease (in whole or in part) and any payment to Mortgagor made in consideration thereof without Lender's prior written consent shall not be binding on Lender and shall be deemed null and void; provided, however, that if the Lease is terminated without Lender's prior written consent (except pursuant to the provisions of Paragraphs 2.4, 2.8 or 16.6 thereof), the Lease shall be reinstated regardless

of the timing of any foreclosure or other enforcement action under the Security Instrument. Tenant hereby agrees that, from and after the date hereof, in the event of any act or omission by the Landlord under the Lease which would give Tenant the right, either immediately or after the lapse of a period of time, to terminate the Lease, or to claim a partial or total eviction, Tenant will not exercise any such right until it has given Lender the opportunity to cure any such act or omission of Landlord in accordance with Section 4(2) below; provided, however, that, the foregoing shall not prevent Tenant from terminating the Lease pursuant to the provisions of Sections 2.4, 2.8 or 16.6 thereof within the time periods set forth in such sections (without additional allowance for Lender cure periods, provided that Tenant has delivered to Lender concurrent notice of its intent to terminate). Lender's consent to any modification or amendment of the Lease shall not be unreasonably withheld, conditioned or delayed and shall be deemed given if Lender fails to approve or disapprove the same within 10 business days after receipt of Mortgagor's written request for approval, together with a draft of the proposed modification or amendment and such other information as shall be necessary for Lender's review thereof, and provided that Mortgagor's request for approval contains a prominent statement on the first page notifying Lender of the consequences of Lender's failure to respond within such 10-business day period. For the avoidance of doubt, the foregoing sentence shall not apply to Lender's consent to any termination of the Lease;

2. Notice of Default. Tenant will notify Lender in writing concurrently with any notice given to Mortgagor of any default by Mortgagor under the Lease, and Tenant agrees that Lender has the right (but not the obligation) to cure any breach or default specified in such notice within the time periods set forth below and Tenant will not declare a default of the Lease, as to Lender, if Lender cures such default within fifteen (15) days from and after the expiration of the time period provided in the Lease for the cure thereof by Mortgagor; provided, however, that if such default cannot with diligence be cured by Lender within such fifteen (15) day period, the commencement of action by Lender within such fifteen (15) day period to remedy the same followed by diligent pursuit of such action shall be deemed sufficient so long as Lender pursues such cure with diligence; provided, that such cure period shall not exceed one hundred eighty (180) days.

3. No Advance Rents. No advance payments or prepayments of rent more than one (1) month in advance of the time when the same is due under the Lease shall be binding on Lender unless such rent is actually received by Lender.

4. Assignment of Rents. Upon receipt by Tenant of written notice from Lender that Lender has elected to terminate the license granted to Mortgagor to collect rents, as provided in the Security Instrument, and directing the payment of rents by Tenant to Lender, Tenant shall comply with such direction to pay and shall not be required to determine whether Mortgagor is in default under the Loan and/or the Security Instrument, and, Mortgagor agrees that any amount so paid by Tenant shall automatically be credited towards Tenant's obligations under the Lease.

(5) ATTORNMEN. In the event of a foreclosure under the Security Instrument, Tenant agrees for the benefit of Lender (including for this purpose any transferee of Lender or any transferee of Mortgagor's title in and to the Property by Lender's exercise of the remedy of sale by foreclosure under the Security Instrument) as follows:

1. Payment of Rent. Tenant shall pay to Lender all rental payments required to be made by Tenant pursuant to the terms of the Lease for the duration of the term of the Lease;
2. Continuation of Performance. Tenant shall be bound to Lender in accordance with all of the provisions of the Lease for the balance of the term thereof, and Tenant hereby attorns to Lender as its landlord, such attornment to be effective and self-operative without the execution of any further instrument immediately upon Lender succeeding to Mortgagor's interest in the Lease and giving written notice thereof to Tenant;
3. No Offset. Lender shall not be liable for, nor subject to, any offsets or defenses which Tenant may have by reason of any act or omission of Mortgagor under the Lease, nor for the return of any sums which Tenant may have paid to Mortgagor under the Lease as and for security deposits, advance rentals or otherwise, except to the extent that such sums are actually delivered by Mortgagor to Lender; provided, however, that Lender or any such transferee shall be required to cure any continuing non-monetary defaults under the Lease and shall be obligated to perform the Construction Obligations (as hereinafter defined) in accordance with the Lease, to the extent not previously performed. As used herein, the term "Construction Obligations" shall mean Landlord's obligations to (i) perform the Landlord's Work, (ii) disburse the Tenant Improvement Allowance, and (iii) honor Tenant's rights of offset set forth in Section 7 of Exhibit C the Lease.
4. Subsequent Transfer. If Lender, by succeeding to the interest of Mortgagor under the Lease, should become obligated to perform the covenants of Mortgagor thereunder, then, upon any further transfer of Mortgagor's interest by Lender, all of such obligations shall terminate as to Lender.

(6) NON-DISTURBANCE. In the event of a foreclosure under the Security Instrument, so long as there shall then exist no breach, default, or event of default on the part of Tenant under the Lease beyond applicable notice and cure periods, Lender agrees for itself and its successors and assigns that the leasehold interest of Tenant under the Lease shall not be extinguished or terminated by reason of such foreclosure, but rather the Lease shall continue in full force and effect and Lender shall recognize and accept Tenant as tenant under the Lease subject to the terms and provisions of the Lease except as modified by this Agreement.

(7) MISCELLANEOUS.

1. Remedies Cumulative. All rights of Lender herein to collect rents on behalf of Mortgagor under the Lease are cumulative and shall be in addition to any and all other

rights and remedies provided by law and by other agreements between Lender and Mortgagor or others.

2. **NOTICES.** All notices, demands, or other communications under this Agreement and the other Loan Documents shall be in writing and shall be delivered to the appropriate party at the address set forth below (subject to change from time to time by written notice to all other parties to this Agreement). All notices, demands or other communications shall be considered as properly given if delivered personally or sent by first class United States Postal Service mail, postage prepaid, or by Overnight Express Mail or by overnight commercial courier service, charges prepaid, except that notice of Default may be sent by certified mail, return receipt requested, charges prepaid. Notices so sent shall be effective three (3) Business Days after mailing, if mailed by first class mail, and otherwise upon delivery or refusal; provided, however, that non-receipt of any communication as the result of any change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication. For purposes of notice, the address of the parties shall be:

Mortgagor:	[OWNER NAME STREET ADDRESS CITY, STATE ZIP] Attention: [CONTACT NAME]
Tenant:	[TENANT NAME TENANT ADDRESS 1 TENANT ADDRESS 2 TENANT CITY, STATE ZIP] Attention: [TENANT CONTACT]
Lender:	Wells Fargo Bank, National Association CRE – San Francisco Gold ([Redacted]) 420 Montgomery Street, 6th Floor San Francisco, CA 94104 Attention: Ivane Tatt Loan #: [Redacted]
With a copy to:	Wells Fargo Bank, National Association WLS Minneapolis Loan Center 608 2nd Avenue South, 11th Floor Minneapolis, MN 55402 Attention: Jessica Bistodeau

Any party shall have the right to change its address for notice hereunder to any other location within the continental United States by the giving of thirty (30) days' notice to the other party in the manner set forth hereinabove.

3. Heirs, Successors and Assigns. Except as otherwise expressly provided under the terms and conditions herein, the terms of this Agreement shall bind and inure to the benefit of the heirs, executors, administrators, nominees, successors and assigns of the parties hereto.

4. Headings. All article, section or other headings appearing in this Agreement are for convenience of reference only and shall be disregarded in construing this Agreement.

5. Counterparts. To facilitate execution, this document may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single document. It shall not be necessary in making proof of this document to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

6. Exhibits, Schedules and Riders. All exhibits, schedules, riders and other items attached hereto are incorporated into this Agreement by such attachment for all purposes.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT HERETO.

“MORTGAGOR”

[[SIGNATURE BLOCK FOR PROPERTY MORTGAGOR(S)]]

“TENANT”

[[SIGNATURE BLOCK FOR TENANT]]

“LENDER”

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: _____

Name: _____

Its: _____

(IF DOCUMENT TO BE RECORDED, ALL SIGNATURES
MUST BE ACKNOWLEDGED)

Exhibit J-2

EXHIBIT A - DESCRIPTION OF PROPERTY

[[TO BE ATTACHED]]

Exhibit J-2

[[IF LEASE GUARANTY]] LEASE GUARANTOR'S CONSENT

The undersigned ("Lease Guarantor") consents to the foregoing [[Subordination Agreement]] [[Subordination Agreement; Acknowledgment of Lease Assignment, Estoppel, Attornment and Non-Disturbance Agreement]] [[Acknowledgment of Lease Assignment, Estoppel, Attornment and Non-Disturbance Agreement]] and the transactions contemplated thereby and reaffirms its obligations under the lease guaranty ("Lease Guaranty") dated LEASE GUARANTY DATE. Lease Guarantor further reaffirms that its obligations under the Lease Guaranty are separate and distinct from Tenant's obligations.

AGREED:

Dated as of: _____

"LEASE GUARANTOR"

[[SIGNATURE BLOCK FOR LEASE GUARANTOR]]

(IF DOCUMENT TO BE RECORDED, ALL SIGNATURES
MUST BE ACKNOWLEDGED)

EXHIBIT K

FORM OF ESTOPPEL CERTIFICATE

_____, 20____

Re _____
_____, California

Ladies and Gentlemen:

Reference is made to that certain Lease, dated as of _____, 20____, between _____ LLC, a California limited liability company (“Landlord”), as landlord, and _____ (“Tenant”), as tenant (herein referred to as the “Lease”). A copy of the Lease [and all amendment thereto] is[are] attached hereto as Exhibit A. At the request of Landlord in connection with [_____ State reasons for request for estoppel certificate _____], the undersigned hereby certifies to Landlord and to [state names of other parties requiring certification (e.g., lender, purchaser, investor)] (“Lender”/ “Purchaser”/ “Investor”) and each of your respective successors and assigns as follows:

1. The undersigned is the tenant under the Lease.
2. The Lease is in full force and effect and has not been amended, modified, supplemented or superseded except as indicated in Exhibit A.
3. There is no current defense, offset, claim or counterclaim by or in favor of the Tenant against Landlord under the Lease or against the obligations of the undersigned under the Lease. The Tenant has no renewal, extension or expansion option, no right of first offer or right of first refusal and no other similar right to renew or extend the term of the Lease or expand the property demised thereunder except as may be expressly set forth in the Lease.
4. All improvements to be constructed in the Leased Premises by Landlord, if any, have been completed and accepted by Tenant, and any tenant construction or other allowances have been paid in full.

Exhibit K

5. To Tenant's current, actual knowledge there is no default now existing of the Tenant or of Landlord under the Lease, nor of any event which with notice or the passage of time or both would constitute a default of Tenant or of Landlord under the Lease.

6. The undersigned has not received notice of a prior transfer, assignment, hypothecation or pledge by Landlord of any of Landlord's interest in the Lease.

7. The monthly rent due under the Lease is \$_____ and has been paid through _____, and all additional rent due and payable under the Lease has been paid through _____.

8. The term of the Lease commenced on _____, and expires on _____, unless sooner terminated pursuant to the provisions of the Lease. Landlord has performed all work required by the Lease for the undersigned's initial occupancy of the demised property.

9. The undersigned has deposited the sum of \$_____ with Landlord as security for the performance of its obligations as tenant under the Lease, and no portion of such deposit has been applied by Landlord to any obligation under the Lease.

10. There is no free rent period pending, nor is Tenant entitled to any Landlord's contribution.

The above certifications are made to Landlord and [Lender/ Purchaser/ Investor] knowing that Landlord and [Lender/ Purchaser/ Investor] will rely thereon in [making a loan secured in part by an assignment of the Lease/ accepting an assignment of the Lease/ investing in Landlord/other].

Very truly yours,

By:
Name:
Title:

EXHIBIT L

AMORTIZATION CATEGORIES AND PERIODS

<u>Category</u>	<u>Useful Life</u>
HVAC Equipment per ASHRAE standards	
1. Split systems	15 years
2. Air Handlers	25 years
3. Heat Pumps	18 years
4. Roof Top Air Conditioners	15 years
5. Boilers	25 years
6. Furnaces, Burners	18 years
7. Ductwork	30 years
8. Dampers	20 years
9. Fans	20 years
10. Coils	18 years
11. Heat Exchangers	20 years
12. Compressors	15 years
13. Cooling Towers	28 years
14. Energy management system	15 years
Single Ply roof overlay 45 mil	15 years
Parking lot seal coat/repairs	4 years
Exterior paint	6 years
Landscaping	20 years
Signage	20 years
Carpeting	8 years
Restrooms	20 years
Lobby redo	20 years
Building structure	39 years

Exhibit L

LEASE

BY AND BETWEEN

Santa Clara Campus Property Owner I LLC,

a Delaware limited liability company

as Landlord

and

Palo Alto Networks, Inc.,

a Delaware corporation

as Tenant

May 28, 2015

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LEASE

THIS LEASE, dated May 28, 2015 for reference purposes only, is made by and between SANTA CLARA CAMPUS PROPERTY OWNER I LLC, a Delaware limited liability company (“Landlord”) and PALO ALTO NETWORKS, INC., a Delaware corporation [NYSE: PANW] (“Tenant”), to be effective and binding upon the parties as of the date the last of the designated signatories to this Lease shall have executed this Lease (the “Effective Date of this Lease”).

ARTICLE 1
REFERENCE

1.1 References. All references in this Lease (subject to any further clarifications contained in this Lease) to the following terms shall have the following meaning or refer to the respective address, person, date, time period, amount, percentage, calendar year or fiscal year as below set forth:

Tenant’s Representative:	Fayez Jangda
Phone Number:	[Redacted]
Landlord’s Representative:	Henry Bullock/Richard Holmstrom
Phone Number:	[Redacted]
Targeted Commencement Date:	May 1, 2017
Intended Term:	One hundred thirty-two (132) months
Lease Expiration Date:	One hundred thirty-two (132) months from the Lease Commencement Date (defined in Paragraph 2.3 below), unless earlier terminated by Landlord in accordance with the terms of this Lease, or extended by Tenant pursuant to Article 15. Notwithstanding the foregoing or any other provision of this Lease, if the Lease Commencement Date is other than the first calendar day of a calendar month, then the Lease Expiration Date shall be one hundred thirty-two (132) months from the last calendar day of the calendar month in which the Lease Commencement Date occurs (unless earlier terminated by Landlord in accordance with the terms of this Lease, or extended by Tenant pursuant to Article 15).
Options to Extend:	Three (3) option(s) to extend, each for a term of six (6) years.

First Month's Prepaid Rent:	None
Tenant's Security Deposit:	None
Late Charge Amount:	Four Percent (4%) of the Delinquent Amount
Tenant's Required Liability Coverage:	\$5,000,000 Combined Single Limit
Tenant's Broker:	Cornish & Carey Commercial, dba Newmark Cornish & Carey
Landlord's Broker:	Colliers International
Project:	That certain real property situated in the City of Santa Clara, County of Santa Clara, State of California, identified as Assessor's Parcel Nos.: (1) 216-31-084, with a current street address of 3355 Scott Boulevard (shown on the Parcel Map as "Parcel A" and on the Site Plan as "Building A"), (2) 216-31-085, with a current street address of 3325 Scott Boulevard (shown on the Parcel Map as "Parcel B" and on the Site Plan as "Building B and Building D"), (3) 216-31-086, with a current street address of 3315 Scott Boulevard (shown on the Parcel Map as "Parcel C" and on the Site Plan as "Building C"), (4) 216-31-082, with a street address to be assigned by the City of Santa Clara (shown on the Parcel Map as "Parcel D" and on the Site Plan as "Building E, Building F, and a portion of Building H"), (5) 216-31-083, with a street address to be assigned by the City of Santa Clara (shown on the Parcel Map as "Parcel E" and on the Site Plan as "Parking Structure - P1"), and (6) 216-31-077 ¹ , with a current street address of 3535 Garrett Drive (shown on the Parcel Map as

¹ As of the Effective Date of this lease, APN 216-31-077 is under contract to be purchased by Landlord, with close of escrow expected to occur as provided in Paragraph 16.6 of this Lease.

“Parcel 2” and on the Site Plan as “Building G,” “Parking Structure - P2” and a portion of “Building H”).

which real property is shown on the current parcel map attached hereto as Exhibit A-1 (the “Parcel Map”) and on the preliminary Site Plan attached hereto as Exhibit A-2 (the “Site Plan”). The Parcel Map and the Site Plan are subject to approval by the City of Santa Clara and any other governmental or quasi-governmental agencies with jurisdiction (being collectively defined for such purposes as the “City”). The Site Plan attached hereto as Exhibit A-2 has been approved by Landlord and Tenant and Landlord will not initiate any proposed changes thereto without Tenant’s consent, which may be withheld in Tenant’s reasonable discretion. Landlord shall use its best efforts to obtain the City’s approval of the Site Plan without additional changes, but Tenant hereby consents to City-required changes to the Site Plan, if any, unless the same constitute Material Site Plan Changes; and Tenant’s reasonable consent shall be required for any Material Site Plan Changes. As used herein, “Material Site Plan Changes,” means changes which result in the Site Plan (i) not reflecting Buildings E, F, and H in generally the same locations surrounding a large, outdoor courtyard which courtyard shall have materially the same size and configuration as shown on Exhibit A-4, and including a basketball court, amphitheater, outdoor seating areas, and load docks, (ii) materially and adversely impacting Tenant’s ability to use such courtyard and amenities located therein or (iii) an aggregate reduction of the rentable square footage of the Buildings and Building E in excess of 13,000 rentable square feet. Landlord is in the process of adjusting the Parcel Map, with the objective of finalizing the Parcel Map and obtaining approval of the it and the Site Plan by the City, such that the final Site Plan will be the same as the Site Plan attached hereto as Exhibit A-2, and the Parcel Map will be substantially as set forth on Exhibit A-3 (the “Target Parcel Map”). Landlord shall use commercially reasonable efforts to obtain all necessary approvals for and file or record the final Parcel Map in a form substantially consistent with

the Target Parcel Map at Landlord's sole cost and expense as soon as reasonably practicable. Tenant acknowledges that interim lot line adjustments and parcel mergers will be required prior to finalizing the Parcel Map. Landlord will provide Tenant with copies of all lot line adjustments, parcel mergers, tentative maps and final maps concurrently with their submission to the City of Santa Clara; provided, however, that Tenant's consent to any of the foregoing will not be required so long as the Required Conditions are satisfied.

After the final Parcel Map has been approved and recorded, Landlord and Tenant agree to enter into an amendment to this Lease setting forth the final definitions of the Property and the Project (e.g., replacing the Site Plan and the Parcel Map with the final versions thereof, assigning the revised Assessor's Parcel Numbers and street addresses, etc.).

Construction will commence on the Buildings, Parking Structure – P1 and Building E after the Effective Date of this Lease. Building D, Building G, and Parking Structure – P2 have not yet been constructed and Landlord may elect not to construct them; provided however that (i) if Tenant exercises the Expansion Option pursuant to and in accordance with Article 16 below, or (ii) if Tenant exercises its right of first refusal pursuant to and in accordance with Article 16 below and such right of first refusal and the Acceptable Proposal (as defined in Article 16) to which the right of first refusal relates contain an obligation for Landlord to construct Building G and Parking Structure – P2, then Landlord will be obligated to construct Building G and Parking Structure – P2 as provided in Article 16. Landlord reserves the right to adjust the boundaries of the Project at any time, provided that the Required Conditions are satisfied. The Site Plan and Landlord's proposed adjustments to the applicable Assessor's Parcel Map are subject to approval by the City of Santa Clara and acquisition of "Parcel 2" - 3535 Garrett Drive (which Parcel is currently under binding contract to be purchased by Landlord).

Property:

The term “Property” means that certain legal parcel of real property (currently identified as Assessor’s Parcel Nos. 216-31-82 and a portion of Assessor’s Parcel 216-31-077²), on which will be situated Building E, Building F, Building H and the Exclusive Use Area (subject to footnote 3 on the following page), substantially as delineated on the Site Plan and the Target Parcel Map. The Property may consist of more than one legal parcel, so long as no portion of the Property is shared with any other Project tenant(s). As noted above, Landlord is currently in the process of adjusting the boundaries of the legal parcels comprising the Property (which may also entail obtaining different Assessor’s Parcel Numbers) and reserves the right to adjust the boundaries of the Property at any time, provided that the Required Conditions are satisfied. Upon completion and City approval of the Target Parcel Map, the Property will have situated upon it Building F and the entirety of Amenities Building H, and Building E will be situated on its own, separate legal parcel.

Building F:

That certain building to be constructed on the Property as shown outlined on the Site Plan as “Building F” (“Building F”), which Building is estimated to contain approximately 310,000 rentable square feet of space (+/-5,000 rentable square feet), which rentable square footage will be determined in accordance with this Lease by utilizing the Building Owners and Managers Association International Single Tenant Full Building Standard Method for Measuring Floor Area in Office Buildings ANSI Z65-1-1996, pages 10 and 11 (the “BOMA Method”).

Amenities Building H:

That certain building to be constructed on the Property (and on what is currently a portion of the parcel listed above as Assessor’s Parcel No. 216-31-077 and the parcel listed above as 216-31-082), with a street address to be assigned by the City of Santa Clara (the “Amenities Building H”), which Building is shown outlined on the Site Plan (and denoted thereon as “Building H”), estimated to contain approximately 30,000 rentable square feet

² See footnote no. 1.

of space, which rentable square footage will be determined in accordance with this Lease by the BOMA Method. As part of the process of adjusting the Parcel Map referred to above, Landlord shall submit an application for a lot line adjustment (the “Amenities Building Lot Line Adjustment”) to cause Amenities Building H³ The basketball court as shown on the Site Plan will ultimately straddle the Property and the adjacent property and will be primarily located on the adjacent property. to fall entirely within the boundaries of the Property (as adjusted).

Buildings:

Building F and Amenities Building H.

Other Buildings:

(a) Those certain buildings currently constructed in the Project (but outside the Property) commonly known as 3355 Scott Boulevard (“Building A”), containing approximately 144,790 rentable square feet of space, 3325 Scott Boulevard (“Building B”), containing approximately 157,729 rentable square feet of space, and 3315 Scott Boulevard (“Building C”), containing approximately 157,205 rentable square feet of space, and, for purposes of this Lease, agreed to contain said number of rentable square feet, and

(b)(i) That certain building to be constructed in the Project (but outside the Property) with a street address to be assigned by the City of Santa Clara, and denoted on the Site Plan as “Building D” (“Building D”), containing approximately 245,000 rentable square feet of space, (ii) that certain building to be constructed on the Property with a street address to be assigned by the City of Santa Clara, and denoted on the Site Plan as “Building E” (“Building E”), containing approximately 290,000 rentable square feet of space (+/- 5,000 rentable square feet), as more particularly set forth in the Building E Lease, and (iii) that certain building to be constructed on the Project (but outside the Property) after Tenant exercises the Expansion Option (or its right of first refusal if applicable as described in the definition of “Project” above) pursuant to and in accordance with Article 16 below, which will have a street address to be assigned by the City of Santa Clara (the “Building G”), which Building is shown outlined on the Site

³ The basketball court as shown on the Site Plan will ultimately straddle the Property and the adjacent property and will be primarily located on the adjacent property.

Plan (and denoted thereon as “Building G”), currently estimated to contain approximately 300,000 (but not greater than 310,000) rentable square feet of space, which rentable square footage will be determined in accordance with this Lease by utilizing the BOMA Method.

(b)(ii) such other buildings as may be built on the Project from time to time. As noted above, Landlord is not obligated to construct Building G (except as and to the extent provided in Article 16 below). In addition, if Tenant does not elect its Expansion Option pursuant to Article 16 below, Landlord shall have the right to redesign Building G, reconfigure its location, or elect not to build it, subject to satisfaction of the Required Conditions.

- Building E Lease: That certain Lease dated as of the date of this Lease, entered into by and between Landlord and Tenant for the entirety of Building E (the “Building E Lease”).
- Building E Premises: The premises leased by Tenant pursuant to the Building E Lease (the “Building E Premises”).
- Bridge Space Lease: That certain Lease dated as of the date of this Lease, entered into by and between Landlord and Tenant for approximately 121,953 rentable square feet of space in Building B (the “Bridge Space Lease”).
- Building G Lease: The term “Building G Lease” is defined in Paragraph 16.1 below.
- Exclusive Use Areas: The “Exclusive Use Areas” shall mean the areas denoted on Exhibit A-4 as “Exclusive Use Areas.”
- Common Areas: The “Common Areas” shall mean the areas within the Project exterior to the Buildings and the Other Buildings not reserved for the exclusive use of Landlord, Tenant or any other tenant, including, without limitation, plazas, walkways, private roadways, loading docks, parking areas, parking structures, and landscaped areas. Until the Site Plan and Target Parcel Map have been finalized and approved by the City, Landlord reserves the right to make changes to the Common Areas as it deems reasonably necessary; provided, however, that from

and after the date that the Site Plan and Target Parcel Map have been finalized and approved by the City, Landlord may not make changes to the Exclusive Use Areas except to the extent required by Law (including a governmental agency). Common Areas shall not include the interior of any Other Buildings. The Common Areas shall include the Exclusive Use Areas and all portions of the Project exterior to the Buildings, unless expressly limited to a smaller area (e.g., to the Common Areas of the Property).

Parking:

With respect to the Leased Premises, Tenant shall be entitled to utilize 3.3 unreserved and unassigned parking spaces for each 1,000 net rentable square feet within Building F (as the same may change from time to time in accordance with the terms of this Lease or an amendment hereto), such spaces to be located in the parking area of the Common Areas. Parking is provided to Tenant by Landlord without additional charge for the entire Lease Term including any extension periods. Tenant shall have certain exclusive parking rights as described in Paragraph 4.5 below (and in Paragraph 16.1 below, if applicable). All spaces to which Tenant has exclusive parking rights shall count toward Tenant's overall parking allocation as described in the first sentence of this definition

Required Conditions:

The term "Required Conditions" is defined in Paragraph 2.2(a) below).

HVAC:

Heating, ventilating, and/or air conditioning.

Leased Premises:

The Buildings, and all interior space located within the Buildings and shown on the floor plan attached hereto as Exhibit B, estimated to contain approximately 340,000 rentable square feet (+/- 8,000 rentable square feet), which rentable square footage will be determined by utilizing the BOMA Method. Within thirty (30) days after the Lease Commencement Date, Landlord will cause the Leased Premises to be measured in accordance with the BOMA Method and Paragraph 2.1(b) below, and the resulting rentable square footage shall thereafter be the rentable square footage of the Leased Premises for all purposes under this Lease;

provided, however, that, except with respect to changes in the Site Plan approved or deemed to be approved by Tenant, in no event shall the rentable square footage of the Leased Premises be less than 305,000 nor more than 315,000 rentable square feet with respect to Building F, or less than 27,000 nor more than 33,000 rentable square feet with respect to Amenities Building H.

Work Letter:

The term “Work Letter” shall mean the Work Letter attached as Exhibit C to and made a part of this Lease, the terms and provisions of which are hereby incorporated into this Lease.

Construction Period:

The term “Construction Period” shall mean the period from the Effective Date of this Lease to the date that Landlord delivers the Leased Premises to Tenant with the Landlord Work Substantially Complete, regardless of the occurrence of any Tenant Delay and without regard to the effect of any provision of this Lease pursuant to which the date of Substantial Completion of the Landlord Work is deemed to occur in advance of its actual occurrence.

Tenant’s Building Share:

The term “Tenant’s Building Share” shall mean the percentage obtained by dividing the rentable square footage of the Leased Premises at the time of calculation by the rentable square footage of the Buildings at the time of calculation. Such percentage shall be 100% for all purposes under this Lease, unless otherwise agreed in a written amendment to this Lease signed by Landlord and Tenant.

Tenant’s Project Share:

The term “Tenant’s Project Share” shall mean the percentage obtained by dividing the rentable square footage of the Leased Premises at the time of calculation by the rentable square footage of the Buildings and the Other Buildings (excluding Building D, Building G, and any other Building not yet constructed, unless and until each such Building is completely constructed and ready for occupancy) at the time of calculation. Such percentage is currently 31.20%. In the event that any portion of the Project is sold by Landlord, or if new improvements are constructed on the Project (e.g.,

Building D, Building G, or other improvements), or if the rentable square footage of the Leased Premises, the Buildings, or the Other Buildings is otherwise changed (other than by mere re-measurement after the determination of the rentable square footage pursuant to Paragraph 2.1(b) below), Tenant’s Project Share shall be recalculated to equal the percentage described in the first sentence of this paragraph, so that the aggregate Tenant’s Project Share of all tenant space in the Project shall equal 100% (calculated as if the Buildings and the Other Buildings were fully occupied). Landlord and Tenant agree that any mere re-measurement after the determination of the rentable square footage pursuant to Paragraph 2.1(b) below (as opposed to an actual physical change) shall not result in a change in rentable square footage.

Tenant’s Amortization Payment:

As used herein, the term “Tenant’s Amortization Payment” shall mean the amount (as such amount may vary from time to time as new items are amortized and amortization periods expire) of the monthly amortization payments being paid by Tenant to Landlord pursuant to this Lease.

Standard Interest Rate:

The term “Standard Interest Rate” shall mean the greater of (a) 6%, or (b) the sum of that rate quoted by Wells Fargo Bank, N.T. & S. A., from time to time as its prime rate, plus two percent (2%), but in no event more than the maximum rate of interest not prohibited or made usurious.

Default Interest Rate:

The term “Default Interest Rate” shall mean the Standard Interest Rate, plus five percent (5%), but in no event more than the maximum rate of interest not prohibited or made usurious.

Base Monthly Rent:

The term “Base Monthly Rent” shall mean the following:

<u>Period</u>	<u>Base Monthly Rent per rentable square foot*</u>	<u>Base Monthly Rent**</u>
Months 1-12	\$0.00	\$0.00 (abated)

Months 13- 24	\$3.02	\$1,025,440.00
Months 25- 36	\$3.11	\$1,056,203.20
Months 37- 48	\$3.18	\$1,079,967.77
Months 49- 60	\$3.24	\$1,101,567.13
Months 61- 72	\$3.30	\$1,123,598.47
Months 73- 84	\$3.37	\$1,146,070.44
Months 85- 96	\$3.44	\$1,168,991.85
Months 97- 108	\$3.51	\$1,192,371.69
Months 109- 120	\$3.58	\$1,216,219.12
Months 121- 132	\$3.65	\$1,240,543.50

*Rounded

**Based upon the Leased Premises containing 340,000 rentable square feet of space, and subject to measurement as described in the "Leased Premises" definition above and adjustment.

Permitted Use:

General office, research and development, electronics laboratories, and other legal uses ancillary thereto, to the extent all such uses are in compliance with all Laws and Restrictions.

GAAP:

The term "GAAP" shall mean United States generally accepted accounting principles.

Exhibits:

The term "Exhibits" shall mean the Exhibits of this Lease which are described as follows:

Lease which are described as follows:

- Exhibit A-1 – Parcel Map
- Exhibit A-2 – Site Plan
- Exhibit A-3 – Target Parcel Map
- Exhibit A-4 – Exclusive Use Area
- Exhibit A-5 – Bicycle Storage Area
- Exhibit A-6 – PAN Visitor Parking Spaces
- Exhibit B – Floor Plan
- Exhibit C – Work Letter
- Exhibit D – Exclusive Use Area Conceptual Plan
- Exhibit E – Lease Commencement Date Certificate
- Exhibit F – Lump Sum Payment Amendment
- Exhibit G – Building Signage Exhibit
- Exhibit H – Landlord Signage Illustration
- Exhibit I – Rules and Regulations
- Exhibit J-1 – Subordination, Non-Disturbance and
Attornment Provisions (Current Financing)
- Exhibit J-2 – Subordination, Non-Disturbance and
Attornment Provisions (Future Financing)
- Exhibit K – Form of Tenant Estoppel Certificate
- Exhibit L – Amortization Categories and Periods
- Exhibit M – Existing Superior Rights

ARTICLE 2 LEASED PREMISES, TERM AND POSSESSION

2.1 Demise Of Leased Premises.

(a) Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, for the Lease Term and upon the terms and subject to the conditions of this Lease, the Leased Premises.

(b) The rentable square footage of the Leased Premises shall be re-measured within thirty (30) after the Commencement Date utilizing the BOMA Method. A copy of the letter or report from Landlord’s architect or engineer setting forth its calculation of the actual rentable square footage of the Leased Premises, together with all documentary support therefor, shall be furnished to Tenant (the “Preliminary Notice of Re-determination of RSF”). If Tenant does not object in writing to the Preliminary Notice of Re-determination of RSF within 10 business days of Landlord’s delivery thereof, the Preliminary Notice of Re-determination of RSF shall be considered the Notice of Re-determination of RSF. If, however, Tenant delivers to Landlord written notice of its objection to the square footage set forth in the Preliminary Notice of Re-determination of RSF within such 10 business day period, Landlord’s architect and an architect selected by Tenant and reasonably acceptable to Landlord for this purpose shall meet and attempt to reach agreement on the correct measurement within 10 days thereafter, utilizing

the BOMA Method. If Landlord's architect and Tenant's architect are unable to reach agreement in such 10 day period, the two architects shall select a third architect reasonably acceptable to both parties who shall determine the correct measurement, utilizing the BOMA Method, within 10 days of its selection. The determination by the architects shall be evidenced by a notice to both parties setting forth the correct measurement of the Premises (the "Notice of Re-determination of RSF").

2.2 Common Areas, Exclusive Use Area, and Bicycle Storage Area.

(a) As an appurtenant right to Tenant's lease of the Leased Premises, Tenant shall have the right to use the Common Areas in conjunction with its use of the Leased Premises solely for the purposes for which they were designed and intended and for no other purposes whatsoever. Tenant's right to so use the Common Areas shall be subject to the limitations on such use as set forth in Article 1 and shall terminate concurrently with any termination of this Lease. Further, Landlord shall have the right, from time to time, to reconfigure the Common Areas or modify the size of the Common Areas, subject to the satisfaction of the Required Conditions. As used in this Lease, a satisfaction of the "Required Conditions" means the satisfaction of each of the following conditions and criteria as a condition precedent to the referenced action or event: (i) Tenant's access to the Leased Premises is not materially adversely affected thereby, (ii) Tenant's parking allocation under Article 1 hereof is not reduced thereby and Tenant's exclusive parking (including Tenant's Allocated EV Parking Spaces as defined in Paragraph 4.5 below) shall be unaffected and unchanged, (iii) Tenant's right to the Exclusive Use Areas described in Paragraph 2.2(b) below shall not be reduced or otherwise affected, (iv) Tenant rights to comparable and similarly located bicycle storage areas as contemplated by Paragraph 2.2(c) below shall not be diminished, (v) once the adjustments to the Parcel Map have been completed and the final Site Plan and Parcel Map have been approved by the City, the Property must constitute one or more separate legal parcels that do not include any other land; (vi) no buildings (or additions to existing buildings) can be constructed on the Property other than Building G and Parking Structure - P2, (vi) there shall be no material interference with Tenant's use of the Leased Premises, provided, however, that Tenant agrees that interference caused by the construction of Building G and Parking Structure - P2 shall not constitute interference for purposes of this Lease so long as Landlord uses standard construction practices designed to minimize interference with Tenant's use of the Leased Premises during such construction; (vii) Tenant's obligations under this Lease shall not be materially increased and Tenant's rights under this Lease shall not be materially decreased; (viii) Tenant's signage rights set forth in Paragraph 4.6 below shall not be diminished, (ix) Landlord shall not enter into any Private Restrictions that would (a) require approvals or consents by any person or entity (including any owner's association) other than governmental authorities with respect to alterations or improvements to the Exclusive Use Areas, Tenant's use of the Exclusive Use Areas, or Tenant's initial signage installations or (b) impose any use restrictions on the Leased Premises or the Exclusive Use Areas that would limit Tenant's rights under this Lease in any material respect.

(b) So long as Tenant is leasing the entirety of the Buildings and Building E:

(i) Tenant will have exclusive use of Exclusive Use Areas and Tenant may use the Exclusive Use Areas for any purpose permitted under applicable Laws and

Restrictions so long as such use is not immoral and does not interfere with the occupancy of any tenants of the Other Buildings; *provided, however*, that if Tenant expands into Building G pursuant to Paragraph 16.1 below and at any point thereafter fails to lease the entirety of Building G, then Tenant shall no longer have exclusive use of the Exclusive Use Area, which shall at that point be shared with Building G and the tenants or other occupants thereof (the "Building G Users"). In that event, the Building G Users shall be entitled to use the Exclusive Use Area, but not the improvements in the Exclusive Use Area which are built and paid for solely by Tenant. So long as Tenant is leasing the entirety of Building G, and the Buildings and Building E, Tenant will also have exclusive control of the Exclusive Use Areas (subject to the foregoing use restrictions); and

(ii) subject to the provisions of the Work Letter or Paragraph 6 of this Lease, as applicable, Tenant may make such alterations and improvements to the Exclusive Use Areas as Tenant may desire consistent with the Project aesthetics, subject to obtaining Landlord's prior written approval which shall not be unreasonably withheld, conditioned, or delayed; *provided, however*, that from and after the date that Tenant has exercised its Expansion Right or has otherwise committed to lease Building G, during any period that Tenant is also leasing the entirety of Building G, Landlord's prior written approval shall not be required.

Landlord hereby approves the alterations and uses shown on the conceptual plan for the Exclusive Use Areas attached hereto as Exhibit D.

(c) In addition, prior to the Lease Commencement Date, Landlord will install a secured bicycle storage area to be mutually agreed to by Landlord and Tenant in Parking Structure – P1 or elsewhere in the Common Areas of the Property to store bicycles used by Tenant's employees and visitors located in an area shown on Exhibit A-5 (the "Bicycle Storage Area"). If Landlord elects to relocate the Bicycle Storage Area, then any such relocated area shall be subject to Tenant's prior written approval, which approval shall not be unreasonably withheld, and must be within reasonable walking distance to the Buildings and Building E. No rent is payable by Tenant for the bicycle storage during the Lease Term (as the same may be extended).

2.3 Lease Commencement Date And Lease Term. The term of this Lease shall begin, and the Lease Commencement Date shall be deemed to have occurred, on the latest of (a) the Substantial Completion of the Parking Structure-P1 and Landlord's Work, (b) six (6) months after the later of November 1, 2016 and the date that Landlord has delivered the Leased Premises to Tenant in the Required Delivery Condition as defined in Paragraph 2.4(a) below and (c) the Lease Commencement Date under the Building E Lease (such later date, the "Lease Commencement Date"); *provided, however*, that the Lease Commencement Date is subject to advancement for Tenant Delays (as defined in the Work Letter), and subject to extension for Landlord Delays as defined in the Work Letter. The term of this Lease shall in all events end on the Lease Expiration Date (as set forth in Article 1, as the same may be extended pursuant to Article 15 below). The Lease Term shall be that period of time commencing on the Lease Commencement Date and ending on the Lease Expiration Date (the "Lease Term"). Promptly after the Lease Commencement Date has been determined, Landlord and Tenant shall execute and deliver a Lease Commencement Date Certificate in the form of Exhibit E attached hereto.

Notwithstanding the foregoing, Tenant shall have the right to extend the Lease Commencement Date for up to ninety (90) days as needed for Tenant to complete the Tenant Improvements, prepare the Leased Premises for occupancy and relocate to the Leased Premises.

2.4 Delivery Of Possession.

(a) Landlord shall construct the Buildings pursuant to Paragraph 1 of the Work Letter and deliver the Leased Premises to Tenant on the date (the "Delivery Date") that the Required Delivery Condition has been achieved. As used herein, the term "Required Delivery Condition" means (i) the steel structure has been constructed, (ii) the concrete slab and decks have been poured, and (iii) fireproofing is complete. Landlord shall cause the Required Delivery Condition to be achieved by November 1, 2016 (as such date may be extended due to Tenant Delays and up to ninety (90) days of Force Majeure). If Landlord is unable to so deliver possession of the Leased Premises to Tenant in the agreed condition on or before the such date (as extended, if applicable), Landlord shall not be in default under this Lease, nor shall this Lease be void, voidable or cancelable by Tenant until the lapse of a delivery grace period of one hundred twenty (120) days after such date (as extended, if applicable). If Landlord is unable to deliver possession of the Leased Premises in the agreed condition to Tenant within the described delivery grace period (including any extension thereof by reason of Tenant Delays and up to ninety (90) days of Force Majeure), then Tenant shall be entitled to terminate this Lease by written notice delivered to Landlord within ten (10) days after the expiration of the delivery grace period (as extended, if applicable), and in no event shall Landlord be liable in damages to Tenant for such delay except as provided in Paragraph 2.8(c) below.

(b) Tenant may elect to enter the Leased Premises from and after the Delivery Date (even if such Delivery Date occurs before November 1, 2016) for the sole purpose of constructing the Tenant Improvements (as defined in Paragraph 2.5 below) and installing its furniture, fixtures, and equipment; *provided further* that Tenant does not interfere with Landlord's construction of the base Buildings and complies with all indemnification obligations under this Lease, subject to Paragraph 8.2(b) below.

(c) In addition, on or prior to May 1, 2017 (as such date may be extended due to Tenant Delays and up to ninety (90) days of Force Majeure), Landlord shall deliver possession of the Leased Premises "Substantially Complete," defined herein to mean (i) the Landlord's Work has been substantially completed in accordance with the Final Base Building Plans (as defined in the Work Letter) and the City of Santa Clara shall have signed off on the building permit for the Building, but for minor punch list items, (ii) all Warm Shell Components (as defined in the Work Letter), the structural elements of the Leased Premises and the Buildings, and the foundations of the Buildings, are in good working order and repair, (iii) all improvements needed for the Buildings (excluding the Leased Premises) and the Common Areas to be in compliance with all Laws and Restrictions, including the Santa Clara Building Code and the Americans With Disabilities Act have been completed, (iv) Parking Garage – P1 and the exterior parking spaces required by this Lease shall have been completed, (v) the elevators and stairwells and associated mechanical, engineering, and plumbing shall have been substantially completed, (vi) all scaffolding shall have been removed from the Building and (vii) Landlord has obtained a Certificate of Substantial Completion, AIA Document G704, executed by the RMW Architecture

& Interiors (“Landlord’s Architect”), with respect to the Landlord’s Work. If Landlord is unable to so deliver possession of the Leased Premises to Tenant in the agreed condition on or before the such date (as extended, if applicable), Landlord shall not be in default under this Lease, nor shall this Lease be void, voidable or cancelable by Tenant until the lapse of a delivery grace period of one hundred twenty (120) days such date (as extended, if applicable). If Landlord is unable to deliver possession of the Leased Premises in the agreed condition to Tenant within the described delivery grace period (including any extension thereof by reason of Tenant Delays and up to ninety (90) days of Force Majeure), then Tenant shall be entitled to terminate this Lease by written notice delivered to Landlord within ten (10) days after the expiration of the delivery grace period (as extended, if applicable), and in no event shall Landlord be liable in damages to Tenant for such delay except as provided in Paragraph 2.8(c) below.

(d) Any Tenant Delays shall serve to (1) extend the dates set forth in Paragraphs 2.4(a) and 2.4(c) above, and (2) advance the date upon which Substantial Completion of the Landlord’s Work and Parking Structure –P1, achievement of an affected milestone, or occurrence of the Delivery Date, shall be deemed to have occurred, in either case (1) or (2) on a day-for-day basis as provided in the Work Letter.

(e) Notwithstanding any other provision of this Lease or the Work Letter to the contrary, Tenant shall be responsible for payment of all utilities from and after the date Landlord delivers the Leased Premises Substantially Complete (the “Tenant Primary Work Period”). During the Tenant Primary Work Period, Tenant shall permit Landlord to access the Leased Premises for the purpose of punch list work, and commissioning and finalizing permits so long as such access does not unreasonably interfere with Tenant’s construction of the Tenant Improvements.

(f) In addition, if Tenant elects to occupy a portion of the Leased Premises for the conduct of Tenant’s business prior to the Lease Commencement Date, then Tenant shall be required to pay Monthly Base Rent and utilities with respect to such portion of the Leased Premises and to comply with all other provisions of this Lease (including but not limited to Article 9 below), but the Lease Commencement Date shall not occur until the date set forth in Paragraph 2.3 above; *provided, however*, that Tenant shall not elect to occupy the Leased Premises pursuant to this Paragraph 2.4(f) prior to Substantial Completion of the Landlord Work.

2.5 Performance Of Tenant Improvement Work; Acceptance Of Possession. Tenant shall, pursuant to the Work Letter, perform the work and make the installations in the Leased Premises substantially as set forth in the Work Letter (such work and installations hereinafter referred to as the “Tenant Improvements”). Upon accepting possession of the Substantially Complete Leased Premises, Tenant agrees that it will execute the Lease Commencement Date Certificate in the form of Exhibit E attached hereto, acknowledging that it has accepted the same and that the Leased Premises are in the condition called for under this Lease (including the Work Letter), subject to latent defects, and to the punch list items noted by Landlord’s architect or by the City of Santa Clara upon its sign-off on the building permit(s) for the Buildings.

2.6 Surrender Of Possession. Immediately prior to the expiration or upon the sooner termination of this Lease, Tenant shall remove all of Tenant’s signs from the exterior of the Buildings and shall remove all of Tenant’s Property (defined in Article 6 below) from within the

Leased Premises and the Common Areas, and shall vacate and surrender the Leased Premises, the Buildings, the Common Areas, the Property, and the Project to Landlord in the same condition, broom clean, as existed following completion of the Tenant Improvements, reasonable wear and tear, damage caused by Landlord or Landlord's employees, agents, contractors, or subcontractors (collectively with Landlord, the "Landlord Parties"), casualty, condemnation, alterations that Tenant is expressly permitted to surrender and repairs and replacements that are not Tenant's responsibility, excepted. Tenant shall repair all damage to the Leased Premises, the exterior of the Buildings and the Common Areas caused by Tenant's removal of Tenant's Property. Additionally, to the extent that Landlord shall have notified Tenant in writing at the time the applicable improvements were consented to, that it desired to have certain Non-Standard Improvements made by Tenant removed at the expiration or sooner termination of this Lease, Tenant shall, upon the expiration or sooner termination of this Lease: (A) remove such Non-Standard Improvements, but only if they had been identified as Non-Standard Improvements by Landlord at the time consented to pursuant to Paragraph 6.1 below, and (B) repair all damage caused by such removal. If the Leased Premises, the Buildings, and the Exclusive Use Areas are not surrendered to Landlord in the condition required by this paragraph at the expiration or sooner termination of this Lease, Landlord may, at Tenant's expense, so remove Tenant's signs, property and/or improvements not so removed and make such repairs and replacements not so made or hire, at Tenant's expense, independent contractors to perform such work. Tenant shall be liable to Landlord for all costs incurred by Landlord in returning the Leased Premises, the Buildings and the Exclusive Use Areas to the required condition, together with interest on all costs so incurred from the date paid by Landlord at the Default Interest Rate until paid. Tenant shall pay to Landlord the amount of all costs so incurred plus such interest thereon, within thirty (30) days of Landlord's billing Tenant for same. Tenant shall not be required to remove its initial Tenant Improvements constructed pursuant to and in accordance with the Work Letter, except for the specific items identified for removal as Non-Standard Improvements on Exhibit B to the Work Letter. "Non-Standard Improvements" are defined herein to mean alterations, modifications, and improvements constructed after the Tenant Improvements have been constructed pursuant to the Work Letter, that (i) affect the façade or structure of the Buildings, (ii) are other than typical (A) leasehold improvements for office tenants in Building F or in buildings similar to Building F in the area in which the Property is located or (B) amenities in Amenities Building H or in buildings similar to Amenities Building H, as applicable, in the area in which the Property is located, or (iii) in Landlord's reasonable judgment would materially increase Landlord's cost of preparing the Leased Premises for another tenant (such as, without limitation, interior staircases). As further illustration of items that may or may not be considered Non-Standard Improvements: (1) tenant improvements of a type or quantity that would not be installed by or for a typical tenant using space for general office or research and development purposes (including amenities space), such as internal stairwells or high density mobile filing systems, auditoriums, movie theaters or film projection rooms, private restrooms, data center rooms, swimming pools, basketball courts, laboratories and supplemental HVAC units or ducting would be considered Non-Standard Improvements; and (2) "open ceilings" (except to the extent shown on the Final Tenant Improvement Plans as defined in the Work Letter, kitchens, lunch rooms, cafés, break rooms, small, non-specialized server rooms, and expanded restroom areas built by Tenant in Building F would be considered Non-Standard Improvements, and (3) any improvements other than cafeteria and dining areas, fitness facilities, locker rooms and restrooms, and training/conference center facilities, in Amenities Building H, would be

considered Non-Standard Improvements. Notwithstanding the foregoing, so long as the subject improvements are not being constructed for a subtenant or assignee (other than a Permitted Transferee) and the only occupants of the Leased Premises have been Palo Alto Networks and its Permitted Assignee, "Non-Standard Improvements," shall mean alterations, modifications, and improvements constructed after the Tenant Improvements have been constructed pursuant to the Work Letter, that are specific to Tenant's business and use of the Leased Premises and Common Areas and not reasonably usable by another tenant using the Leased Premises for general office or research and development purposes, and, shall exclude Tenant's lab improvements and related permanently installed lab equipment.

2.7 Accessibility. In accordance with California Civil Code section 1938, Landlord hereby informs Tenant that as of the Effective Date of this Lease, neither the Leased Premises nor the Buildings have been inspected by a Certified Access Specialist (as defined in California Civil Code section 55.52(3)).

2.8 Milestones.

(a) Landlord shall use commercially reasonable efforts to cause the construction of the Landlord's Work to meet the time deadlines set forth below and to be Substantially Complete by May 1, 2017.

<u>Milestone</u>	<u>Deadline</u>
Steel order for Building F	November 30, 2015
Steel order for Amenities Building H	November 30, 2015
Building permit for Building F	March 15, 2016
Building permit for Amenities Building H	July 15, 2016
Recordation of Amenities Building Lot Line Adjustment	July 15, 2016
Required Delivery Condition for Building F	As provided in Paragraph 2.4
Required Delivery for Amenities Building H	As provided in Paragraph 2.4
Substantial Completion of Landlord's Work and Parking Structure - P1	As provided in Paragraph 2.4

Recordation of the Amenities Building Lot Line Adjustment shall be evidenced by a conformed copy of the final applicable deeds with recording information. The steel orders shall be

evidenced by certificates, in form reasonably acceptable to Tenant, unconditionally certifying such fact and executed by both Devcon Construction (“Landlord’s Contractor”) and Landlord. Securing of building permits for the shells and cores of the applicable Buildings will be evidenced by copies of the issued permits.

(b) Notwithstanding anything to the contrary in the Work Letter or this Lease, Tenant shall have the right, in its sole discretion, to terminate the Lease if Landlord fails to accomplish any of the foregoing construction milestones by the applicable dates set forth above (or in Paragraph 2.4, as applicable, after taking into account applicable extension and grace periods set forth therein). Tenant may exercise its right to terminate the Lease pursuant to this Paragraph 2.8(a) by delivery to Landlord of written notice of such exercise within ten (10) days following the applicable milestone deadline set forth above or in Paragraph 2.4, as applicable; *provided, however*, that (i) if the applicable milestone is met before Landlord’s receipt of such notice from Tenant, the applicable notice shall be deemed rescinded; and (ii) if the milestone relates to issuance of a building permit and such building permit has not been issued by the applicable milestone deadline, but Landlord can nonetheless demonstrate, in a manner reasonably acceptable to Tenant, that its construction schedule shows that it can deliver the Leased Premises to Tenant Substantially Complete within the time periods set forth in Paragraph 2.4(c) above, such milestone shall be deemed to have been achieved and Tenant shall not have the right to terminate pursuant to Paragraph 2.8 for failure to meet such milestone deadline.

(c) If Landlord is unable to cause Substantial Completion of the Landlord’s Work to occur on or before June 1, 2017 (as such date may be extended due to Tenant Delays and up to ninety (90) days of Unavoidable Delays), then, in addition to Tenant’s other rights and remedies under this Lease, the date Tenant is otherwise obliged to commence payment of Base Monthly Rent shall be delayed by one day for each day that Substantial Completion is delayed beyond such date (the “Base Rent Penalty”). Notwithstanding the foregoing, if despite using commercially reasonable efforts to achieve Substantial Completion, Landlord is unable to cause Substantial Completion to occur for the entire Leased Premises on or before June 1, 2018 (as such date may be extended due to delays caused by Tenant or any Tenant Parties and up to ninety (90) days of Unavoidable Delays), then Landlord shall have the right to either (i) terminate the foregoing Base Rent Penalty or (ii) allow the Base Rent Penalty to continue until Substantial Completion of the Landlord’s Work occurs. Landlord may exercise the foregoing election by delivery to Tenant of written notice of such exercise within ten (10) days following such date. If Landlord elects to terminate the Base Rent Penalty as aforesaid, then Tenant shall have the right to terminate this Lease by delivery to Landlord of written notice of such exercise within ten (10) days following receipt of Landlord’s written election notice. “Unavoidable Delays” means any prevention, delay or stoppage due to acts of God, natural disasters, acts of war, terrorist acts, civil commotions, moratoria, fire or other casualty.

ARTICLE 3
RENT

3.1 Base Monthly Rent.

(a) Commencing on the Lease Commencement Date (as determined pursuant to Paragraph 2.3 above) and continuing throughout the Lease Term, Tenant shall pay to Landlord, without prior demand therefor, in advance on the first day of each calendar month, cash or other immediately available good funds in the amount set forth as Base Monthly Rent in Article 1.

(b) Base Monthly Rent is not payable during the first twelve (12) months of the Lease Term (the "Rent Abatement Period"). Notwithstanding anything to the contrary contained in this Lease, Landlord shall have the option (the "Lump Sum Payment Option") to require Tenant to pay Base Monthly Rent for so much of the Rent Abatement Period as remains following Landlord's notice as hereinafter provided at the rate set forth in the Lump Sum Payment Amendment defined below, beginning on the date (the "Base Monthly Rent Start Date") set forth in the Lump Sum Payment Option Notice (defined below), which shall in no event be a date prior to payment to Tenant of the Abated Rent Lump Sum Payment. To exercise the Lump Sum Payment Option, Landlord must (i) provide written notice to Tenant of such exercise (the "Lump Sum Payment Option Notice") and (ii) pay to Tenant the Base Monthly Rent that would be payable for the remaining Rent Abatement Period (the "Abated Rent Lump Sum Payment"). If Landlord elects its Lump Sum Payment Option, the Abated Rent Lump Sum Payment shall be made, at Landlord's election (a) within thirty (30) days of Tenant's receipt of the Lump Sum Payment Option Notice, or (b) on the closing date of any financing or sale of the Buildings by Landlord (the date of such payment is hereinafter referred to as the "Lump Sum Payment Date"). If Landlord fails to pay the Abated Rent Lump Sum Payment by the Lump Sum Payment Date or the financing or sale transaction for the Buildings, if applicable, expires or is terminated or deemed null and void for any reason, Landlord's exercise of the Lump Sum Payment Option shall be deemed null and void and of no further force or effect and the Abated Rent Lump Sum Payment, if theretofore paid by Landlord to Tenant, shall promptly be returned by Tenant to Landlord. If Landlord's Lump Sum Payment Notice is effective on a day other than the first day of a calendar month and Landlord has then paid the Abated Rent Lump Sum Payment, then Tenant shall pay any Base Monthly Rent payable hereunder for the period from Landlord's Lump Sum Payment Option Notice through the last day of the calendar month, with the next installment of Base Monthly Rent due for the following calendar month.

(c) If Landlord exercises its Lump Sum Payment Option in accordance with the above paragraph, Landlord shall prepare an amendment in the form of Exhibit F attached hereto (the "Lump Sum Payment Amendment") that documents the effect of Landlord's exercise of the Lump Sum Payment Option and sets forth a revised rent schedule reflecting Tenant's payment of the Base Monthly Rent for the remaining Rent Abatement Period following the Lump Sum Payment Option Notice. A copy of the Lump Sum Payment Amendment shall be sent to Tenant and Tenant shall execute and return the Lump Sum Payment Amendment to Landlord within ten (10) business days thereafter, but Landlord's otherwise valid exercise of the Lump Sum Payment Option shall be fully effective whether or not the Lump Sum Payment Amendment is executed.

3.2 Additional Rent. Commencing on the Lease Commencement Date (as determined pursuant to Paragraph 2.3 above) and continuing throughout the Lease Term, in addition to the

Base Monthly Rent and to the extent not required by Landlord to be contracted for and paid directly by Tenant, Tenant shall pay to Landlord as additional rent (the "Additional Rent"), cash or other immediately available good funds in the following amounts:

- (a) An amount equal to all Property Operating Expenses (as defined in Article 13) incurred or to be incurred by Landlord. Landlord shall deliver to Tenant Landlord's reasonable estimate of any given expense (such as Landlord's Insurance Costs or Real Property Taxes), or group of expenses, which it anticipates will be paid or incurred for the ensuing calendar or fiscal year, as Landlord may determine, and Tenant shall pay to Landlord an amount equal to the estimated amount of such expenses for such year in equal monthly installments during such year with the installments of Base Monthly Rent. Landlord reserves the right to revise such estimate from time to time.
- (b) Landlord's share of the consideration received by Tenant upon certain assignments and sublettings as required by Article 7.
- (c) Any legal fees and costs that Tenant is obligated to pay or reimburse to Landlord pursuant to Article 13; and
- (d) Any other charges or reimbursements due Landlord from Tenant pursuant to the terms of this Lease.

Notwithstanding the foregoing, at any time that both (i) the Property consists of one or more separate legal parcels on which the Buildings (but none of the Other Buildings) are located, and (ii) Tenant leases all of the rentable square footage in the Buildings, Landlord may elect by written notice to Tenant to have Tenant pay Real Property Taxes or any portion thereof directly to the applicable taxing authority, in which case Tenant shall make such payments and deliver satisfactory evidence of payment to Landlord no later than thirty (30) days before such Real Property Taxes become delinquent. In the event Tenant is responsible to pay taxes directly, Landlord shall have no obligation to make such payments, whether or not Landlord receives evidence of payment from Tenant, and Tenant shall in all cases be responsible for any fines, penalties, interest and damages for late payment.

3.3 Year-End Adjustments. Landlord shall furnish to Tenant within four months following the end of the applicable calendar or fiscal year, as the case may be, a statement setting forth (i) the amount of such expenses paid or incurred during the just ended calendar or fiscal year, as appropriate, and (ii) the amount that Tenant has paid to Landlord for credit against such expenses for such period. If Tenant shall have paid more than its obligation for such expenses for the stated period, Landlord shall, at its election, either (i) credit the amount of such overpayment toward the next ensuing payment or payments of Rent that would otherwise be due or (ii) refund in cash to Tenant the amount of such overpayment within thirty (30) days after discovery of such surplus; *provided, however*, that if this Lease shall have terminated, Landlord shall be deemed to have chosen option (ii) above. If such year-end statement shall show that Tenant did not pay its obligation for such expenses in full, then Tenant shall pay to Landlord the amount of such underpayment within thirty (30) days from Landlord's billing of same to Tenant. Tenant may, at Tenant's sole cost and expense, cause an audit of Landlord's books and records to determine the accuracy of Landlord's billings for Property Operating Expenses under this Lease,

provided Tenant completes (and delivers to Landlord the written results of) such audit within two hundred seventy (270) days after Tenant's receipt of the year-end statement described above setting forth the annual reconciliation of the Property Operating Expenses, and provided further that the person or entity performing such audit is not compensated on any type of contingent basis. If such audit reveals that the actual Property Operating Expenses for any given year were less than the amount that Tenant paid for Property Operating Expenses for any such year, then unless Landlord contests such audit results as provided below, Landlord shall credit the excess to Tenant's next payment of Additional Rent. If such audit reveals that the actual Property Operating Expenses for any given year were more than the amount that Tenant paid for Property Operating Expenses for any such year, Tenant shall pay such amount to Landlord within thirty (30) days after completion of the audit. Landlord shall have the right to contest the results of Tenant's audit and thereafter promptly have an audit performed ("Landlord's Audit") by a certified public accounting firm acceptable to Landlord and Tenant in their reasonable discretion. In such case, the results of Landlord's Audit shall be binding and conclusive on Landlord and Tenant, and any resulting overpayment or underpayment shall be handled as provided above. If Landlord's Audit, or Tenant's audit in the event Landlord does not elect to have Landlord's Audit performed, confirms that Tenant was overcharged by more than five percent (5%), then Landlord shall pay the cost of Tenant's audit (up to a maximum of \$7,500) and Landlord's Audit. If Tenant's audit confirms that Tenant was not overcharged, then Tenant shall pay the cost of Landlord's Audit (up to a maximum of \$7,500) and Tenant's audit. In all other cases, each party shall pay for its own audit. The provisions of this Paragraph shall survive the expiration or sooner termination of this Lease.

3.4 Late Charge, And Interest On Rent In Default. Tenant acknowledges that the late payment by Tenant of any monthly installment of Base Monthly Rent or any Additional Rent will cause Landlord to incur certain costs and expenses not contemplated under this Lease, the exact amounts of which are extremely difficult or impractical to fix. Such costs and expenses will include without limitation, administration and collection costs and processing and accounting expenses. Therefore, if any installment of Base Monthly Rent is not received by Landlord from Tenant within five (5) calendar days after the same becomes due, Tenant shall immediately pay to Landlord a late charge in an amount equal to the amount set forth in Article 1 as the "Late Charge Amount," and if any Additional Rent is not received by Landlord when the same becomes due, Tenant shall immediately pay to Landlord a late charge in an amount equal to 4% of the Additional Rent not so paid; *provided, however*, that twice but only twice in any twelve (12) month period during the Lease Term, Tenant shall be entitled to written notice of non-receipt of Base Monthly Rent or Additional Rent from Landlord, and Tenant shall not be liable for any Late Charge Amount or other late charge hereunder with respect thereto if such installment of Base Monthly Rent or Additional Rent is received by Landlord within three (3) business days after Tenant's receipt of such written notice from Landlord. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for the anticipated loss Landlord would suffer by reason of Tenant's failure to make timely payment. In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any rental installment or prevent Landlord from exercising any right or remedy available to Landlord upon Tenant's failure to pay each rental installment due under this Lease when due, including the right to terminate this Lease. If any rent remains delinquent for a period in excess of five (5) calendar days, then, in addition to

such late charge, Tenant shall pay to Landlord interest on any rent that is not so paid from said fifth (5th) day at the Default Interest Rate until paid.

3.5 Payment Of Rent. Except as specifically provided otherwise in this Lease, all rent shall be paid in lawful money of the United States, without any abatement, reduction or offset for any reason whatsoever, to Landlord at such address as Landlord may designate from time to time. Tenant's obligation to pay Base Monthly Rent and all Additional Rent shall be appropriately prorated at the commencement and expiration of the Lease Term. The failure by Tenant to pay any Additional Rent as required pursuant to this Lease when due shall be treated the same as a failure by Tenant to pay Base Monthly Rent when due, and Landlord shall have the same rights and remedies against Tenant as Landlord would have had Tenant failed to pay the Base Monthly Rent when due.

ARTICLE 4 USE OF LEASED PREMISES AND COMMON AREA

4.1 Permitted Use. Tenant shall be entitled to use the Leased Premises on a 24/7/365 basis solely for the Permitted Use as set forth in Article 1 and for no other purpose whatsoever. Tenant shall have the right to vacate the Leased Premises at any time during the Term of this Lease, provided Tenant maintains the Leased Premises in the condition required by the terms of this Lease. Tenant shall have the right to use the Common Areas and Exclusive Use Areas in accordance with paragraph 2.2 above.

4.2 General Limitations On Use. Tenant shall not do or permit anything to be done in or about the Leased Premises, the Buildings, the Common Areas, the Property, or the Project which does or could (i) jeopardize the structural integrity of either of the Buildings or (ii) cause damage to any part of the Leased Premises, the Buildings, the Common Areas, the Property, or the Project. Tenant shall not operate any equipment within the Leased Premises which does or could (A) injure, vibrate or shake the Leased Premises or the Buildings, (B) damage or overload any electrical, plumbing, and HVAC systems within or servicing the Leased Premises or the Buildings, or (C) damage the sprinkler system (if any) within or servicing the Leased Premises or the Buildings. Tenant shall not install any equipment or antennas on or make any penetrations of the exterior walls or roofs of the Buildings, except to the extent specifically set forth in the Tenant Improvement Working Drawings approved by Landlord pursuant to Paragraph 2 of the Work Letter or as otherwise provided in Paragraph 4.14 below. Tenant shall not affix any equipment to or make any penetrations or cuts in the floor, ceiling, walls or roof of the Leased Premises except for standard office/r&d/lab attachments and penetrations (e.g., furniture/cubicle bracketing to walls and floors), or except to the extent specifically set forth in the Tenant Improvement Working Drawings approved by Landlord pursuant to Paragraph 2 of the Work Letter. Tenant shall not place any loads upon the floors, walls, ceiling or roof systems which could endanger the structural integrity of either of the Buildings or damage its floors (other than floor coverings), foundations or supporting structural components. Tenant shall not place any explosive, flammable or harmful fluids or other waste materials in the drainage systems of the Leased Premises, the Buildings, the Common Areas, the Property, or the Project. Tenant shall not drain or discharge any fluids (excluding water for landscaping) in the landscaped areas or across the paved areas of the Property or the Project. Tenant shall not use any of the Common

Areas for the storage of its materials, supplies, inventory or equipment and all such materials, supplies, inventory or equipment shall at all times be stored within the Leased Premises. Tenant shall not commit nor permit to be committed by any of its employees, agents, vendors, invitees, guests, permittees, assignees, sublessees, contractors, or subcontractors (the “**Tenant Parties**”), any waste in or about the Leased Premises, the Buildings, the Common Areas, the Property, or the Project.

4.3 Noise And Emissions. All noise generated by Tenant in its use of the Leased Premises shall be confined or muffled so that it does not interfere with the businesses of the occupants and/or users of adjacent properties. All dust, fumes, odors and other emissions generated by Tenant’s use of the Leased Premises shall be sufficiently dissipated in accordance with sound environmental practice and exhausted from the Leased Premises in such a manner so as not to interfere with the businesses of the occupants and/or users of adjacent properties, or cause any damage to the Leased Premises, the Buildings, the Common Areas, the Property, or the Project or any component part thereof or the property of adjacent property owners.

4.4 Trash Disposal. Landlord shall provide trash bins or other adequate garbage disposal facilities within the trash enclosure areas provided or permitted by Landlord outside the Leased Premises sufficient for the interim disposal of all of its trash, garbage and waste. All such trash, garbage and waste temporarily stored in such areas by Tenant or any of the Tenant Parties shall be stored in such a manner so that it is not visible from outside of such areas. Landlord shall cause such trash, garbage and waste to be regularly removed from the trash bins/garbage disposal facilities and the Property. Subject to the foregoing removal obligation of Landlord, Tenant shall keep the interior of the Leased Premises in a clean, safe and neat condition and shall keep the Common Areas free and clear of all of Tenant’s trash, garbage, waste and/or boxes, pallets and containers containing same at all times.

4.5 Parking. Tenant shall not, at any time, park or permit to be parked any recreational vehicles, inoperative vehicles or equipment in the Common Areas or on any portion of the Project. Tenant agrees to assume responsibility for compliance by the Tenant Parties with the parking provisions contained herein. If Tenant or its employees park any vehicle within the Property or the Project in violation of these provisions, then Landlord may, upon prior written notice to Tenant giving Tenant one (1) business day (or any applicable statutory notice period, if longer than one (1) business day) to remove such vehicle(s), as Landlord’s sole remedy for such violation, charge Tenant, as Additional Rent, and Tenant agrees to pay, as Additional Rent, One Hundred Dollars (\$100) per day for each day or partial day that each such vehicle is so parked within the Property. Landlord reserves the right to grant easements and access rights to others for use of the parking areas on the Property and/or Project, provided that the Required Conditions are satisfied. Of the spaces available to Tenant pursuant to this Lease and the Building E Lease, so long as Tenant is the tenant under both such leases, Landlord has allocated a combined total of twenty-five (25) spaces for electric vehicle parking for Tenant’s exclusive use (the “Allocated EV Parking Spaces”). Tenant shall have the right to install electric vehicle charging stations (“ECV Stations”) on the Property (so long as Tenant is leasing the entirety of the Buildings and Building E) in the Allocated EV Parking Spaces (and in such additional spaces as Tenant desires, up to an aggregate total with the Allocated EV Parking Spaces of ten percent (10%) of all of Tenant’s parking allocation), all at Tenant’s sole cost, including but not limited to

the cost of running conduit and cable; *provided, however*, that Landlord shall provide conduit to all of the Allocated EV Parking Spaces (and any additional spaces that Tenant elects within sixty (60) days after the Effective Date of this Lease) from the Parking Structure-P1 electrical service (limited to 187 ECV Stations). Conduit to any additional spaces shall be at Tenant's sole cost. In addition, so long as Tenant is leasing the entirety of the Buildings and Building E: (a) as part of Landlord's Work pursuant to the Work Letter, Landlord will provide Tenant with exclusive, controlled parking spaces on all floors of the north side of Parking Structure – P1, with key card or other controlled access, and (b) Tenant shall have exclusive use of all of the parking spaces identified on Exhibit A-6 as "PAN Visitor Parking Spaces", which spaces shall be labeled as "PAN Visitor Parking" as part of Landlord's Work. Landlord shall have the right to proportionately reduce the number of exclusive spaces to non-exclusive spaces to the extent they are not being utilized by Tenant (including its visitors) on a regular and frequent basis (and in no event less than the intensity of Tenant's utilization of non-exclusive spaces); *provided, however*, that such right shall only accrue to Landlord if, after having provided Tenant with written notice of Landlord's intentions to convert such spaces, such spaces are not, within 90 days after such notice, being used on a regular and frequent basis (and in no event less than the intensity of Tenant's utilization of non-exclusive spaces) for Tenant's (including its visitors') exclusive use.

4.6 Signs. Subject to the other terms and conditions of this Paragraph 4.6, Tenant, at Tenant's sole cost and expense, shall: (i) have the exclusive right (so long as Tenant is leasing the Buildings) to place its name and/or logo on the top of Building F and the Amenities Building in three (3) locations generally as depicted on Exhibit G, (ii) be entitled to place its name and/or logo on the Project monument on Tannery Way as generally as depicted on Exhibit G, which monument sign shall be exclusive to Tenant so long as Tenant is leasing the Buildings and Building E (and Building G once Landlord and Tenant have entered into the Building G Lease, as defined in Paragraph 16.1 below), (iii) be entitled to place its name and/or logo on the Project entry monument sign at the entry off of Lakeside Drive, generally as depicted on Exhibit G, which monument sign shall be exclusive to Tenant so long as Tenant is leasing the Buildings and Building E (and Building G once Landlord and Tenant have entered into the Building G Lease), and otherwise shall be non-exclusive and based on Tenant's Project Share, and (iv) be entitled to install directional signage at the entry of Scott Boulevard, generally as depicted on Exhibit G, in all cases to the extent approved by Landlord in its reasonable discretion and by the City of Santa Clara; *provided, however*, that Landlord's approval shall not be required for signs installed for Palo Alto Networks or its Permitted Assignee. The size, location, and configuration of all signage shall be subject to Landlord's building standards and its prior written approval, which shall not be unreasonably withheld, and shall be governed by and subject to the rules, regulations and permit requirements of the City of Santa Clara. Landlord shall not cause or permit any signage other than directional signage to be placed on the Buildings or Building E or within the Exclusive Use Areas so long as Tenant is leasing the entirety of the Buildings and Building E. Landlord shall not place or permit to be placed any signs on the Common Areas of the Property so long as Tenant is leasing the entirety of the Buildings and Building E, unless Tenant does not elect to lease Building G. Tenant shall not place or install on or within any portion of the Leased Premises, the exterior of the Buildings, the Common Areas, the Property, or the Project any sign which is visible from the exterior of the Leased Premises until Landlord shall have approved in writing and in its reasonable discretion the location, size, content, design, method of attachment and material to be used in the making of such sign; *provided, however*, that so long as such signs

are business directional or identification signs, Tenant shall not be required to obtain Landlord's approval. Any sign, once approved by Landlord, shall be installed at Tenant's sole cost and expense and only in strict compliance with Landlord's approval and any applicable Laws, using a person approved by Landlord to install same, which approval shall not be unreasonably withheld, conditioned or delayed. Landlord may remove any signs, advertisements, banners, placards or pictures placed by Tenant in violation of this Paragraph and charge to Tenant the cost of such removal, together with any costs incurred by Landlord to repair any damage caused thereby, including any cost incurred to restore the surface (upon which such sign was so affixed) to its original condition. Tenant shall remove all of Tenant's signs, repair any damage caused thereby, and restore the surface upon which the sign was affixed to its original condition, all to Landlord's reasonable satisfaction, upon the termination of this Lease. Notwithstanding the signage rights granted to Tenant pursuant to this Paragraph 4.6, Landlord reserves and retains the right to place modest signage (signage stenciled or equivalent, as depicted on Exhibit H attached hereto) bearing Landlord's name and/or ownership affiliation, in or on the Leased Premises, the Buildings, the Common Areas, the Property, or the Project, or on any of the signs located thereon, as determined in Landlord's sole discretion. In addition, subject to approval by the City of Santa Clara, Tenant shall have the right to designate or change the street address of the Buildings or Building E.

4.7 Compliance With Laws And Restrictions. Subject to Paragraph 6.3 below, Tenant shall abide by and shall promptly observe and comply with, at its sole cost and expense, all Laws and Restrictions respecting the use and occupancy of the Leased Premises, the Building, the Common Areas, the Property, or the Project including, without limitation, Title 24, building codes, the Americans with Disabilities Act and the rules and regulations promulgated thereunder, and all Laws governing the use and/or disposal of hazardous materials, and shall defend with competent counsel, indemnify and hold Landlord harmless from any claims, damages or liability resulting from Tenant's failure to so abide, observe, or comply. Tenant's obligations hereunder shall survive the expiration or sooner termination of this Lease.

4.8 Compliance With Insurance Requirements. With respect to any insurance policies required or permitted to be carried by Landlord in accordance with the provisions of this Lease, Tenant shall not conduct nor permit the Tenant Parties to conduct any activities nor keep, store or use (or allow any other person to keep, store or use) any item or thing within the Leased Premises, the Buildings, the Common Areas, the Property, or the Project which (i) is prohibited under the terms of any such policies, (ii) could result in the termination of the coverage afforded under any of such policies, (iii) could give to the insurance carrier the right to cancel any of such policies, or (iv) could cause an increase in the rates (over standard rates) charged for the coverage afforded under any of such policies; *provided, however*, that Landlord shall modify such policies as may be reasonably required by Tenant to avoid such conflicts provided that Tenant pays the incremental cost of any such modifications. Tenant shall comply with all requirements of any insurance company, insurance underwriter, or Board of Fire Underwriters which are necessary to maintain, at standard rates, the insurance coverages carried by either Landlord pursuant to this Lease, unless Tenant elects to pay such increased rates necessary to avoid compliance with such requirements.

4.9 Landlord's Right To Enter. Landlord and its agents shall have the right to enter the Leased Premises during normal business hours after giving Tenant reasonable notice (which shall be prior written notice except in the event of a circumstance which Landlord in good faith believes to be an emergency) and subject to Tenant's reasonable security measures for the purpose of (i) inspecting the same; (ii) showing the Leased Premises to prospective purchasers, mortgagees or, during the last nine (9) months of the Lease Term or during any period that Tenant is in monetary or material non-monetary default beyond the applicable notice and cure period, if any, expressly set forth in this Lease, tenants; (iii) making necessary alterations, additions or repairs; and (iv) performing any of Tenant's obligations when Tenant has failed to do so after the expiration of any applicable notice and cure period expressly set forth in this Lease. Landlord shall have the right to enter the Leased Premises during normal business hours (or as otherwise agreed), subject to Tenant's reasonable security measures, for purposes of supplying any maintenance or services agreed to be supplied by Landlord. Landlord shall have the right to enter the Common Areas during normal business hours for purposes of (i) inspecting the exterior of the Building and the Common Areas; (ii) posting notices of nonresponsibility (and for such purposes Tenant shall provide Landlord at least ten (10) days' prior written notice of any work to be performed on the Leased Premises, as well as notice within one (1) day after the commencement of such work); and (iii) supplying any services to be provided by Landlord. If at any time Tenant is not leasing the entirety of a Building, Landlord shall also have the right, upon reasonable advance notice to Tenant, to access such Building's vertical risers and the interstitial space above Tenant's acoustical ceiling to connect new utility and communications lines from other floors to the base Building utility lines; all of such work shall be done after hours or on weekends. Any entry into the Leased Premises or the Common Areas obtained by Landlord in accordance with this paragraph shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Leased Premises, or an eviction, actual or constructive of Tenant from the Leased Premises or any portion thereof. Landlord shall conduct all of Landlord's activities on the Leased Premises during such period of entry in a manner designed to cause minimal interference to Tenant and Tenant's use of the Leased Premises.

Tenant shall be permitted to maintain "Secured Areas" (defined herein to mean certain secure compartmentalized facilities, special access areas and limited access areas as designated by Tenant to Landlord from time to time in advance) within the Leased Premises, comprising no more than ten percent (10%) of the rentable square footage of the Leased Premises, in which case Landlord shall follow Tenant's access protocols as to such Secured Areas and shall not enter such Secured Areas without being accompanied by a representative of Tenant.

4.10 Use Of Common Areas. Except as permitted in the Exclusive Use Areas pursuant to Paragraph 2.2(b) above, Tenant, in its use of the Common Areas, shall at all times keep the Common Areas free and clear of Tenant's and the Tenant Parties' materials, equipment, debris, trash (except within existing enclosed trash areas), inoperable vehicles, and other items which are prohibited by this Lease to be stored or located thereon by Tenant. If, in the opinion of Landlord, unauthorized persons are using any of the Common Areas by reason of, or under claim of, the express or implied authority or consent of Tenant, then Tenant, upon demand of Landlord, shall restrain, to the fullest extent then allowed by Law, such unauthorized use, and shall initiate such appropriate proceedings as may be required to so restrain such use. Landlord reserves the right to grant easements and access rights to others for use of the Common Areas provided that

the Required Conditions are satisfied, and Landlord shall not be liable to Tenant for any diminution in Tenant's right to use the Common Areas as a result.

4.11 Environmental Protection. Tenant's obligations under this Paragraph 4.11 shall survive the expiration or termination of this Lease.

(a) As used herein, the term "Hazardous Materials" shall mean any toxic or hazardous substance, material or waste or any pollutant or infectious or radioactive material, including but not limited to those substances, materials or wastes regulated now or in the future under any of the following statutes or regulations and any and all of those substances included within the definitions of "hazardous substances," "hazardous materials," "hazardous waste," "hazardous chemical substance or mixture," "imminently hazardous chemical substance or mixture," "toxic substances," "hazardous air pollutant," "toxic pollutant," or "solid waste" in the (a) Comprehensive Environmental Response, Compensation and Liability Act of 1990 ("CERCLA" or "Superfund"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), 42 U.S.C. § 9601 *et seq.*, (b) Resource Conservation and Recovery Act of 1976 ("RCRA"), 42 U.S.C. § 6901 *et seq.*, (c) Federal Water Pollution Control Act ("FSPCA"), 33 U.S.C. § 1251 *et seq.*, (d) Clean Air Act ("CAA"), 42 U.S.C. § 7401 *et seq.*, (e) Toxic Substances Control Act ("TSCA"), 14 U.S.C. § 2601 *et seq.*, (f) Hazardous Materials Transportation Act, 49 U.S.C. § 1801, *et seq.*, (g) Carpenter-Presley-Tanner Hazardous Substance Account Act ("California Superfund"), Cal. Health & Safety Code § 25300 *et seq.*, (h) California Hazardous Waste Control Act, Cal. Health & Safety code § 25100 *et seq.*, (i) Porter-Cologne Water Quality Control Act ("Porter-Cologne Act"), Cal. Water Code § 13000 *et seq.*, (j) Hazardous Waste Disposal Land Use Law, Cal. Health & Safety codes § 25220 *et seq.*, (k) Safe Drinking Water and Toxic Enforcement Act of 1986 ("Proposition 65"), Cal. Health & Safety code § 25249.5 *et seq.*, (l) Hazardous Substances Underground Storage Tank Law, Cal. Health & Safety code § 25280 *et seq.*, (m) Air Resources Law, Cal. Health & Safety Code § 39000 *et seq.*, and (n) regulations promulgated pursuant to said laws or any replacement thereof, or as similar terms are defined in the federal, state and local laws, statutes, regulations, orders or rules. Hazardous Materials shall also mean any and all other biohazardous wastes and substances, materials and wastes which are, or in the future become, regulated under applicable Laws for the protection of health or the environment, or which are classified as hazardous or toxic substances, materials or wastes, pollutants or contaminants, as defined, listed or regulated by any federal, state or local law, regulation or order or by common law decision, including, without limitation, (i) trichloroethylene, tetrachloroethylene, perchloroethylene and other chlorinated solvents, (ii) any petroleum products or fractions thereof, (iii) asbestos, (iv) polychlorinated biphenyls, (v) flammable explosives, (vi) urea formaldehyde, (vii) radioactive materials and waste, and (viii) materials and wastes that are harmful to or may threaten human health, ecology or the environment.

(b) Notwithstanding anything to the contrary in this Lease, Tenant, at its sole cost, shall comply with, and shall cause the Tenant Parties to comply with, all Laws relating to the storage, use and disposal of Hazardous Materials at the Property by Tenant or any Tenant Parties; *provided, however*, that Tenant shall not be responsible for contamination of the Leased Premises and/or the Buildings, the Property, or the Project (including Parking Structure – P1) by Hazardous Materials existing as of the date the Leased Premises are delivered to Tenant (whether

before or after the Lease Commencement Date) excepting only Hazardous Materials used and released by Tenant or the Tenant Parties. Tenant shall not store, use or dispose of any Hazardous Materials except for ordinary office and cleaning supplies and building maintenance supplies used in compliance with all Laws and Restrictions (“Office & Cleaning Supplies”). In no event shall Tenant discharge or permit any Tenant Parties to discharge into the plumbing or sewage system of the Buildings or onto the land underlying or adjacent to the Buildings, any Hazardous Materials. Tenant shall be solely responsible for and shall defend, indemnify, and hold Landlord and its agents harmless from and against all claims, costs and liabilities, including reasonable attorneys’ fees and costs, arising out of or in connection with Tenant’s storage, use and/or disposal of Hazardous Materials at the Project. If the presence of Hazardous Materials on the Leased Premises caused by Tenant or any of the Tenant Parties results in contamination or deterioration of water or soil, then Tenant shall promptly take any and all action necessary to clean up such contamination (or, with respect to Office & Cleaning Supplies only, such lesser action as is required by Law, if applicable) but the foregoing shall in no event be deemed to constitute permission by Landlord to allow the presence of such Hazardous Materials. At any time prior to the expiration of the Lease Term if Tenant has a reasonable basis to suspect that there has been any release or the presence of Hazardous Materials in the ground or ground water on the Leased Premises which did not exist upon commencement of the Lease Term, Tenant shall have the right to conduct appropriate tests of water and soil and to deliver to Landlord the results of such tests to demonstrate that no contamination in excess of permitted levels has occurred as a result of Tenant’s use of Hazardous Materials in the Leased Premises. Tenant shall further be solely responsible for, and shall defend, indemnify, and hold Landlord and its agents harmless from and against all claims, costs and liabilities, including attorneys’ fees and costs, arising out of or in connection with any removal, cleanup and restoration work and materials required hereunder to return the Leased Premises and any other property of whatever nature to their condition existing prior to the appearance of the Hazardous Materials, to the extent such Hazardous Materials were introduced to the Property or the Project by Tenant or any of the Tenant Parties.

(c) Upon termination or expiration of the Lease Term, Tenant at its sole expense shall cause all Hazardous Materials placed in or about the Leased Premises, the Buildings and/or the Property by Tenant or any of the Tenant Parties, and all installations (whether interior or exterior) made by or on behalf of Tenant or any of the Tenant Parties relating to the storage, use, disposal or transportation of Hazardous Materials to be removed from the property and transported for use, storage or disposal in accordance and compliance with all Laws. If Tenant uses any Hazardous Materials other than Office & Cleaning Supplies, then Tenant shall apply for and shall obtain from all appropriate regulatory authorities (including any applicable fire department or regional water quality control board) all permits, approvals and clearances necessary for the closure of the Property and the Project in accordance with applicable Law.

(d) At any time prior to expiration of the Lease Term, subject to the provisions of Paragraph 4.9, Landlord shall have the right to enter in and upon the Property, Building and Leased Premises in order to conduct appropriate tests of water and soil to determine whether levels of any Hazardous Materials in excess of legally permissible levels has occurred as a result of Tenant’s use thereof. Landlord shall furnish copies of all such test results and reports to

Tenant and, at Tenant's option and cost, shall permit split sampling for testing and analysis by Tenant. Such testing shall be at Tenant's expense if Landlord determines that Tenant or Tenant's agents have caused the presence of Hazardous Materials in the soil or surface or ground water in, on, under, or about the Property, the Buildings or the Leased Premises.

(e) Landlord may voluntarily cooperate in a reasonable manner with the efforts of all governmental agencies in reducing actual or potential environmental damage. Tenant shall not be entitled to terminate this Lease or to any reduction in or abatement of rent by reason of such voluntary cooperation, nor for any required compliance. Tenant agrees at all times to cooperate fully with the requirements and recommendations of governmental agencies regulating, or otherwise involved in, the protection of the environment.

(f) To the knowledge of Landlord, except to the extent disclosed by the reports provided to Tenant prior to the Effective Date of this Lease, no Hazardous Material is present on the Property, the parcel upon which the Parking Garage is located, or the soil, surface water or groundwater thereof. Notwithstanding anything to the contrary in this Lease, under no circumstance shall Tenant be liable for any Hazardous Material present at any time in, on or about the Project or the soil, air, improvements, groundwater or surface water thereof, except to the extent due to the release of Hazardous Material by Tenant or any Tenant Parties.

4.12 Rules And Regulations. Landlord has established rules and regulations respecting the use of the Building and the Common Areas for the care and orderly management of the Property, a copy of which is attached hereto as Exhibit I (as the same may be amended or supplemented, the "Rules and Regulations"). Tenant shall comply with such Rules and Regulations; provided, however, that such Rules and Regulations and any amendments, modifications, or replacements thereof, shall not be applicable to the interiors of the Buildings, any of Tenant's exclusive parking areas, or (so long as Tenant otherwise has exclusive use of the Exclusive Use Areas pursuant to the terms of this Lease) the Exclusive Use Area. Landlord shall have the right from time to time to establish or adopt reasonable amendments or additions thereto, provided the Required Conditions are satisfied. Upon delivery to Tenant of a copy of such amendments or additions thereto, Tenant shall comply with such Rules and Regulations as amended or supplemented. A violation by Tenant of any of such Rules and Regulations shall constitute a default by Tenant under this Lease, which shall be governed by Article 12 below. If there is a conflict between the Rules and Regulations and any of the provisions of this Lease, the provisions of this Lease shall prevail. Landlord shall not be responsible or liable to Tenant for the violation of such Rules and Regulations by any other tenant of the Property provided that Landlord enforces such Rules and Regulations in a non-discriminatory manner.

4.13 Reservations. Landlord reserves the right from time to time to grant, without the consent or joinder of Tenant, such easements, rights of way and dedications that Landlord deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights of way and dedications do not unreasonably interfere with the use of the Leased Premises or the Common Areas by Tenant or Tenant's parking rights, and do not increase Tenant's obligation or decrease Tenant's rights under this Lease and the Required Conditions are satisfied. Tenant agrees to execute any documents reasonably requested by Landlord to effectuate any such easement rights, dedications, maps or restrictions.

4.14 Roof. Tenant shall have right of access, use and occupancy of the Available Rooftop Space (hereinafter defined), which shall be exclusive to Tenant during any period that Tenant is leasing the entirety of the Buildings, except (a) for Landlord's rights of access for maintenance, repairs, replacements, etc., subject to Landlord complying with Paragraph 4.9 above, and (b) to the extent otherwise required by Law or a governmental or quasi-governmental agency. Landlord will designate a portion of the roof of each of the Buildings to hold a rooftop equipment pad (a "Roof Pad") for installations by Tenant (the "Available Rooftop Space"). Tenant shall be entitled to utilize Tenant's Building Share of the Available Rooftop Space as follows:

(a) Subject to Tenant's restoration and repair obligations under Paragraph 2.6, Tenant at its sole cost and expense shall have the right to install within Tenant's Building Share of the Available Rooftop Space, to the extent such installation must be installed on the Roof Pad for structural reasons, and elsewhere on the roof (within Tenant's Building Share thereof) for all other equipment, satellite dishes and radio antennas required in connection with Tenant's own business and communications and data transmission network, HVAC units, chillers, solar panels and related cable connections and any other equipment required for the conduct of Tenant's business in the Leased Premises (collectively, "Rooftop Equipment"), provided such installation does not impact the structural integrity of either of the Buildings, is not inconsistent with the Project aesthetics, and does not void or negatively impact any applicable warranties. Notwithstanding any provision of this Lease to the contrary, Landlord and Tenant hereby agree that the Rooftop Equipment (excluding HVAC Units and chillers) constitutes Non-Standard Improvements and must be removed by Tenant in accordance with Paragraph 2.6.

(b) Tenant shall supply Landlord with detailed plans and specifications of the Rooftop Equipment prior to the installation thereof for Landlord's review and approval, which approval shall not be unreasonably withheld, conditioned or delayed. Furthermore, Tenant shall have secured the approval of all governmental authorities and all permits required by governmental authorities having jurisdiction over such approvals and permits for the Rooftop Equipment, and shall provide copies of such approvals and permits to Landlord prior to commencing any work with respect to such Rooftop Equipment. Tenant shall pay for any and all costs and expenses in connection with, and shall repair all damage to the roof resulting from, the installation, maintenance, use and removal of the Rooftop Equipment.

4.15 Back-Up Generators and Energy Servers. Subject to complying with Paragraphs 2.6 and 6.1, Tenant shall have the right to install (i) energy servers or similar fuel cells and (ii) energy storage systems in the Available Rooftop Space or in another location in the Common Areas mutually agreed to by the parties, (iii) backup generators (and related equipment and storage tanks) in a location in the Common Areas mutually agreed to by the parties, and (iv) UPS systems (and related) within the interior of the Leased Premises, in all cases subject to Landlord's approval, which shall not be unreasonably withheld, of the design (including aesthetic screening) and construction, and of any connections between the Leased Premises and such equipment and any penetrations to the Building F walls, roof, or structure required in connection therewith. If such equipment is located on any parking areas on the Project, then such lost parking spaces shall be counted towards satisfying Tenant's parking allocation under Article 1 hereof.

ARTICLE 5
REPAIRS, MAINTENANCE, SERVICES AND UTILITIES

5.1 Repair And Maintenance. Except in the case of damage to or destruction of the Leased Premises, the Buildings, the Common Areas, the Property, or the Project caused by an act of God or other peril, in which case the provisions of Article 10 shall control, the parties shall have the following obligations and responsibilities with respect to the repair and maintenance of the Leased Premises, the Buildings, the Common Areas, the Property, and the Project.

(a) Tenant's Obligations.

(i) Tenant shall, at all times during the Lease Term and at its sole cost and expense, regularly clean and continuously keep and maintain in good order, condition and repair the Leased Premises and every part thereof including, without limiting the generality of the foregoing, (i) roof membrane, (ii) elevators, (iii) electrical, plumbing, and life safety systems, (iv) all walls, floors and ceilings, (v) all windows, doors and skylights, (vi) all electrical wiring, conduits, connectors and fixtures within the Leased Premises, (vii) all sinks, toilets, and faucets and plumbing, pipes, and drains, (viii) all lighting fixtures, bulbs and lamps, (ix) the Buildings' HVAC systems and any HVAC equipment installed by or at the request of Tenant or exclusively serving the Leased Premises, and (x) all entranceways to the Leased Premises. Tenant shall, at Tenant's sole cost and expense, provide for its own janitorial service for the Leased Premises. Tenant shall hire, at Tenant's sole cost and expense: (A) a licensed HVAC contractor to regularly and periodically (not less frequently than every three months) inspect and perform required maintenance on the HVAC equipment and systems serving the Leased Premises, (B) a licensed elevator technician to regularly and periodically (not less frequently than every three months) inspect and perform required maintenance on the elevator(s) of the Leased Premises and (C) a licensed roofing contractor to regularly and periodically (not less frequently than every three months) inspect and perform required maintenance on the roof of the Leased Premises. Tenant shall, at its sole cost and expense, repair all damage to the Leased Premises, the Buildings, the Common Areas, the Property, or the Project caused by the activities of Tenant or any of the Tenant Parties promptly following written notice from Landlord to so repair such damages. If Tenant shall fail to perform the required maintenance or fail to make repairs required of it pursuant to this paragraph within the applicable notice and cure periods set forth in Paragraph 12.1 below, then Landlord may, at its election and without waiving any other remedy it may otherwise have under this Lease or at law, perform such maintenance or make such repairs and charge to Tenant, as Additional Rent, the costs so incurred by Landlord for same. All glass within or a part of the Leased Premises, both interior and exterior, is at the sole risk of Tenant and any broken glass shall promptly be replaced by Tenant at Tenant's expense with glass of the same kind, size and quality. With respect to the items for which Tenant is responsible described in this Paragraph 5.1(a), Landlord agrees to assign to Tenant on a non-exclusive basis (it being the intent that Landlord and Tenant be benefitted by such warranties) and to the extent assignable, any applicable warranties in favor of Landlord or its affiliates. To the extent any such warranties are not assignable, Landlord agrees to enforce such warranties for Tenant's benefit. Notwithstanding the foregoing or anything to the contrary herein, Landlord shall perform and construct, and Tenant shall have no responsibility (1) to perform or construct, any repair, maintenance or improvements necessitated by the acts or omissions of Landlord or its agents,

employees or contractors or (2) to pay for the same the extent Landlord has a right to and obtains reimbursement from others (and Landlord shall exercise commercially reasonable efforts to obtain such reimbursement).

(ii) Notwithstanding the foregoing, if Tenant determines in its reasonable, good faith discretion that: (a) a component of Tenant's maintenance and repair obligations under Paragraph 5.1(a)(1) above (a "Tenant Work Component") is in such a condition that a repair or replacement is required, (b) the cost to Tenant of performing a such repair or replacement (a "Tenant Repair/Maintenance Obligation") will cost in excess of \$120,000 in a calendar year (the "Threshold"), and (c) such repair or replacement of an individual Tenant Work Component constitutes a capital repair or capital improvement (a "Tenant Work Component Capital Repair"), then if Tenant desires to have Landlord advance some or all of the cost of such Tenant Work Component Capital Repair, before commencing such Tenant Work Component Capital Repair project, Tenant shall provide Landlord a reasonable prior written notice and a request for consent (a "Capital Repair Notice"), which shall include (i) a written report from a reputable physical inspection firm (which firm Landlord must have reasonably approved to prepare such report prior to commencing its work), detailing the reasons that Tenant believes the repair or replacement is required, (ii) a scope of work, specifications of such work and other critical details of such project (collectively, the "Scope of Work") for the individual Tenant Work Component Capital Repair project, (iii) the estimated total cost of the work (the "Total Capital Costs"), and (iv) a request for Landlord to consent to advancing the cost thereof in accordance with Paragraph 5.1(a)(3) below. The following costs shall be excluded when calculating such Total Capital Costs with respect to the Threshold: (A) the cost of any system and equipment installed by Tenant; and (B) any incremental increase in cost in connection with installing a Tenant Work Component with a capacity, performance, quality, or efficiency that is in excess of the cost of installing a Tenant Work Component of comparable capacity, performance, quality, or efficiency to the one installed by Landlord pursuant to the Work Letter (i.e., the cost delta between the new, higher capacity, performance, quality, or efficiency Tenant Work Component and the old, lower capacity, performance, quality, or efficiency Tenant Work Component shall not contribute to the Threshold sum, but the total cost of a comparable lower capacity, performance, quality, or efficiency Tenant Work Component shall contribute to the Threshold sum). Notwithstanding the foregoing, Landlord shall have no obligation to consent thereto if any Tenant Work Component Capital Repair is triggered or primarily caused by (I) Tenant's Alterations to the Leased Premises, (II) upgrades to the Leased Premises initiated by Tenant, (III) Tenant's specific use of the Leased Premises, as opposed to office/R&D use in general, or (IV) Tenant's failure to use or maintain the applicable Tenant Work Component in accordance with Paragraph 5.1(a)(1) above and the manufacturer's recommendations or specifications, all of which capital expenditures shall be incurred by Tenant at its sole cost and expense.

(iii) Landlord's consent shall be deemed given on the fifteenth (15th) business day following receipt of the Capital Repair Notice unless prior thereto, Landlord delivers to Tenant a written objection to the Tenant Work Component Capital Repair (including but not limited to the need therefor, the cost or scope thereof, the effect thereof on the Building Structure or Tenant Work Components, and whether the same is necessitated due to overuse or failure to maintain or other fault of Tenant or any of the Tenant Parties). In the event that Landlord's consent is given, or is deemed given, or is compelled by the arbitration described

below, then at Landlord's option either Landlord will perform the Tenant Work Component Capital Repair, or Tenant may proceed with the Tenant Work Component Capital Repair and be reimbursed by Landlord, and in either case Landlord and Tenant shall share in the cost of the Tenant Work Component Capital Repair as follows: (a) the cost incurred by Landlord (directly and/or through reimbursement to Tenant), including interest at a rate equal to the Standard Interest Rate, shall be amortized by Landlord over the useful life of such Tenant Work Component Capital Repair as reasonably estimated by Landlord, and (b) the monthly amortized cost shall be added to and become a part of Additional Rent hereunder and shall be payable monthly until the earlier of (i) the date such cost has been fully amortized, and (ii) the end of the Lease Term (as the same may be extended).

(iv) If Landlord objects in accordance with Paragraph 5.1(a)(3) above, then the parties may attempt to meet and confer and reach agreement on all aspects of the Tenant Work Component Capital Repair to which Landlord objected. If the parties reach agreement, then they shall commit their agreement to writing and proceed in accordance with their written agreement. If they disagree and are unable to reach agreement, then Tenant shall have the right either (a) if Landlord's objections are solely with respect to cost, to perform the Tenant Work Component Capital Repair but at the Total Capital Costs agreed to by Landlord, subject to Landlord and Tenant sharing in such cost as described in Paragraph 5.1(a)(2) above, and subject to Paragraph 5.1(a)(5) below, or (b) to elect to arbitrate the dispute. Any dispute or claim under Paragraph 5.1(a)(2) through Paragraph 5.1(a)(5) will be finally settled by binding arbitration in Santa Clara, California, in accordance with the rules of the American Arbitration Association by one arbitrator appointed in accordance with said rules. The arbitrator shall be a mutually acceptable, independent, unaffiliated, reputable third party contractor licensed in California having experience with similar repairs to similar office buildings in the Santa Clara and Sunnyvale area, who shall serve as the arbitrator with regard to the dispute and who shall issue a written decision on the need for the capital expenditure, scope of work, and cost thereof, to the extent such items are in dispute. Such written decision shall be issued by the arbitrator within fifteen (15) days of being the arbitrator being appointed. Landlord and Tenant shall share equally the cost of such arbitrator, whose decision shall be binding on the parties. If the parties do not agree on the appointment of the arbitrator, then either party, on behalf of both, may request appointment of such a qualified person by the then Presiding Judge of the California Superior Court having jurisdiction over the County of Santa Clara, and the other party shall not raise any question as to such Judge's full power and jurisdiction to entertain the application for and make the appointment.

(v) In all cases, Tenant shall be responsible for obtaining all necessary governmental permits before commencing the Tenant Work Component Capital Repair, and shall perform and complete the applicable Tenant Work Component Capital Repair in compliance with applicable Law. Tenant shall be liable for any damage, loss or injury resulting from the Tenant Work Component Capital Repair.

(b) Landlord's Obligation.

(i) Landlord shall, at all times during the Lease Term, maintain in good condition and repair the Common Areas (including the Exclusive Use Areas) except as

provided in Paragraph 5.1(a) above), the foundation, footings, slabs, roof structure, and structural exterior walls of the Buildings (excluding paint and sealant). The provisions of this subparagraph (b) shall in no way limit the right of Landlord to charge to Tenant, as Additional Rent pursuant to Article 3, the costs incurred by Landlord in performing such maintenance and/or inspections, and/or in making such repairs or replacements; *provided, however*, that with respect to capital repairs and replacements, the cost incurred by Landlord, including interest at a rate equal to the Standard Interest Rate, shall be amortized by Landlord over the useful life of such capital repairs or replacements, as determined in accordance with GAAP, and the monthly amortized cost of such capital repairs or replacements as so amortized shall be considered a Property Maintenance Cost (as defined in Paragraph 13.12(c) below). Notwithstanding the foregoing, if repairs or replacements of any of the foregoing are necessitated by the negligence or willful misconduct of Tenant or any of the Tenant Parties, or Tenant's breach of this Lease, Tenant shall reimburse to Landlord, promptly upon receipt of the applicable invoices, the cost incurred by Landlord in connection therewith. Landlord will ensure that Tenant has the benefit, on a non-exclusive basis with Landlord, of all applicable construction warranties in favor of Landlord.

(ii) Notwithstanding any provision in this Lease to the contrary, if Landlord shall fail to commence any repair obligations required under Paragraphs 5.1(b)(1) above within ten (10) business days following Tenant's written request for such repairs and thereafter complete such repairs with commercially reasonable due diligence, or if Palo Alto Networks, Inc. (or a Permitted Assignee) is the Tenant hereunder and leases 100% of the Building and Landlord shall fail to commence any emergency repairs (i.e., repairs required to avoid imminent injury or damage or cessation of business) within five (5) business days following written notice from Tenant and thereafter complete such repairs with commercially reasonable due diligence, then Tenant may elect to make such repairs at Landlord's expense by complying with the following provisions of this Paragraph 5.1(b)(2). Before making any such repair, and following the expiration of the applicable period set forth above, Tenant shall deliver to Landlord a notice for the need for such repair ("Self Help Notice"), which notice shall specifically advise Landlord that Tenant intends to exercise its self-help right hereunder. Should Landlord fail, within five (5) business days following receipt of the Self-Help Notice (or within two (2) business days following written notice in the event of necessary emergency repairs), to commence the necessary repair (or to make other reasonable arrangements), then Tenant shall have the right to make such repair on behalf of Landlord so long as such repair is performed in strict compliance with all Laws and Restrictions. In the event Tenant properly takes such action in accordance with this Paragraph 5.1(b)(2), and such work will affect the Building structure and/or materially affect the major Building systems, Tenant shall use only those contractors used or reasonably approved by Landlord in the Building for work on such structure or major systems unless such contractors are unwilling or unable to perform, or to timely and competitively perform, such work, in which event Tenant may utilize the services of any other licensed and qualified contractor which normally and regularly performs similar work in comparable buildings in the area of the Property. Tenant shall provide Landlord with a reasonably detailed invoice together with reasonable supporting evidence of the costs reasonably and actually incurred in performing such repairs. Landlord shall either reimburse Tenant for the reasonable costs of such repairs within thirty (30) days following receipt of Tenant's invoice for such costs or deliver a written objection stating with specificity the reasons Landlord disputes Tenant's

actions or the costs incurred. If Landlord fails to either pay Tenant's invoice within such thirty (30) day period or deliver a written objection, Tenant shall have the right to offset such costs against Base Monthly Rent next coming due under this Lease, in an amount each month not to exceed 40% of each payment of Base Monthly Rent, until fully paid. If Landlord delivers to Tenant, within thirty (30) days, a written objection to the payment of such invoice, setting forth Landlord's reasons for its claim that such action did not have to be taken by Landlord pursuant to the terms of this Lease or that the charges are excessive (in which case Landlord shall pay the amount it contends would not have been excessive if the only objection is to the costs incurred), then Tenant shall not be entitled to offset any amount from rent, but as Tenant's sole remedy, the dispute shall be resolved by arbitration pursuant to Paragraph 5.1(b)(iii) below. If Tenant prevails in the arbitration, the amount of the award shall include interest at the Default Interest Rate (from the time of each expenditure by Tenant until the date Tenant receives such amount by payment or offset) and reasonable attorneys' fees and related costs. If Landlord fails to pay the amount of the award within thirty (30) days from the date of the award, the amount of the award, plus interest at the Default Interest Rate commencing on the 31st day after the award, may be deducted by Tenant from the Base Monthly Rent payments next due and owing under the Lease, in an amount each month not to exceed 40% of each payment of Base Monthly Rent, until fully paid. Tenant shall be responsible for obtaining any and all necessary governmental permits before commencing the repair work. Tenant shall be liable for any damage, loss or injury resulting from said work. If Landlord prevails in the arbitration, the amount of the award shall include reasonable attorneys' fees and related costs and shall be deemed Additional Rent hereunder due and owing no later than thirty (30) days after the date of the award.

(iii) Any dispute or claim under Paragraph 5.1(b)(2) will be finally settled by binding arbitration in San Francisco, California, in accordance with the rules of the JAMS by one arbitrator appointed in accordance with said rules. The arbitrator shall apply California law, without reference to rules of conflicts of law or rules of statutory arbitration, to the resolution of any dispute. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Notwithstanding the foregoing, the parties may apply to any court of competent jurisdiction for preliminary or interim equitable relief, or to compel arbitration in accordance with this paragraph, without breach of this arbitration provision.

5.2 Utilities. Tenant shall arrange at its sole cost and expense and in its own name, for the supply of water, gas, and electricity to the Leased Premises. Tenant shall be responsible for determining if the local supplier of water, gas and electricity can supply the needs of Tenant and whether or not the existing water, gas and electrical distribution systems within the Buildings and the Leased Premises are adequate for Tenant's needs. Tenant shall be responsible for determining if the existing sanitary and storm sewer systems now servicing the Leased Premises and the Property are adequate for Tenant's needs. Tenant shall pay all charges for water, gas, electricity and storm and sanitary sewer services as so supplied to the Leased Premises, irrespective of whether or not the services are maintained in Landlord's or Tenant's name.

5.3 Security. Tenant acknowledges that Landlord has not undertaken any duty whatsoever to provide security for the Leased Premises, the Buildings, the Common Areas (including the Exclusive Use Areas), the Property, or the Project and, accordingly, Landlord is not responsible for the security of same or the protection of Tenant's property or any of the

Tenant Parties from any cause whatsoever, including but not limited to criminal and/or terrorist acts. To the extent Tenant determines that such security or protection services are advisable or necessary, Tenant shall arrange for and pay the costs of providing same. In the event Landlord in its sole and absolute discretion agrees to provide any security services, whether it be guard service or access systems or otherwise, Landlord shall do so strictly as an accommodation to Tenant and Landlord shall have no liability whatsoever in connection therewith, whether it be for failure to maintain the secure access system, or for failure of the guard service to provide adequate security, or otherwise. Without limitation, Paragraph 8.1 below is intended by Tenant and Landlord to apply to this Paragraph 5.3.

5.4 Energy And Resource Consumption.

(a) **Energy Consumption Reduction Efforts.** Landlord may voluntarily cooperate in a reasonable manner with the efforts of governmental agencies and/or utility suppliers in reducing energy or other resource consumption within the Property. Tenant shall not be entitled to terminate this Lease or to any reduction in or abatement of rent by reason of such cooperation. Tenant agrees at all times to cooperate fully with Landlord and to abide by all reasonable rules established by Landlord in order to comply with the reasonable recommendations of utility suppliers and governmental agencies regulating the consumption of energy and/or other resources. Except to the extent required by Law, Landlord's rights and Tenant's obligations hereunder shall not apply to the extent the same would unreasonably interfere with Tenant's use of the Leased Premises or materially increase Tenant's costs.

(b) **Tenant Utility Usage Data Reporting.** If Tenant is billed directly by a utility company with respect to Tenant's electricity and natural gas/propane usage data at the Leased Premises, then, promptly following Landlord's written request, Tenant shall provide its monthly electricity and natural gas/propane usage data for the Leased Premises to Landlord for the period of time requested by Landlord (in electronic or paper format) or, at Landlord's option, provide any written authorization or other documentation required for Landlord to request information regarding Tenant's electricity and natural gas/propane usage data with respect to the Leased Premises directly from the utility company.

5.5 **Limitation Of Landlord's Liability.** Landlord shall not be liable to Tenant for injury to Tenant or any of the Tenant Parties, or damage to property of Tenant or any Tenant Parties (except to the extent of Landlord's gross negligence, willful misconduct or knowing violation of this Lease), or loss of Tenant's or any Tenant Parties' business or profits, nor shall Tenant be entitled to terminate this Lease or to any reduction in or abatement of rent by reason of (i) Landlord's failure to provide security services or systems within the Property or the Project for the protection of the Leased Premises, the Buildings or the Common Areas, or the protection of Tenant's property or any of the Tenant Parties, or (ii) Landlord's failure to perform any maintenance or repairs to the Leased Premises, the Buildings, the Common Areas, the Property, or the Project until Tenant shall have first notified Landlord, in writing, of the need for such maintenance or repairs, and then only after Landlord shall have had a reasonable period of time following its receipt of such notice within which to perform such maintenance or repairs, or (iii) any failure, interruption, rationing or other curtailment in the supply of water, electric current, gas or other utility service to the Leased Premises, the Buildings, the Common Areas, the

Property, or the Project from whatever cause (other than Landlord's gross negligence, willful misconduct or knowing violation of this Lease), or (iv) the unauthorized intrusion or entry into the Leased Premises by third parties (other than Landlord).

Notwithstanding the foregoing, in the event that Tenant is prevented from using, and does not use, the Leased Premises or any portion thereof as a result of a Trigger Event (as defined below), then Tenant shall give Landlord written notice thereof and if such Trigger Event continues for five (5) consecutive business days (such period herein called the "Eligibility Period"), then Tenant's Base Monthly Rent and Tenant's obligation to pay Project Operating Expenses shall be abated or reduced, as the case may be, after expiration of the Eligibility Period for such period of time that Tenant continues to be so prevented from using, and does not actually use, the Leased Premises or a portion thereof, in the proportion that the rentable area of the portion of the Leased Premises that Tenant is prevented from using bears to the total rentable area of the Leased Premises. As used herein, the term "Trigger Event" means any of the following events: (1) any failure by Landlord to provide Tenant with access to the Leased Premises or the Project that materially impacts or interrupts Tenant's use of the Leased Premises, unless such failure is a result of any Laws or Restrictions, (2) Landlord's failure to perform Landlord's repair and maintenance obligations hereunder if such failure continues beyond the applicable notice and cure period, if any, expressly set forth in this Lease, and (3) a disruption of utilities to the Leased Premises, and such disruption is caused solely by the intentional acts, negligence or willful misconduct of Landlord or any of Landlord's Parties.

ARTICLE 6 ALTERATIONS AND IMPROVEMENTS

6.1 By Tenant. This Paragraph 6.1 does not relate to the Tenant Improvements installed in accordance with and pursuant to the Work Letter, but to alterations, modifications, and improvements made after the date the Tenant Improvements are substantially completed. Tenant shall not make any Non-Standard Improvements until Landlord shall have first approved, in writing, the plans and specifications therefor, which approval may be withheld in Landlord's sole discretion as to modifications, alterations and/or improvements which affect the Building façade or structure, or materially adversely affect the Building's systems, and otherwise such approval may be withheld in Landlord's reasonable discretion. Landlord's written approval shall, if applicable, also contain Landlord's election to require Tenant to remove the subject Non-Standard Improvements at the expiration or earlier termination of this Lease, in which event Tenant shall be obligated to do so, subject to Paragraph 2.6 above. All modifications, alterations or improvements shall be made, constructed or installed by Tenant at Tenant's expense (including all permit fees and governmental charges related thereto), using a licensed contractor first approved by Landlord which approval shall not be unreasonably withheld or delayed, in substantial compliance with the Landlord-approved plans and specifications therefor. All work undertaken by Tenant shall be done in accordance with all Laws and Restrictions and in a good and workmanlike manner using new (or reclaimed or recycled) materials of good quality. Tenant shall not commence the making of any such modifications or alterations or the construction of any such improvements until (i) any and all required governmental approvals and permits shall have been obtained, (ii) all requirements regarding insurance imposed by this Lease have been satisfied, (iii) Tenant shall have given Landlord at least five (5) business days prior written notice

of its intention to commence such work so that Landlord may post and file notices of non-responsibility, and (iv) if requested by Landlord, Tenant shall have obtained contingent liability and broad form builder's risk insurance in an amount satisfactory to Landlord in its reasonable discretion to cover any perils relating to the proposed work not covered by insurance carried by Tenant pursuant to Article 9. In no event shall Tenant make any modification, alterations or improvements whatsoever to the Common Areas (except the Exclusive Use Areas). As used in this Article, the term "modifications, alterations and/or improvements" shall include, without limitation, the installation of additional electrical outlets, overhead lighting fixtures, drains, sinks, partitions, doorways, or the like. Notwithstanding the foregoing, Tenant, without Landlord's prior written consent, shall be permitted to make alterations to the Leased Premises which are not Non-Standard Improvements provided that: (a) Tenant shall timely provide Landlord the notices required pursuant to Paragraph 4.9 above, (b) Tenant shall have secured the approval of all governmental authorities and all permits required by governmental authorities having jurisdiction over such approvals and permits for such alterations, and shall provide copies of such approvals and permits to Landlord prior to commencing any work with respect to such alterations, (c) the cost of any such project does not exceed Two Hundred Thousand Dollars (\$200,000) and not more than three (3) such projects are performed in any twelve (12) month period, and (d) Tenant shall notify Landlord in writing within thirty (30) days of completion of the alteration and deliver to Landlord a set of the plans and specifications therefor, either "as built" or marked to show construction changes made. In addition, Tenant may perform any cabling and cosmetic alterations not visible outside the Leased Premises without Landlord's prior approval.

6.2 Ownership Of Improvements. All modifications, alterations and improvements made or added to the Leased Premises by Tenant (other than Tenant's inventory, equipment, movable furniture, decorations, personal property, trade fixtures ("Tenant's Property")) shall be deemed real property and a part of the Leased Premises, but shall remain the property of Tenant during the Lease Term. Any such modifications, alterations or improvements, once completed, shall not be altered or removed from the Leased Premises during the Lease Term without Landlord's written approval first obtained, to the extent required in accordance with the provisions of Paragraph 6.1 above. At the expiration or sooner termination of this Lease, all such modifications, alterations and improvements other than Tenant's Property shall automatically become the property of Landlord and shall be surrendered to Landlord as part of the Leased Premises as required pursuant to Article 2, unless Landlord shall require Tenant to remove any of such modifications, alterations or improvements in accordance with Paragraph 6.1, in which case Tenant shall so remove same. Landlord shall have no obligations to reimburse Tenant for all or any portion of the cost or value of any such modifications, alterations or improvements so surrendered to Landlord. All modifications, alterations or improvements which are installed or constructed on or attached to the Leased Premises by Landlord and/or at Landlord's expense shall be deemed real property and a part of the Leased Premises and shall be property of Landlord. All lighting, plumbing, electrical, HVAC fixtures, wall coverings and floor coverings installed by Tenant shall be deemed improvements to the Leased Premises and not trade fixtures of Tenant.

6.3 Alterations Required By Law.

(a) Landlord at its sole cost shall make all modifications, alterations and improvements to the Building, the Property, or the Project, that are required by any governmental authority at any time due to the Landlord's Work constructed by Landlord not having been in compliance with the Laws then applicable governing its construction.

(b) From and after the Lease Commencement Date, but in no event prior to Substantial Completion of the Landlord Work, Tenant at its sole cost shall make all modifications, alterations and improvements to the Leased Premises, the Building, the Common Areas, the Property, or the Project that are required by any Law because of (i) Tenant's particular use or occupancy of the Leased Premises, the Building, the Common Areas, the Property, or the Project (as opposed to the Permitted Use generally), (ii) Tenant's application for any permit or governmental approval, or (iii) Tenant's making of any modifications, alterations or improvements to or within the Leased Premises.

(c) If Landlord shall, at any time during the Lease Term, be required by any governmental authority or Law to make any modifications, alterations or improvements to the Building, the Property, or the Project and the same is not Tenant's responsibility under Paragraph 6.3(b) above, then Landlord shall do so and the cost incurred by Landlord in making such modifications, alterations or improvements, including interest at a rate equal to the Standard Interest Rate shall be amortized by Landlord over the useful life of such modifications, alterations or improvements, as determined in accordance with GAAP, and the monthly amortized cost of such modifications, alterations and improvements as so amortized shall be considered a Property Maintenance Cost (subject, if applicable, to Paragraph 13.12 below).

6.4 Liens. Tenant shall keep the Property and the Project and every part thereof free from any lien, and shall pay when due all bills arising out of any work performed, materials furnished, or obligations incurred by Tenant, its agents, employees or contractors relating to the Property. If any such claim of lien is recorded against Tenant's interest in this Lease, the Property or any part thereof, Tenant shall bond against, discharge or otherwise cause such lien to be entirely released within thirty (30) days after the same has been recorded. Tenant's failure to do so shall be conclusively deemed a material default under the terms of this Lease.

ARTICLE 7 ASSIGNMENT AND SUBLETTING BY TENANT

7.1 By Tenant. Tenant shall not sublet the Leased Premises or any portion thereof or assign its interest in this Lease, or permit the occupancy of the Premises by other than Tenant, whether voluntarily or by operation of Law, without Landlord's prior written consent which shall not be unreasonably withheld and shall be given within the time periods set forth in Paragraph 7.3 below. Any attempted subletting or assignment, or occupancy of the Leased Premises by other than Tenant, without Landlord's prior written consent, at Landlord's election, shall constitute a default by Tenant under the terms of this Lease. The acceptance of rent by Landlord from any person or entity other than Tenant, or the acceptance of rent by Landlord from Tenant with knowledge of a violation of the provisions of this paragraph, shall not be deemed to be a waiver by Landlord of any provision of this Article or this Lease or to be a consent to any subletting by Tenant or any assignment of Tenant's interest in this Lease. Without limiting the

circumstances in which it may be reasonable for Landlord to withhold its consent to an assignment or subletting, Landlord and Tenant acknowledge that it shall be reasonable for Landlord to withhold its consent in the following instances:

- (a) the proposed assignee or sublessee is a governmental agency;
- (b) in Landlord's reasonable judgment, the use of the Leased Premises by the proposed assignee or sublessee would involve occupancy other than for a Permitted Use;
- (c) the proposed assignee or sublessee (or any of its affiliates) has filed for bankruptcy protection, has been the subject of an involuntary bankruptcy, or has been adjudged insolvent;
- (d) Landlord (or any of its affiliates) is in litigation with the proposed assignee or sublessee (or any of their affiliates);
- (e) in Landlord's reasonable judgment, the Leased Premises, or the relevant part thereof, will be used in a manner that will violate any negative covenant as to use contained in this Lease;
- (f) the use of the Leased Premises by the proposed assignee or sublessee will violate any Law or Restriction;
- (g) the proposed assignment or sublease fails to include all of the terms and provisions required to be included therein pursuant to this Article 7; or
- (h) Tenant is in monetary or material non-monetary default of any obligation of Tenant under this Lease with respect to which it has received written notice from Landlord.

7.2 Merger, Reorganization, or Sale of Assets.

(a) Subject to Paragraphs 7.2(b) and 7.8 below: Any dissolution, merger, consolidation or other reorganization of Tenant, or the sale or other transfer in the aggregate over the Lease Term of a controlling percentage of the capital stock of or other equity interests in Tenant, or the sale or transfer of all or a substantial portion of the assets of Tenant, shall be deemed a voluntary assignment of Tenant's interest in this Lease, and any transferee of this Lease as a result thereof shall be an assignee of this Lease (any sale of all or substantially all of the assets of Tenant where the transferee or purchaser assumes all of Tenant's obligations under this Lease, and any other transaction described in this sentence, other than a dissolution or reorganization in bankruptcy shall be a "Permitted Transaction"). The phrase "controlling percentage" means the direct or indirect ownership of or right to vote stock or membership interests possessing more than fifty percent of the total combined voting power of all classes of Tenant's membership interests or capital stock issued, outstanding and entitled to vote for the election of directors, or, in the case of a limited liability company, managers. If Tenant is a partnership, a withdrawal or change, voluntary, involuntary or by operation of Law, of any

general partner, or the dissolution of the partnership, shall be deemed a voluntary assignment of Tenant's interest in this Lease.

(b) Notwithstanding anything in this Lease to the contrary, Tenant may, without Landlord's prior written consent, (x) engage in a Permitted Transaction or (y) sublet the Leased Premises or assign this Lease to a "Permitted Transferee," defined herein as (i) a subsidiary, affiliate, division, corporation or joint venture controlling, controlled by or under common control with Tenant, (ii) a successor entity resulting from a merger, consolidation, or nonbankruptcy reorganization by Tenant, or (iii) a purchaser of substantially all of Tenant's assets. Paragraphs 7.4 and 7.5 shall not be applicable to a Permitted Transferee or a Permitted Transaction. A Permitted Transferee who is an assignee is sometimes defined herein as a "Permitted Assignee." In all events, Tenant shall remain fully liable under this Lease.

7.3 Landlord's Election. Except as provided for in Paragraph 7.2 above, if Tenant shall desire to assign its interest under the Lease or to sublet the Leased Premises, Tenant must notify Landlord, in writing, of such sublease or assignment and provide an executed copy thereof to Landlord at least 20 days in advance of the commencement date of such sublease or assignment but not sooner than one hundred eighty (180) days in advance of such date, specifying in detail the terms of such proposed assignment or subletting, including the name of the proposed assignee or sublessee, the proposed assignee's or sublessee's intended use of the Leased Premises, current financial statements (including a balance sheet, income statement and statement of cash flow, all prepared in accordance with GAAP; *provided, however*, that, if applicable with respect to a proposed sublessee, during any period that the proposed sublessee actually does not prepare its financial statements in accordance with GAAP, then financial statements prepared and reviewed by a reputable, third-party, independent certified public accountant shall suffice) of such proposed assignee or sublessee, and such other information as Landlord may reasonably request. Such executed sublease or assignment shall be conditioned upon any required Landlord consent. Landlord shall have a period of ten (10) business days following receipt of such notice and the required information within which to do one of the following: (i) consent to such requested assignment or subletting subject to Tenant's compliance with the conditions set forth in Paragraph 7.4 below, or (ii) refuse to so consent to such requested assignment or subletting, provided that such consent shall not be unreasonably refused. During such ten (10) business day period, Tenant covenants and agrees to supply to Landlord, upon request, all necessary or relevant information which Landlord may reasonably request respecting such proposed assignment or subletting and/or the proposed assignee or sublessee. If Landlord fails to respond by the end of such ten (10) business day period to Tenant's request for consent to any proposed Transfer, Tenant may send a second (2nd) request to Landlord, which request must contain the following inscription, in 14 point font and bold faced lettering: "**SECOND NOTICE DELIVERED PURSUANT TO PARAGRAPH 7.3 OF LEASE—FAILURE TO TIMELY RESPOND WITHIN FIVE (5) BUSINESS DAYS SHALL RESULT IN DEEMED APPROVAL OF ASSIGNMENT OR SUBLEASE.**" If Tenant sends such a second request, and Landlord fails to respond within five (5) business days after its receipt of same, the proposed assignment or subletting shall be deemed approved.

7.4 Conditions To Landlord's Consent. If Landlord elects to consent, or shall have been ordered to so consent by a court of competent jurisdiction, to such requested assignment or

subletting, such consent shall be expressly conditioned upon the occurrence of each of the conditions below set forth, and any purported assignment or subletting made or ordered prior to the full and complete satisfaction of each of the following conditions shall be void and, at the election of Landlord, which election may be exercised at any time following such a purported assignment or subletting but prior to the satisfaction of each of the stated conditions, shall constitute a material default by Tenant under this Lease until cured by satisfying in full each such condition by the assignee or sublessee. The conditions are as follows:

(a) Landlord having approved in form and substance the assignment or sublease agreement and any ancillary documents, which approval shall not be unreasonably withheld by Landlord if the requirements of this Article 7 are otherwise complied with.

(b) Each such sublessee or assignee having agreed, in writing satisfactory to Landlord and its counsel and for the benefit of Landlord, to assume, to be bound by, and to perform the obligations of this Lease to be performed by Tenant which relate to space being subleased (excluding those obligations that Tenant has agreed to retain in the applicable assignment or sublease).

(c) Tenant not being in monetary or material non-monetary default of its obligations under the terms of this Lease (with respect to which it has received a written notice from Landlord) through and including the date of such assignment or subletting.

(d) Tenant having reimbursed to Landlord all reasonable costs and reasonable attorneys' fees incurred by Landlord in conjunction with the processing and documentation of any such requested subletting or assignment (not to exceed \$2,000 per request for sublease consent). Tenant shall be obligated to so reimburse Landlord whether or not such subletting or assignment is completed.

(e) Tenant having delivered to Landlord a complete and fully-executed duplicate original of such sublease agreement or assignment agreement (as applicable) and all related agreements.

(f) Tenant having paid, or having agreed in writing to pay as to future payments, to Landlord fifty percent (50%) of all assignment consideration or excess rentals paid to Tenant or to any other on Tenant's behalf or for Tenant's benefit for such assignment or subletting as follows:

(i) If Tenant assigns its interest under this Lease, that Tenant shall have paid to Landlord and Landlord shall have received an amount equal to fifty percent (50%) of the assignment consideration so paid; or

(ii) If Tenant assigns its interest under this Lease and if Tenant is to receive all or a portion of the consideration for such assignment in future installments, that Tenant and Tenant's assignee shall have entered into a written agreement with and for the benefit of Landlord satisfactory to Landlord and its counsel whereby Tenant and Tenant's assignee jointly agree to pay to Landlord an amount equal to fifty percent (50%) of all such future

assignment consideration installments paid by such assignee as and when such assignment consideration is so paid; or

(iii) If Tenant subleases the Leased Premises, that Tenant and Tenant's sublessee shall have entered into a written agreement with and for the benefit of Landlord satisfactory to Landlord and its counsel whereby Tenant and Tenant's sublessee jointly agree to pay to Landlord fifty percent (50%) of all excess rentals paid by such sublessee.

7.5 Assignment Consideration And Excess Rentals Defined. For purposes of this Article, including any amendment to this Article by way of addendum or other writing: (i) the term "assignment consideration" shall mean all consideration paid by the assignee to Tenant or to any other party on Tenant's behalf or for Tenant's benefit as consideration for such assignment, without deduction for any costs or expenses incurred by Tenant in connection with such assignment, except that Tenant may deduct third party, market rate leasing commissions and legal fees paid, and tenant improvement costs incurred, in connection with the assignment, in which case the amount thereof may be deducted with the balance to be paid to Landlord, and (ii) the term "excess rentals" shall mean all consideration paid by the sublessee to Tenant or to any other party on Tenant's behalf or for Tenant's benefit for the sublease of all or any part of the Leased Premises in excess of the rent due to Landlord under the terms of this Lease for the portion subleased for the same period, without deduction for any costs or expenses incurred by Tenant in connection with such sublease, except that Tenant may deduct third party, market rate leasing commissions and legal fees paid, and tenant improvement costs incurred, in connection with the sublease, in which case the amount thereof may be deducted with the balance to be paid to Landlord. Tenant agrees that the portion of any assignment consideration and/or excess rentals arising from any assignment or subletting by Tenant which is to be paid to Landlord pursuant to this Article now is and shall then be the property of Landlord and not the property of Tenant.

7.6 Payments. All payments required by this Article to be made to Landlord shall be made in cash or other good funds in full as and when they become due. At the time Tenant, Tenant's assignee or sublessee makes each such payment to Landlord, Tenant or Tenant's assignee or sublessee, as the case may be, shall deliver to Landlord an itemized statement in reasonable detail showing the method by which the amount due Landlord was calculated and certified by the party making such payment as true and correct.

7.7 Good Faith. The rights granted to Tenant by this Article are granted in consideration of Tenant's express covenant, which Tenant hereby makes, that all pertinent allocations which are made by Tenant between the rental value of the Leased Premises and the value of any of Tenant's personal property which may be conveyed or leased (or services provided) generally concurrently with and which may reasonably be considered a part of the same transaction as the permitted assignment or subletting shall be made fairly, honestly and in good faith.

7.8 Effect Of Landlord's Consent. No subletting or assignment, even with the consent of Landlord, shall relieve Tenant of its personal and primary obligation to pay rent and to perform all of the other obligations to be performed by Tenant hereunder, and Tenant hereby agrees as follows in connection with any assignment of this Lease:

(a) The liability of the “Assigning Tenant” under this Lease (defined herein as Palo Alto Networks, Inc. and any assignee(s) who further assign(s) this Lease) shall be primary, and in any right of action which shall accrue to Landlord under this Lease, Landlord may, at its option, proceed against the Assigning Tenant without having commenced any action or obtained any judgment against an assignee. The Assigning Tenant further agrees that it may be joined in any action against an assignee in connection with the said obligations of assignee and recovery may be had against the Assigning Tenant in any such action. The Assigning Tenant hereby expressly waives the benefits and defenses under California Civil Code Sections 2821, 2839, 2847, 2848, 2849 and 2855 to the fullest extent permitted by applicable law.

(b) If an assignee is in default of its obligations under this Lease, Landlord may proceed against the Assigning Tenant, the assignee, or both, or any prior Assigning Tenants (it being agreed that no Assigning Tenant shall be relieved of liability, and that the liability of all Assigning Tenants shall be joint and several), or Landlord may enforce against the Assigning Tenant(s) or the assignee any rights that Landlord has under the Lease, in equity or under applicable law. If the Lease terminates due to an assignee's default or bankruptcy or similar debtor protection law, Landlord may enforce this Lease against the Assigning Tenant(s), even if Landlord would be unable to enforce it against the assignee. The Assigning Tenant specifically agrees and understands that Landlord may proceed forthwith and immediately against an assignee or against the Assigning Tenant(s) following any default by an assignee. The Assigning Tenant(s) hereby waives all benefits and defenses under California Civil Code Sections 2845, 2848, 2849 and 2850, including without limitation: (i) the right to require Landlord to proceed against an assignee, proceed against or exhaust any security that Landlord holds from an assignee or pursue any other remedy in Landlord's power; (ii) any defense to its obligations hereunder based on the termination or limitation of an assignee's liability; and (iii) all notices of the existence, creation, or incurring of new or additional obligations. Landlord shall have the right to enforce this Lease regardless of the release or discharge of an assignee by Landlord or by operation of any law relating to protection of debtors, bankruptcy, assignments for the benefit of creditors, or insolvency.

(c) The obligations of the Assigning Tenant(s) under this Lease shall remain in full force and effect and the Assigning Tenant(s) shall not be discharged or limited by any of the following events with respect to an assignee or the Assigning Tenant(s): (i) insolvency, bankruptcy, reorganization arrangement, adjustment, composition, assignment for the benefits of creditors, liquidation, winding up or dissolution (each a “Financial Proceeding”); of (ii) any merger, acquisition, consolidation or change in entity structure, or any sale, lease, transfer, or other disposition of any entity's assets, or any sale or other transfer of interests in the entity (each an “Event of Reorganization”); or (iii) any sale, exchange, assignment, hypothecation or other transfer, in whole or in part, of Landlord's interest in the Leased Premises or the Lease. Without limiting the foregoing, the Assigning Tenant(s) hereby expressly waives the benefits and defenses under any statute or judicial decision (including but not limited to the case styled *In Re Arden*, 176 F. 3d 1226 (9th Cir. 1999)) that would otherwise (i.e., were it not for such waiver) permit the Assigning Tenant(s) to claim or obtain the benefit of any so called “capped claim” available to an assignee in any Financial Proceeding. If all or any portion of the obligations guaranteed hereunder are paid or performed and all or any part of such payment or performance is avoided or recovered, directly or indirectly, from Landlord as a preference, fraudulent transfer

or otherwise, then the Assigning Tenant(s)' obligations hereunder shall continue and remain in full force and effect as to any such avoided or recovered payment or performance.

(d) The provisions of this Lease may be changed by agreement between Landlord and an assignee without the consent of or notice to the Assigning Tenant(s). This Lease may be assigned by Landlord or an assignee, and the Leased Premises, or a portion thereof, may be sublet by an assignee, all in accordance with the provisions of this Lease, without the consent of or notice to the Assigning Tenant(s). The Assigning Tenant(s) shall remain primarily liable for the performance of the Lease so assigned. Without limiting the generality of the foregoing, the Assigning Tenant(s) waives the rights and benefits of California Civil Code Sections 2819 and 2820 with respect to any change to the Lease between Landlord and an assignee, and agrees that by doing so the Assigning Tenant(s)'s liability shall continue even if (i) Landlord and an assignee alter any Lease obligations, or (ii) the Assigning Tenant(s)'s remedies or rights against an assignee are impaired or suspended without the Assigning Tenant(s)'s consent by such alteration of Lease obligations.

Consent by Landlord to one or more assignments of Tenant's interest in this Lease or to one or more sublettings of the Leased Premises shall not be deemed to be a consent to any subsequent assignment or subletting. No subtenant shall have any right to assign its sublease or to further sublet any portion of the sublet premises or to permit any portion of the sublet premises to be used or occupied by any other party. No sublease may be terminated or modified during any period that Tenant is in monetary or material non-monetary default under this Lease, without Landlord's prior written consent. If Landlord shall have been ordered by a court of competent jurisdiction to consent to a requested assignment or subletting, or such an assignment or subletting shall have been ordered by a court of competent jurisdiction over the objection of Landlord, such assignment or subletting shall not be binding between the assignee (or sublessee) and Landlord until such time as all conditions set forth in Paragraph 7.4 above have been fully satisfied (to the extent not then satisfied) by the assignee or sublessee, including, without limitation, the payment to Landlord of all agreed assignment considerations and/or excess rentals then due Landlord. Upon a default while a sublease is in effect, Landlord may collect directly from the sublessee all sums becoming due to Tenant under the sublease and apply this amount against any sums due Landlord by Tenant, and Tenant authorizes and directs any sublessee to make payments directly to Landlord upon notice from Landlord. No direct collection by Landlord from any sublessee shall constitute a novation or release of Tenant or any guarantor, a consent to the sublease or a waiver of the covenant prohibiting subleases.

ARTICLE 8 LIMITATION ON LANDLORD'S LIABILITY AND INDEMNITY

8.1 Limitation On Landlord's Liability And Release. Landlord shall not be liable to Tenant for, and Tenant hereby releases and waives all claims and rights of recovery against Landlord and its partners, principals, members, managers, officers, agents, employees, lenders, attorneys, contractors, invitees, consultants, predecessors, successors and assigns (including without limitation prior and subsequent owners of the Property or the Project or portions thereof) (collectively, the "Landlord Indemnitees") from, any and all liability, whether in contract, tort or on any other basis, for any injury to or any damage sustained by Tenant or any of the Tenant

Parties, any damage to property of Tenant or any of the Tenant Parties, or any loss to business, loss of profits or other financial loss of Tenant or any of the Tenant Parties resulting from or attributable to the condition of, the management of, the repair or maintenance of, the protection of, the supply of services or utilities to, the damage in or destruction of the Leased Premises, the Buildings, the Property, the Project, or the Common Areas, including without limitation (i) the failure, interruption, rationing or other curtailment or cessation in the supply of electricity, water, gas or other utility service to the Property, the Buildings or the Leased Premises; (ii) the vandalism or forcible entry into the Buildings or the Leased Premises; (iii) the penetration of water into or onto any portion of the Leased Premises; (iv) the failure to provide security and/or adequate lighting in or about the Property, the Buildings or the Leased Premises, (v) the existence of any design or construction defects within the Property, the Buildings or the Leased Premises; (vi) the failure of any mechanical systems to function properly (such as the HVAC systems); (vii) the blockage of access to any portion of the Property, the Buildings or the Leased Premises, except that Tenant does not so release Landlord from such liability to the extent such damage was caused by the gross negligence or willful misconduct of Landlord or any of Landlord's Parties, or Landlord's failure to perform an obligation expressly undertaken by Landlord pursuant to this Lease after a reasonable period of time shall have lapsed following receipt of written notice from Tenant to so perform such obligation. In this regard, Tenant acknowledges that it is fully apprised of the provisions of Law relating to releases, and particularly to those provisions contained in Section 1542 of the California Civil Code which reads as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

Notwithstanding such statutory provision, and for the purpose of implementing a full and complete release and discharge, Tenant hereby (i) waives the benefit of such statutory provision and (ii) acknowledges that, subject to the exceptions specifically set forth herein, the release and discharge set forth in this paragraph is a full and complete settlement and release and discharge of all claims and is intended to include in its effect, without limitation, all claims which Tenant, as of the date hereof, does not know of or suspect to exist in its favor.

8.2 Tenant's Indemnification Of Landlord.

(a) Tenant shall defend with competent counsel satisfactory to Landlord any claims made or legal actions filed or threatened against the Landlord Indemnitees with respect to the violation of any Law, or the death, bodily injury, personal injury, property damage, or interference with contractual or property rights suffered by any third party occurring within the Leased Premises or resulting from the use or occupancy by Tenant or any of the Tenant Parties of the Leased Premises, the Buildings or the Common Areas, or resulting from the activities of Tenant or any of the Tenant Parties in or about the Leased Premises, the Buildings, the Common Areas, the Property, or the Project, and Tenant shall indemnify and hold the Landlord Indemnitees harmless from any loss liability, penalties, or expense whatsoever (including any loss attributable to vacant space which otherwise would have been leased, but for such activities)

resulting therefrom, except to the extent caused by the negligence or willful misconduct of Landlord, its agents or contractors or Landlord's violation of its obligations under this Lease. This indemnity agreement shall survive the expiration or sooner termination of this Lease.

(b) Notwithstanding the foregoing Paragraph 8.2(a) and any other provision of this Lease to the contrary, during the Construction Period only, the following provisions shall be applicable:

(i) with respect to any indemnity obligation of Tenant arising at any time during the Construction Period only, (A) the term "Landlord Indemnitees" shall mean and shall be limited to Santa Clara Campus Property Owner I LLC, a Delaware limited liability company (or any entity that that succeeds to Santa Clara Campus Property Owner I LLC's interest as Landlord under the Lease) and shall not include any other person or entity; *provided, however*, that Landlord may include in any claim owed by Tenant to it any amount which Landlord shall pay or be obligated to indemnify any other person or entity, and (B) any indemnity obligation shall be limited to losses caused by, or arising as a result of any act or failure to act of, Tenant or Tenant's employees, agents or contractors;

(ii) during the Construction Period only, Tenant's liability under this Lease for (A) Tenant's actions or failures to act under the Lease, including, without limitation, Tenant's indemnity obligations, plus (B) Base Monthly Rent and Additional Rent (as a consequence of Tenant Delay), plus (C) any and all other costs payable to Landlord or otherwise payable by Tenant under this Lease, which amount shall calculated to include (i) the accreted value of any payments previously made by Tenant plus (ii) the present value of the maximum amount that Tenant could be required to pay as of that point in time (whether or not construction is completed) discounted at Tenant's incremental borrowing rate used to classify the Lease under ASC 840 (FAS 13), shall be limited to 89.9% of Landlord's Project Costs determined as of the date of Landlord's claim for such amount owed by Tenant. As used herein, "Landlord's Project Costs" shall mean the amount capitalized in the Property by Landlord in accordance with GAAP, plus other costs related to the Property paid by Landlord to third parties other than lenders or owners of Landlord (excluding land acquisition costs, but including land carrying costs, such as interest or ground rent incurred during the Construction Period, and all costs incurred by Landlord in connection with the development and construction of the Landlord Work); and

(iii) Notwithstanding anything to the contrary contained in this Lease, Tenant shall not be required to pay for Construction Period Costs (as defined below) during the Construction Period. Any Construction Period Costs paid by Landlord or which Tenant is responsible for during the Construction Period shall be amortized on a straight line basis over the first five (5) years of the Lease Term (commencing after the expiration of the Construction Period) with interest at 8% per annum as Additional Rent, and such amounts will be payable by Tenant monthly at the same time and place as Base Monthly Rent commencing on the later of the expiration of the Construction Period or the Lease Commencement Date; provided, however, that in no event shall Landlord deliver such invoice to Tenant prior to the expiration of the Construction Period. As used herein, the term "Construction Period Costs" shall mean the following costs incurred for the Buildings and the Property during the Construction Period that are the responsibility of Tenant elsewhere under this Lease (including the Work Letter): costs

arising from (A) utilities and insurance, (B) any amount owed to Landlord pursuant to any indemnification obligation on the part of Tenant in favor of Landlord (with the parties agreeing that, during the Construction Period, Tenant's indemnification obligation shall be limited as set forth in Paragraph 8.2(b)(ii) above), to the extent such indemnification obligation constitutes part of Landlord's Project Costs, or (C) any and all other costs payable to Landlord or otherwise payable by Tenant under this Lease, including payments arising from a default by Tenant, to the extent such costs (including payments arising from a default by Tenant) constitute part of Landlord's Project Costs.

For the avoidance of doubt, Landlord and Tenant agree that:

- (x) no claim by Landlord for Tenant's repudiation of this Lease at any time shall be limited under this Section 8.2(b); and
- (y) for any claim other than under clause (x) above, if during the Construction Period Landlord makes any claim for any anticipatory breach by Tenant of any obligation under this Lease owed to Landlord for any period after the Construction Period and the amount payable by Tenant for such claim is limited by the provisions of clause (ii) above, the entire amount (to the extent not theretofore paid) shall be payable promptly after the Construction Period.

8.3 Landlord's Indemnification Of Tenant. Landlord shall indemnify and hold Tenant harmless from any loss liability, penalties, or expense whatsoever (including but not limited to reasonable attorneys' fees) resulting from the gross negligence or willful misconduct of Landlord at or with respect to the Property or Landlord's knowing breach of this Lease, except to the extent caused by the negligence or willful misconduct of Tenant. This indemnity agreement shall survive the expiration or sooner termination of this Lease.

ARTICLE 9 INSURANCE

[TENANT'S ARTICLE 9 COMMENTS ARE UNDER REVIEW BY LANDLORD'S INSURANCE CONSULTANT]

9.1 Tenant's Insurance. Tenant shall maintain insurance complying with all of the following:

- (a) Tenant shall procure, pay for and keep in full force and effect, at all times during the Lease Term, the following:
 - (i) Commercial general liability insurance insuring Tenant against liability for personal injury, bodily injury, death and damage to property occurring within the Leased Premises, or resulting from Tenant's use or occupancy of the Leased Premises, the Buildings, the Common Areas, the Property, or the Project, or resulting from Tenant's activities in or about the Leased Premises, the Property, or the Project, with coverage in an amount equal to Tenant's Required Liability Coverage (as set forth in Article 1), which insurance shall contain "blanket contractual liability" and "broad form property damage" endorsements insuring Tenant's performance of Tenant's obligations to indemnify Landlord as contained in this Lease.

(ii) Fire and property damage insurance in “special form” coverage insuring Tenant against loss from physical damage to Tenant’s personal property, inventory, trade fixtures and improvements within the Leased Premises with coverage for the full actual replacement cost thereof;

(iii) Business income/extra expense insurance sufficient to pay Base Monthly Rent and Additional Rent for a period of not less than twelve (12) months;

(iv) Plate glass insurance, at actual replacement cost;

(v) [Reserved]

(vi) Product liability insurance (including, without limitation, if food and/or beverages are distributed, sold and/or consumed within the Leased Premises, to the extent obtainable, coverage for liability arising out of the distribution, sale, use or consumption of food and/or beverages (including alcoholic beverages, if applicable) at the Leased Premises for not less than Tenant’s Required Liability Coverage (as set forth in Article 1);

(vii) Workers’ compensation insurance (statutory coverage) with employer’s liability in amounts not less than \$1,000,000 insurance sufficient to comply with all laws; and

(viii) With respect to making of any alterations or modifications or the construction of improvements or the like undertaken by Tenant, course of construction, commercial general liability, automobile liability and workers’ compensation (to be carried by Tenant’s contractor), in an amount and with coverage reasonably satisfactory to Landlord and appropriate to the scope of the alterations, modifications, and improvements.

(b) Each policy of liability insurance required to be carried by Tenant pursuant to this paragraph or actually carried by Tenant with respect to the Leased Premises, the Property, or the Project: (i) shall with respect to insurance required by subparagraph (a) above, name Landlord, and such others as are designated by Landlord, as additional insureds; (ii) [reserved]; (iii) shall be primary insurance providing that the insurer shall be liable for the full amount of the loss, up to and including the total amount of liability set forth in the declaration of coverage, without the right of contribution from or prior payment by any other insurance coverage of Landlord; (iv) [reserved]; (v) shall be carried with companies with Best’s ratings of at least A and VII; and (vi) shall contain a so-called “severability” or “cross liability” endorsement. Each policy of property insurance maintained by Tenant with respect to the Leased Premises, the Property, or the Project or any property therein shall contain a waiver and/or a permission to waive by the insurer of any right of subrogation against Landlord, its partners, principals, members, managers, officers, employees, agents and contractors, which might arise by reason of any payment under such policy or by reason of any act or omission of Landlord, its partners, principals, members, managers, officers, employees, agents and contractors.

(c) Prior to the time Tenant or any of its contractors enters the Leased Premises, Tenant shall deliver to Landlord, with respect to each policy of insurance required to be carried by Tenant pursuant to this Article, a certificate of the insurer certifying in form

satisfactory to Landlord that a policy has been issued, premium paid, providing the coverage required by this Paragraph and containing the provisions specified herein. Landlord may, at any time and from time to time, inspect and/or copy any and all insurance policies required to be carried by Tenant pursuant to this Article. If Landlord's Lender or insurance consultant reasonably determines at any time that the amount of coverage set forth in Paragraph 9.1(a) for any policy of insurance Tenant is required to carry pursuant to this Article is not adequate, then Tenant shall increase the amount of coverage for such insurance to such greater amount as Landlord's Lender or insurance consultant reasonably deems adequate; provided, however, that with respect to increases determined by Landlord's insurance consultant, such coverage need not be increased (i) during the first five (5) years of the Lease Term, or (ii) at any time above levels then generally being required in new leases of comparable buildings in the cities of Santa Clara or Sunnyvale. In the event Tenant does not maintain said insurance, Landlord may, in its sole discretion and without waiving any other remedies hereunder, procure said insurance and Tenant shall pay to Landlord as additional rent the cost of said insurance plus a ten percent (10%) administrative fee.

9.2 Landlord's Insurance. With respect to insurance maintained by Landlord:

(a) Landlord shall maintain, as the minimum coverage required of it by this Lease, fire and property damage insurance in so-called special form coverage insuring Landlord (and such others as Landlord may designate) against loss from physical damage to the Buildings with coverage of not less than one hundred percent (100%) of the full actual replacement cost thereof and against loss of rents for a period of not less than six months. Such fire and property damage insurance: (i) shall be written in so-called "all risk" form, excluding only those perils commonly excluded from such coverage by Landlord's then property damage insurer; (ii) shall provide coverage for physical damage to the improvements so insured for up to the entire full actual replacement cost thereof; (iii) may be endorsed to cover loss or damage caused by any additional perils against which Landlord may elect to insure, including earthquake and/or flood; and/or (iv) may provide coverage for loss of rents for a period of up to twelve months. Landlord shall not be required to cause such insurance to cover any of Tenant's Property, or any modifications, alterations, or improvements made or constructed by Tenant to or within the Leased Premises. Landlord shall use commercially reasonable efforts to obtain such insurance at competitive rates.

(b) Landlord shall maintain commercial general liability insurance insuring Landlord (and such others as are designated by Landlord) against liability for personal injury, bodily injury, death, and damage to property occurring in, on or about, or resulting from the use or occupancy of the Property, or any portion thereof, with combined single limit coverage of at least Ten Million Dollars (\$10,000,000). Landlord may carry such greater coverage as Landlord or Landlord's Lender, insurance broker, advisor or counsel may from time to time determine is reasonably necessary for the adequate protection of Landlord, the Property, and the Project.

(c) Landlord may maintain boiler and machinery insurance to limits sufficient to restore the Buildings.

(d) Landlord may maintain any other insurance which in the opinion of its insurance broker, advisor or legal counsel is prudent to carry under the given circumstances,

provided such insurance is commonly carried by owners of property similarly situated and operating under similar circumstances.

9.3 Mutual Waiver Of Subrogation. Notwithstanding anything to the contrary in this Lease, Landlord hereby releases Tenant, and Tenant hereby releases Landlord and its respective partners, principals, members, managers, shareholders, directors, officers, agents, employees, servants, and subtenants from any and all liability for loss, damage or injury to the property of the other in or about the Leased Premises, the Property, or the Project which is caused by or results from a peril or event or happening which is covered by insurance actually carried and in force at the time of the loss by the party sustaining such loss, or which is required to be insured against under this Lease, without regard to the negligence of the entities so released. All of Landlord's and Tenant's repair and indemnity obligations under this Lease shall be subject to the mutual releases contained in this Paragraph 9.3.

ARTICLE 10
DAMAGE TO LEASED PREMISES

10.1 Landlord's Duty To Restore. If the Leased Premises, the Buildings or the Common Area are damaged by any peril after the Effective Date of this Lease, Landlord shall restore the same, as and when required by this paragraph, unless this Lease is terminated by Landlord pursuant to Paragraph 10.3 or by Tenant pursuant to Paragraph 10.4. If this Lease is not so terminated, then upon the issuance of all necessary governmental permits, Landlord shall commence and diligently prosecute to completion the restoration of the Leased Premises, the Buildings or the Common Area, as the case may be, to the extent then allowed by law, to substantially the same condition in which it existed as of the Lease Commencement Date. Landlord's obligation to restore shall be limited to the improvements constructed by Landlord. Landlord shall have no obligation to restore any alterations, modifications or improvements made by Tenant to the Leased Premises or any of Tenant's personal property, inventory or trade fixtures. Upon completion of the restoration by Landlord, Tenant may replace or fully repair Tenant's Property.

10.2 Insurance Proceeds. All insurance proceeds available from the fire and property damage insurance carried by Landlord shall be paid to and become the property of Landlord. If this Lease is terminated pursuant to either Paragraph 10.3 or 10.4, all insurance proceeds available from insurance carried by Tenant which cover loss of Tenant's Property shall be paid to and become the property of Tenant. With respect to insurance proceeds payable under Tenant's insurance policies for damage or destruction to the Tenant Improvements, Landlord and Tenant shall share such proceeds in accordance with their relative contributions to the initial cost thereof. For example, if the Tenant Improvements were to cost a total of \$120 per rentable square foot, and Landlord were to have contributed a total of \$60 per rentable square foot on the Tenant Improvements, then Landlord and Tenant would share such proceeds equally.

10.3 Landlord's Right To Terminate. Landlord shall have the option to terminate this Lease in the event any of the following occurs, which option may be exercised only by delivery to Tenant of a written notice of election to terminate within thirty (30) days after the date of such damage or destruction:

(a) Building F is damaged by any peril covered by valid and collectible insurance actually carried by Landlord and in force at the time of such damage or destruction (or any insurance Landlord was required to carry pursuant to the terms of this Lease) to such an extent that either (i) the estimated cost to restore the Building exceeds fifty percent of the then actual replacement cost thereof or (ii) any shortfall in insurance proceeds exceed ten percent (10%) of the then actual replacement cost of the Building (the "Shortfall Cap"). Notwithstanding the foregoing, Tenant may override Landlord's election to terminate the Lease pursuant to clause (ii) above if Tenant shall agree in writing within ten (10) days after receipt of Landlord's notice electing to terminate this Lease to pay any costs of restoration to the extent such costs exceed the Shortfall Cap (the "Casualty Shortfall Amount"), in which event Landlord cannot terminate this Lease and must rebuild the areas affected by the casualty; *provided, however*, that if Tenant exercises such election, Tenant shall enter into an agreement with Landlord pursuant to which Tenant will covenant to deposit into an escrow or, to the extent required by any lender with a lien on the Leased Premises, with such lender the Casualty Shortfall Amount on terms and conditions reasonably acceptable to Landlord. In addition, if Tenant elects to override Landlord's election to terminate this Lease as provided above, Tenant shall execute and deliver to any such lender any documents reasonably required by such lender to evidence Tenant's intention to keep this Lease in full force and effect.

(b) Building F is damaged by an uninsured peril, which peril Landlord was not required to, and did not, insure against pursuant to the provisions of Article 9 of this Lease and the cost to restore exceeds the Shortfall Cap. Notwithstanding the foregoing, Tenant may override Landlord's election to terminate the Lease pursuant to this Section if Tenant shall agree in writing within ten (10) days after receipt of Landlord's notice electing to terminate this Lease to pay any Casualty Shortfall Amount, in which event Landlord cannot terminate this Lease and must rebuild the areas affected by the casualty; *provided, however*, that if Tenant exercises such election, Tenant shall enter into an agreement with Landlord pursuant to which Tenant will covenant to deposit into an escrow or, to the extent required by any lender with a lien on the Leased Premises, with such lender the Casualty Shortfall Amount on terms and conditions reasonably acceptable to Landlord. In addition, if Tenant elects to override Landlord's election to terminate this Lease as provided above, Tenant shall execute and deliver to any such lender any documents reasonably required by such lender to evidence Tenant's intention to keep this Lease in full force and effect.

(c) Building F is damaged by any peril and, because of the Laws or Restrictions then in force, such Building (i) cannot be restored at reasonable cost or (ii) if restored, cannot be used for substantially the same use being made thereof before such damage.

10.4 Tenant's Right To Terminate. If the Leased Premises, the Buildings or the Common Area are damaged by any peril and Landlord does not elect to terminate this Lease or is not entitled to terminate this Lease pursuant to this Article, then as soon as reasonably practicable, Landlord shall furnish Tenant with the written opinion of Landlord's architect or construction consultant as to when the restoration work required of Landlord may be complete. Tenant shall have the option to terminate this Lease (if Tenant is not then in monetary or material non-monetary default with respect to which it has received a written notice from Landlord) in the event any of the following occurs, which option may be exercised only by delivery to Landlord

of a written notice of election to terminate within seven days (7) after Tenant receives from Landlord the estimate of the time needed to complete such restoration:

(a) If the time estimated to substantially complete the restoration of the Landlord Work exceeds twelve months from and after the date the architect's or construction consultant's written opinion is delivered; or

(b) If the damage occurred within eighteen months of the last day of the Lease Term and the time estimated to substantially complete the restoration exceeds ninety (90) days from and after the date of the casualty.

10.5 Tenant's Waiver. Landlord and Tenant agree that the provisions of Paragraph 10.4 above, captioned "Tenant's Right To Terminate", are intended to supersede and replace the provisions contained in California Civil Code, Section 1932, Subdivision 2, and California Civil Code, Section 1933, and accordingly, Tenant hereby waives the provisions of such Civil Code Sections and the provisions of any successor Civil Code Sections or similar laws hereinafter enacted.

10.6 Abatement Of Rent. In the event of damage to the Leased Premises which does not result in the termination of this Lease, the Base Monthly Rent (and any Additional Rent) shall be temporarily abated during the period of restoration in proportion to the degree to which Tenant's use of the Leased Premises is impaired by such damage.

ARTICLE 11 CONDEMNATION

11.1 Tenant's Right To Terminate. Except as otherwise provided in Paragraph 11.4 below regarding temporary takings, Tenant shall have the option to terminate this Lease if, as a result of any taking, (i) all of the Leased Premises is taken, or (ii) twenty-five percent (25%) or more of the Leased Premises is taken and the part of the Leased Premises that remains cannot, within a reasonable period of time, be made reasonably suitable for the continued operation of Tenant's business, or (iii) Tenant's parking allocation is reduced below 2.97 parking spaces per 1,000 rentable square feet. Tenant must exercise such option within a reasonable period of time, to be effective on the later to occur of (i) the date that possession of that portion of the Leased Premises that is condemned is taken by the condemnor or (ii) the date Tenant vacated the Leased Premises.

11.2 Landlord's Right To Terminate. Except as otherwise provided in Paragraph 11.4 below regarding temporary takings, Landlord shall have the option to terminate this Lease if, as a result of any taking, (i) all of the Leased Premises is taken, (ii) twenty-five percent (25%) or more of the Leased Premises is taken and the part of the Leased Premises that remains cannot, within a reasonable period of time, be made reasonably suitable for the continued operation of Tenant's business, or (iii) because of the Laws or Restrictions then in force, the Leased Premises may not be used for the same use being made before such taking, whether or not restored as required by Paragraph 11.3 below. Any such option to terminate by Landlord must be exercised within a reasonable period of time, to be effective as of the date possession is taken by the condemnor.

11.3 Restoration. If any part of the Leased Premises or the Buildings is taken and this Lease is not terminated, then Landlord shall, to the extent not prohibited by Laws or Restrictions then in force, repair any damage occasioned thereby to the remainder thereof to a condition reasonably suitable for Tenant's continued operations and otherwise, to the extent practicable, in the manner and to the extent provided in Paragraph 10.1.

11.4 Temporary Taking. If a material portion of the Leased Premises is temporarily taken for a period of one year or less and such period does not extend beyond the Lease Expiration Date, this Lease shall remain in effect. If any material portion of the Leased Premises is temporarily taken for a period which exceeds one year or which extends beyond the Lease Expiration Date, then the rights of Landlord and Tenant shall be determined in accordance with Paragraphs 11.1 and 11.2 above.

11.5 Division Of Condemnation Award. Any award made for any taking of the Property, the Buildings, or the Leased Premises, or any portion thereof, shall belong to and be paid to Landlord, and Tenant hereby assigns to Landlord all of its right, title and interest in any such award; *provided, however*, that Tenant shall be entitled to receive any portion of the award that is made specifically (i) for the taking of personal property, inventory or trade fixtures belonging to Tenant, (ii) for the interruption of Tenant's business or its moving costs, or (iii) for the value of any leasehold improvements installed and paid for by Tenant. The rights of Landlord and Tenant regarding any condemnation shall be determined as provided in this Article, and each party hereby waives the provisions of Section 1265.130 of the California Code of Civil Procedure, and the provisions of any similar law hereinafter enacted, allowing either party to petition the Supreme Court to terminate this Lease and/or otherwise allocate condemnation awards between Landlord and Tenant in the event of a taking of the Leased Premises.

11.6 Abatement Of Rent. In the event of a taking of the Leased Premises which does not result in a termination of this Lease (other than a temporary taking), then, as of the date possession is taken by the condemning authority, the Base Monthly Rent shall be reduced in the same proportion that the area of that part of the Leased Premises so taken (less any addition to the area of the Leased Premises by reason of any reconstruction) bears to the area of the Leased Premises immediately prior to such taking.

11.7 Taking Defined. The term "taking" or "taken" as used in this Article 11 shall mean any transfer or conveyance of all or any portion of the Property or the Project to a public or quasi-public agency or other entity having the power of eminent domain pursuant to or as a result of the exercise of such power by such an agency, including any inverse condemnation and/or any sale or transfer by Landlord of all or any portion of the Property or the Project to such an agency under threat of condemnation or the exercise of such power.

ARTICLE 12 DEFAULT AND REMEDIES

12.1 Events Of Tenant's Default. Tenant shall be in default of its obligations under this Lease if any of the following events occur:

(a) Tenant shall have failed to pay Base Monthly Rent or any Additional Rent when due; provided that Tenant shall be entitled to receive written notice of late payment twice during each year of the Lease Term, and with respect to those two (2) late payments, Tenant shall not be in default under this Paragraph 12.1(a) unless Tenant has failed to make the required payment within three (3) business days after such notice from Landlord. After both notices have been given in any year of the Lease Term, Landlord shall not be required to provide any further notices to Tenant relating to such year; or

(b) Tenant shall have done or permitted to be done any act, use or thing in its use, occupancy or possession of the Leased Premises or the Building or Common Areas which is prohibited by the terms of this Lease or Tenant shall have failed to perform any term, covenant, or condition of this Lease (except those requiring the payment of Base Monthly Rent or Additional Rent, which failures shall be governed by subparagraph (a) above) and such default is not cured within the shorter of (i) any specific time period expressly provided under this Lease for the performance of such term, covenant or condition, or (ii) thirty (30) days after written notice from Landlord to Tenant specifying the nature of such default and requesting Tenant to cure the same, or within such longer period as is reasonably required in the event such default is curable but not within such thirty (30) day period, provided such cure is promptly commenced within such thirty (30) day period and is thereafter diligently prosecuted to completion; or

(c) Tenant shall have sublet the Leased Premises or assigned its interest in this Lease in violation of the provisions contained in Article 7, whether voluntarily or by operation of law; or

(d) Tenant shall have abandoned the Leased Premises (as defined in California Civil Code section 1951.3); or

(e) Tenant shall have permitted or suffered the sequestration or attachment of, or execution on, or the appointment of a custodian or receiver with respect to, all or any substantial part of the property or assets of Tenant or any property or asset essential to the conduct of Tenant's business, and Tenant shall have failed to obtain a return or release of the same within thirty (30) days thereafter, or prior to sale pursuant to such sequestration, attachment or levy, whichever is earlier; or

(f) Tenant or any guarantor of this Lease shall have permitted or suffered the sequestration or attachment of, or execution on, or the appointment of a custodian or receiver with respect to, all or any substantial part of the property or assets of Tenant (or such guarantor) or any property or asset essential to the conduct of Tenant's (or such guarantor's) business, and Tenant (or such guarantor) shall have failed to obtain a return or release of the same within thirty (30) days thereafter, or prior to sale pursuant to such sequestration, attachment or levy, whichever is earlier; or

(g) Tenant or any guarantor of this Lease shall have made a general assignment of all or a substantial part of its assets for the benefit of its creditors; or

(h) Tenant or any guarantor of this Lease shall have allowed (or sought) to have entered against it a decree or order which: (i) grants or constitutes an order for relief,

appointment of a trustee, or condemnation or a reorganization plan under the bankruptcy laws of the United States; (ii) approves as properly filed a petition seeking liquidation or reorganization under said bankruptcy laws or any other debtor's relief law or similar statute of the United States or any state thereof; or (iii) otherwise directs the winding up or liquidation of Tenant; *provided, however*, if any decree or order was entered without Tenant's consent or over Tenant's objection, Landlord may not terminate this Lease pursuant to this Subparagraph if such decree or order is rescinded or reversed within thirty (30) days after its original entry; or

(i) Tenant or any guarantor of this Lease shall have availed itself of the protection of any debtor's relief law, moratorium law or other similar law which does not require the prior entry of a decree or order.

(j) Tenant (or its affiliate or assignee) shall be in default beyond the expiration of express notice and cure periods, if any, set forth in the Building E Lease, the Building G Lease (to the extent applicable), or the Bridge Space Lease, with respect to Tenant's (or its affiliate or assignee's) obligations under the Building E Lease, the Building G Lease (to the extent applicable), and (following the date which is nine (9) months after the Lease Commencement Date of this Lease) the Bridge Space Lease. Landlord shall have the right, acting alone, to elect from time to time to limit this Paragraph 12.1(j) to fewer than all of such other leases and/or to reverse such limitation, or to delete and/or reinstate, as applicable, this Paragraph 12.1(j), by notice to Tenant delivered in accordance with this Lease. If at any time Landlord makes such election, then Tenant agrees: (1) at Landlord's request, to execute an amendment to this Lease the effect of which is to so limit this Paragraph 12.1(j) or if applicable, to reverse such limitation, or to delete or reinstate, as applicable, this Paragraph 12.1(j), and (2) that in the event of a limitation or deletion, such amendment shall retain for Landlord the right to reverse the limitation or to reinstate this Paragraph 12.1(j), as applicable.

12.2 Landlord's Remedies. In the event of any default by Tenant, and without limiting Landlord's right to indemnification as provided in Article 8.2, Landlord shall have the following remedies, in addition to all other rights and remedies provided by law or otherwise provided in this Lease, to which Landlord may resort cumulatively, or in the alternative:

(a) Landlord may, at Landlord's election, keep this Lease in effect and enforce, by an action at law or in equity, all of its rights and remedies under this Lease including, without limitation, (i) the right to recover the rent and other sums as they become due by appropriate legal action, (ii) the right to make payments required by Tenant, or perform Tenant's obligations and be reimbursed by Tenant for the cost thereof with interest at a rate equal to the Default Interest Rate from the date the sum is paid by Landlord until Landlord is reimbursed by Tenant, and (iii) the remedies of injunctive relief and specific performance to prevent Tenant from violating the terms of this Lease and/or to compel Tenant to perform its obligations under this Lease, as the case may be.

(b) Landlord may, at Landlord's election, terminate this Lease by giving Tenant written notice of termination, in which event this Lease shall terminate on the date set forth for termination in such notice, in which event Tenant shall immediately surrender the Leased Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, in accordance with

applicable Laws, enter upon and take possession of the Leased Premises and expel or remove Tenant and any other person who may be occupying the Leased Premises or any part thereof, without being liable for prosecution or any claim for damages therefor. Any termination under this subparagraph shall not relieve Tenant from its obligation to pay to Landlord all Base Monthly Rent and Additional Rent then or thereafter due, or any other sums due or thereafter accruing to Landlord, or from any claim against Tenant for damages previously accrued or then or thereafter accruing. In no event shall any one or more of the following actions by Landlord, in the absence of a written election by Landlord to terminate this Lease constitute a termination of this Lease:

(i) Appointment of a receiver or keeper in order to protect Landlord's interest hereunder;

(ii) Consent to any subletting of the Leased Premises or assignment of this Lease by Tenant, whether pursuant to the provisions hereof or otherwise; or

(iii) Any action taken by Landlord or its partners, principals, members, officers, agents, employees, or servants, which is intended to mitigate the adverse effects of any breach of this Lease by Tenant, including, without limitation, any action taken to maintain and preserve the Leased Premises on any action taken to relet the Leased Premises or any portion thereof for the account at Tenant and in the name of Tenant.

(c) In the event Tenant breaches this Lease and abandons the Leased Premises, Landlord may terminate this Lease, but this Lease shall not terminate unless Landlord gives Tenant written notice of termination. If Landlord does not terminate this Lease by giving written notice of termination, Landlord may enforce all its rights and remedies under this Lease, including the right and remedies provided by California Civil Code Section 1951.4 ("lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has right to sublet or assign, subject only to reasonable limitations"), as in effect on the Effective Date of this Lease.

(d) In the event Landlord terminates this Lease, Landlord shall be entitled, at Landlord's election, to the rights and remedies provided in California Civil Code Section 1951.2, as in effect on the Effective Date of this Lease. For purposes of computing damages pursuant to Section 1951.2, an interest rate equal to the Default Interest Rate shall be used. Such damages shall include, without limitation:

(i) The worth at the time of the award of the unpaid rent which had been earned at the time of termination;
plus

(ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided, computed by discounting such amount at the

discount rate of the Federal Reserve Bank of San Francisco, at the time of award plus one percent; plus

(iv) Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom, including without limitation, the following: (i) expenses for cleaning, repairing or restoring the Leased Premises, (ii) to the extent allocable to the remainder of the Lease Term, expenses for altering, remodeling or otherwise improving the Leased Premises for the purpose of reletting, including removal of existing leasehold improvements and/or installation of additional leasehold improvements (regardless of how the same is funded, including reduction of rent, a direct payment or allowance to a new tenant, or otherwise), advertising costs and other expenses of reletting the Leased Premises; (iii) expenses incurred in removing, disposing of and/or storing any of Tenant's personal property, inventory or trade fixtures remaining therein; (iv) reasonable attorney's fees, expert witness fees, court costs and other reasonable expenses incurred by Landlord (but not limited to taxable costs) in retaking possession of the Leased Premises, establishing damages hereunder, and releasing the Leased Premises; and (v) any other expenses, costs or damages otherwise incurred or suffered as a result of Tenant's default.

(e) Landlord may recover its reasonable attorney's fees and costs incurred in enforcing Tenant's obligations under this Lease, curing any Tenant default, terminating the Lease, and recovering possession of the Leased Premises.

(f) Pursuant to California Code of Civil Procedure Section 1161.1, Landlord may accept a partial payment of Rent after serving a notice pursuant to California Code of Civil Procedure Section 1161, and may without further notice to the Tenant, commence and pursue an action to recover the difference between the amount demanded in that notice and the payment actually received. This acceptance of such a partial payment of Rent does not constitute a waiver of any rights, including any right the Landlord may have to recover possession of the Leased Premises. Further, Landlord and Tenant agree that any notice given by Landlord pursuant to Paragraph 12.1 of this Lease shall not satisfy the requirements for notice under California Code of Civil Procedure Section 1161, and Landlord shall also be required to give the notice required by Law in order to commence an unlawful detainer proceeding.

12.3 Landlord's Default And Tenant's Remedies. In the event Landlord fails to perform its obligations under this Lease, Landlord shall nevertheless not be in default under the terms of this Lease until such time as Tenant shall have first given Landlord written notice specifying the nature of such failure to perform its obligations, and then only after Landlord shall have had thirty (30) days following its receipt of such notice within which to perform such obligations; provided that, if longer than thirty (30) days is reasonably required in order to perform such obligations, Landlord shall have such longer period. In the event of Landlord's default as above set forth, then, and only then, Tenant may then proceed in equity or at law to compel Landlord to perform its obligations and/or to recover damages proximately caused by such failure to perform (except as and to the extent Tenant has waived its right to damages as provided in this Lease).

12.4 Limitation Of Tenant's Recourse. Tenant's sole recourse against Landlord shall be to Landlord's interest in the Project and the revenues, insurance proceeds and condemnation awards therefrom; provided, however, that in no event shall Tenant have recourse to any sums distributed to Landlord's members or manager(s) in the ordinary course of business (including but not limited to sale or refinancing proceeds distributed upon a sale or refinancing, as applicable). If Landlord is a corporation, trust, partnership, joint venture, limited liability company, unincorporated association, or other form of business entity, Tenant agrees that (i) the obligations of Landlord under this Lease shall not constitute personal obligations of the officers, directors, trustees, partners, joint venturers, members, managers, owners, stockholders, or other principals of such business entity, and (ii) Tenant shall have recourse only to the interest of such corporation, trust, partnership, joint venture, limited liability company, unincorporated association, or other form of business entity in Landlord's interest in the Project and the revenues, insurance proceeds and condemnation awards therefrom; provided, however, that in no event shall Tenant have recourse to any sums distributed to Landlord's members or manager(s) in the ordinary course of business (including but not limited to sale or refinancing proceeds distributed upon a sale or refinancing, as applicable) for the satisfaction of such obligations and not against the assets of such officers, directors, trustees, partners, joint venturers, members, managers, owners, stockholders or principals. Additionally, if Landlord is a partnership or limited liability company, then Tenant covenants and agrees:

(a) No partner, manager, or member of Landlord shall be sued or named as a party in any suit or action brought by Tenant with respect to any alleged breach of this Lease (except to the extent necessary to secure jurisdiction over the partnership or limited liability company and then only for that sole purpose);

(b) No service of process shall be made against any partner, manager, or member of Landlord except for the sole purpose of securing jurisdiction over the partnership or limited liability company; and

(c) No writ of execution will ever be levied against the assets of any partner, manager, or member of Landlord other than to the extent of his or her interest in the assets of the partnership or limited liability company constituting Landlord.

Tenant further agrees that each of the foregoing covenants and agreements shall be enforceable by Landlord and by any partner or manager or member of Landlord and shall be applicable to any actual or alleged misrepresentation or nondisclosure made regarding this Lease or the Leased Premises or any actual or alleged failure, default or breach of any covenant or agreement either expressly or implicitly contained in this Lease or imposed by statute or at common law.

12.5 Tenant's Waiver. Landlord and Tenant agree that the provisions of Paragraph 12.3 above are intended to supersede and replace the provisions of California Civil Code Sections 1932(1), 1941 and 1942, and accordingly, Tenant hereby waives the provisions of California Civil Code Sections 1932(1), 1941 and 1942 and/or any similar or successor law regarding Tenant's right to terminate this Lease or to make repairs and deduct the expenses of such repairs from the rent due under this Lease.

ARTICLE 13

GENERAL PROVISIONS

13.1 Taxes On Tenant's Property. Tenant shall pay before delinquency any and all taxes, assessments, license fees, use fees, permit fees and public charges of whatever nature or description levied, assessed or imposed against Tenant or Landlord by a governmental agency arising out of, caused by reason of or based upon Tenant's estate in this Lease, Tenant's ownership of property, improvements made by Tenant to the Leased Premises or the Common Areas, improvements made by Landlord for Tenant's use within the Leased Premises or the Common Areas, Tenant's use (or estimated use) of public facilities or services or Tenant's consumption (or estimated consumption) of public utilities, energy, water or other resources (collectively, "Tenant's Interest"). Upon demand by Landlord, Tenant shall furnish Landlord with satisfactory evidence of these payments. If any such taxes, assessments, fees or public charges are levied against Landlord, Landlord's property, the Buildings, the Property, or the Project, or if the assessed value of the Buildings, the Property, or the Project is increased by the inclusion therein of a value placed upon Tenant's Interest, regardless of the validity thereof, Landlord shall have the right to require Tenant to pay such taxes, and if not paid and satisfactory evidence of payment delivered to Landlord at least ten (10) days prior to delinquency, then Landlord shall have the right to pay such taxes on Tenant's behalf and to invoice Tenant for the same, in either case whether before or after the expiration or earlier termination of the Lease Term. Tenant shall, within the earlier to occur of (a) thirty (30) days of the date it receives an invoice from Landlord setting forth the amount of such taxes, assessments, fees, or public charge so levied, or (b) the due date of such invoice, pay to Landlord, as Additional Rent, the amount set forth in such invoice. Tenant shall have the right to bring suit in any court of competent jurisdiction to recover from the taxing authority the amount of any such taxes, assessments, fees or public charges so paid.

13.2 Holding Over. This Lease shall terminate without further notice on the Lease Expiration Date (as set forth in Article 1). Any holding over by Tenant after expiration of the Lease Term shall neither constitute a renewal nor extension of this Lease nor give Tenant any rights in or to the Leased Premises except as expressly provided in this Paragraph. Any such holding over shall be construed to be a tenancy from month to month, on the same terms and conditions herein specified insofar as applicable, except that the Base Monthly Rent shall be increased to an amount equal to one hundred twenty-five percent (125%) of the Monthly Base Rent for the last month immediately preceding such holding over for the first ninety (90) days of any such holding over, and thereafter one hundred fifty percent (150%) of the Base Monthly Rent payable during the last full month immediately preceding such holding over. Without limiting the foregoing, in the event of a holding over to which Landlord has consented, any rights of Landlord or obligations of Tenant set forth in this Lease and purporting to apply during the term of this Lease, shall nonetheless also be deemed to apply during any such hold over period. Tenant acknowledges that if Tenant holds over without Landlord's consent, such holding over may compromise or otherwise affect Landlord's ability to enter into new leases with prospective tenants regarding the Leased Premises.

Therefore, in the event Tenant does not vacate the Leased Premises in accordance with the terms of this Paragraph 13.2 on or before the expiration of the Lease Term (or the expiration of a holdover term, if applicable) after receiving at least ninety (90) days' advance written notice

from Landlord, delivered not earlier than the expiration of the Lease Term, demanding that Tenant vacate the Leased Premises and otherwise satisfying the requirements set forth below (a "Vacation Notice"), Tenant shall be liable for all damages (including attorneys' fees and expenses) of whatever type (including consequential damages) incurred by Landlord as a result of such holding over, and Tenant shall protect, defend, indemnify and hold Landlord harmless from and against all claims resulting from such failure to vacate, including, without limiting the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender, and any losses suffered by Landlord, including lost profits, resulting from such failure to surrender. The Vacation Notice shall specifically refer to this Lease and the address of the Building, and shall include (on the first page of the Vacation Notice) the following language in bold, capitalized font: "NOTICE: UNDER PARAGRAPH 13.2 OF THE LEASE, TENANT'S FAILURE TO VACATE THE LEASED PREMISES BY THE DATE SET FORTH HEREIN MAY RESULT IN SIGNIFICANT DAMAGES TO LANDLORD, INCLUDING CONSEQUENTIAL DAMAGES."

13.3 Subordination To Mortgages. This Lease is subject to and subordinate to all ground leases, mortgages and deeds of trust which affect the Buildings, the Property, or the Project and which are of public record as of the Effective Date of this Lease, and to all renewals, modifications, consolidations, replacements and extensions thereof. Notwithstanding the foregoing, if requested by Landlord, Tenant agrees, within ten (10) days after Landlord's written request therefor, to execute, acknowledge and deliver to Landlord, a subordination agreement in the form attached to this Lease as Exhibit J-1, with respect to the deed of trust which is of public record as of the Effective Date of this Lease. However, if the lessor under any such ground lease or any lender holding any such mortgage or deed of trust shall advise Landlord that it desires or requires this Lease to be made prior and superior thereto, then, upon written request of Landlord to Tenant, Tenant shall promptly execute, acknowledge and deliver any and all customary or reasonable documents or instruments which Landlord and such lessor or lender deems necessary or desirable to make this Lease prior thereto. Tenant hereby consents to Landlord's ground leasing the land underlying the Buildings, the Property, or the Project and/or encumbering the Buildings, the Property, or the Project as security for future loans on such terms as Landlord shall desire, all of which future ground leases, mortgages or deeds of trust shall be subject to and subordinate to this Lease. However, if any lessor under any such future ground lease or any lender holding such future mortgage or deed of trust shall desire or require that this Lease be made subject to and subordinate to such future ground lease, mortgage or deed of trust, then Tenant agrees, within ten (10) days after Landlord's written request therefor, to execute, acknowledge and deliver to Landlord any and all documents or instruments reasonably requested by Landlord or by such lessor or lender to assure the subordination of this Lease to such future ground lease, mortgage or deed of trust, but only if such lessor or lender agrees to execute a subordination, non-disturbance and attornment agreement in the form attached to this Lease as Exhibit J-2, or such other form as any such lessor or lender may reasonably require (an "SNDA") and acceptable to Tenant in its reasonable discretion (and Tenant agrees that any concept included in such alternate form which is substantially similar to a concept included in Exhibit J-2, shall be acceptable). Tenant's failure to execute and deliver such documents or instruments within ten (10) days after Landlord's request therefor shall be a material default by Tenant under this Lease, and no further notice shall be required under Paragraph 12.1(c) or any other provision of this Lease, and Landlord shall have all of the rights and remedies available to Landlord as

Landlord would otherwise have in the case of any other material default by Tenant, it being agreed and understood by Tenant that Tenant's failure to so deliver such documents or instruments in a timely manner could result in Landlord being unable to perform committed obligations to other third parties which were made by Landlord in reliance upon this covenant of Tenant. Any SNDA executed with respect to a future deed of trust, ground lease, or mortgage (or with respect to an amendment of any existing deed of trust to provide construction financing for the construction of the Leased Premises), must contain a statement that, following any foreclosure of such deed of trust or mortgage, or termination of the ground lease, the holder thereof (for itself and any transferee of its interest in the deed of trust, mortgage, or ground lease, or of such holder's interest in the Property pursuant to such holder's exercise of remedies) will be obligated under the Lease to do the following to the extent not previously done (i) perform the Landlord's Work, (ii) disburse the Tenant Improvement Allowance and (iii) honor Tenant's rights of offset set forth in Section 7 of Exhibit C to the Lease (the "Required Lender Construction Agreements"). Tenant agrees that the SNDA attached hereto as Exhibit J-2 contains the Required Lender Construction Agreements. If Landlord commences construction of the Landlord's Work (as evidenced by Landlord's pulling of a building permit for the same and breaking ground on work for which a mechanic's lien may be filed) without obtaining an SNDA containing the Required Lender Construction Agreements from the then-current holder of any deed of trust, mortgage, or ground lease affecting the Property, then Tenant may terminate this Lease by written notice to Landlord given within ten (10) days of Tenant's knowledge that such construction has commenced. However, for avoidance of doubt, no such SNDA shall be required (and no termination right shall apply) if there is no ground lease, deed of trust, or mortgage encumbering the Property at the time that construction of the Leased Premises commences.

Tenant hereby agrees, concurrently with Tenant's execution of this Lease, to execute and deliver to Landlord an SNDA substantially in the form of Exhibit J-1 attached hereto, and Landlord agrees to cause Landlord's existing mortgage lender to execute, have acknowledged, and either (a) have the same recorded in the Official Records of Santa Clara County, or (b) deliver a complete original of the same to Tenant.

13.4 Tenant's Attornment Upon Foreclosure. Tenant shall, upon request, attorn (i) to any purchaser of the Buildings, the Property, or the Project at any foreclosure sale or private sale conducted pursuant to any security instruments encumbering the Buildings, the Property, or the Project, (ii) to any grantee or transferee designated in any deed given in lieu of foreclosure of any security interest encumbering the Buildings, the Property, or the Project, or (iii) to the lessor under an underlying ground lease of the land underlying the Buildings, the Property, or the Project, should such ground lease be terminated; provided that such purchaser, grantee or lessor recognizes Tenant's rights under this Lease.

13.5 Mortgagee Protection. Tenant will give copies of any written default notice sent to Landlord by registered mail to any Lender or lessor under any underlying ground lease who shall have requested, in writing, to Tenant that it be provided with such notice, and Tenant shall offer such Lender or lessor a reasonable opportunity to cure the default, including time to obtain possession of the Leased Premises by power of sale if reasonably necessary to effect a cure.

13.6 Estoppel Certificate. Tenant will, following any request by Landlord, promptly execute and deliver to Landlord an estoppel certificate substantially in form attached as Exhibit K, (i) certifying that this Lease is unmodified and in full force and effect, or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect, (ii) stating the date to which the rent and other charges are paid in advance, if any, (iii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults if any are claimed, and (iv) certifying such other information about this Lease as may be reasonably requested by Landlord, its Lender or prospective lenders, investors or purchasers of the Buildings, the Property, or the Project. Tenant's failure to execute and deliver such estoppel certificate within ten (10) days after Landlord's request therefor shall be a material default by Tenant under this Lease, and no further notice shall be required under Paragraph 12.1(c) or any other provision of this Lease, and Landlord shall have all of the rights and remedies available to Landlord as Landlord would otherwise have in the case of any other material default by Tenant, it being agreed and understood by Tenant that Tenant's failure to so deliver such estoppel certificate in a timely manner could result in Landlord being unable to perform committed obligations to other third parties which were made by Landlord in reliance upon this covenant of Tenant. Landlord and Tenant intend that any statement delivered pursuant to this paragraph may be relied upon by any Lender or purchaser or prospective Lender or purchaser of the Buildings, the Property, or any interest in them.

13.7 Tenant's Financial Information. Tenant shall, within ten (10) days after Landlord's request therefor, deliver to Landlord a copy of Tenant's (and any guarantor's) current audited financial statements (including a balance sheet, income statement and statement of cash flow, all prepared in accordance with GAAP); provided, however, that as long as the common stock of Tenant (or its assigns permitted pursuant to this Lease or otherwise approved by Landlord in writing) is publicly-traded on a United States national stock exchange, and such information is available as part of Tenant's or such Permitted Assignee's 10-K or 10-Q report filings on the SEC's Edgar website, then such requirement shall be fulfilled by such filings. Landlord shall be entitled to disclose such financial statements or other information to its Lender, to any present or prospective principal of or investor in Landlord, or to any prospective Lender or purchaser of the Buildings, the Property, or any portion thereof or interest therein. Any such financial statement or other information (other than those available on the SEC's Edgar website) shall be confidential and shall not be disclosed by Landlord to any third party except as specifically provided in this paragraph, unless the same becomes a part of the public domain without the fault of Landlord.

13.8 Transfer By Landlord. Landlord and its successors in interest shall have the right to transfer their interest in the Building, the Property, or any portion thereof at any time and to any person or entity; *provided, however*, that if Landlord sells the Building at any time before the Lease Commencement Date, Menlo Equities Development Company IX LLC ("MEDCO IX") will enter into a development agreement with the buyer pursuant to which MEDCO IX shall be the developer until the Lease Commencement Date. In the event of any such transfer, the Landlord originally named herein (and in the case of any subsequent transfer, the transferor), from the date of such transfer, shall be automatically relieved, without any further act by any person or entity, of all liability for (i) the performance of the obligations of the Landlord

hereunder which may accrue after the date of such transfer, and (ii) repayment of any unapplied portion of any security deposit (upon transferring or crediting the same to the transferee), and (iii) the performance of the obligations of the Landlord hereunder which have accrued before the date of transfer if its transferee agrees to assume and perform all such prior obligations of the Landlord hereunder. Tenant shall attorn to any such transferee. After the date of any such transfer, the term "Landlord" as used herein shall mean the transferee of such interest in the Buildings, the Property, or the Project.

13.9 Force Majeure. Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, acts of war, terrorist acts, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, delay in obtaining approvals, building permits and certificates of occupancy within normal time frames, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations imposed with regard to Rent and other charges to be paid by Tenant pursuant to this Lease (collectively, a "Force Majeure"), notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure. Notwithstanding the foregoing, the time periods set forth in Paragraph 2.4 and Paragraph 2.8 of this Lease shall not be affected by Force Majeure except as expressly set forth therein (including by references in Paragraph 2.8 to Paragraph 2.4).

13.10 Notices. Any notice required or permitted to be given under this Lease other than statutory notices shall be in writing and (i) personally delivered, (ii) sent by United States mail, registered or certified mail, postage prepaid, return receipt requested, or (iii) sent by Federal Express or similar nationally recognized overnight courier service, and in all cases addressed as follows, and such notice shall be deemed to have been given upon the date of actual receipt or delivery (or refusal to accept delivery) at the address specified below (or such other addresses as may be specified by notice in the foregoing manner) as indicated on the return receipt or air bill:

If to Landlord: Santa Clara Campus Property Owner I LLC
490 California Avenue
4th Floor
Palo Alto, California 94306
Attention: Henry Bullock/Richard Holmstrom

with a copy to: Mintz Levin Cohn Ferris Glovsky and Popeo PC
44 Montgomery Street
36th Floor
San Francisco, California 94104
Attention: Paul Churchill

If to Tenant: Palo Alto Networks, Inc.
4401 Great America Parkway
Santa Clara, California 95054
Attention: General Counsel

Any notice given in accordance with the foregoing shall be deemed received upon actual receipt or refusal to accept delivery. Any notice required by statute and not waived in this Lease shall be given and deemed received in accordance with the applicable statute or as otherwise provided by law.

13.11 Attorneys' Fees and Costs. In the event any party shall bring any action, arbitration, or other proceeding alleging a breach of any provision of this Lease, or a right to recover rent, to terminate this Lease, or to enforce, protect, interpret, determine, or establish any provision of this Lease or the rights or duties hereunder of either party, the prevailing party shall be entitled to recover from the non-prevailing party as a part of such action or proceeding, or in a separate action for that purpose brought within one year from the determination of such proceeding, reasonable attorneys' fees, expert witness fees, court costs and reasonable disbursements, made or incurred by the prevailing party.

13.12 Definitions. Any term that is given a special meaning by any provision in this Lease shall, unless otherwise specifically stated, have such meaning wherever used in this Lease or in any Addenda or amendment hereto. In addition to the terms defined in Article 1, the following terms shall have the following meanings:

(a) Real Property Taxes. The term "Real Property Tax" or "Real Property Taxes" shall each mean Tenant's Building Share of the following (to the extent applicable to any portion of the Lease Term, regardless of when the same are imposed, assessed, levied, or otherwise charged): (i) all taxes, assessments, levies and other charges of any kind or nature whatsoever, general and special, foreseen and unforeseen (including all installments of principal and interest required to pay any general or special assessments for public improvements and any increases resulting from reassessments caused by any change in ownership or new construction), now or hereafter imposed by any governmental or quasi-governmental authority or special district having the direct or indirect power to tax or levy assessments, which are levied or assessed for whatever reason against the Property or any portion thereof, or Landlord's interest herein, or the fixtures, equipment and other property of Landlord that is an integral part of the Property and located thereon, or Landlord's business of owning, leasing or managing the Property or the gross receipts, income or rentals from the Property, (ii) all charges, levies or fees imposed by any governmental authority against Landlord by reason of or based upon the use of or number of parking spaces within the Property, the amount of public services or public utilities used or consumed (e.g. water, gas, electricity, sewage or waste water disposal) at the Property, the number of persons employed by tenants of the Property, the size (whether measured in area, volume, number of tenants or whatever) or the value of the Property, or the type of use or uses conducted within the Property, and all costs and fees (including attorneys' fees) reasonably incurred by Landlord in contesting any Real Property Tax and in negotiating with public authorities as to any Real Property Tax. In the event the Project is developed in a manner which results in separate legal parcels comprising some or all of the Common Areas, then with respect to those Common Area parcels, Real Property Taxes shall be calculated using Tenant's Project Share (as opposed to Tenant's Building Share). If, at any time during the Lease Term, the taxation or assessment of the Property prevailing as of the Effective Date of this Lease shall be altered so that in lieu of or in addition to any the Real Property Tax described above there shall be levied, awarded or imposed (whether by reason of a change in the method of taxation or

assessment, creation of a new tax or charge, or any other cause) an alternate, substitute, or additional use or charge (i) on the value, size, use or occupancy of the Property or Landlord's interest therein or (ii) on or measured by the gross receipts, income or rentals from the Property, or on Landlord's business of owning, leasing or managing the Property or (iii) computed in any manner with respect to the operation of the Property, then any such tax or charge, however designated, shall be included within the meaning of the terms "Real Property Tax" or "Real Property Taxes" for purposes of this Lease. Notwithstanding the foregoing, the terms "Real Property Tax" or "Real Property Taxes" shall not include and Tenant shall not be required to pay any portion of any tax or assessment expense or any increase therein (a) attributable to estate, inheritance, transfer, gift or franchise taxes of Landlord or the federal or state income tax imposed on Landlord's income from all sources; or (c) imposed on land and improvements other than the Property or the Common Areas. In addition, if any Real Property Taxes may be paid in installments at the option of the taxpayer, then Landlord shall include within Real Property Taxes only those installments (including interest, if any) which would become due by exercise of such option.

(b) Landlord's Insurance Costs. The term "Landlord's Insurance Costs" shall mean (to the extent applicable to any portion of the Lease Term, regardless of when the same are incurred):

(i) Tenant's Building Share of the costs to Landlord to carry and maintain the policies of fire and property damage insurance for the Buildings and general liability and any other insurance required or permitted to be carried by Landlord pursuant to Article 9, together with any deductible amounts paid by Landlord upon the occurrence of any insured casualty or loss; plus

(ii) without duplication of amounts payable pursuant to subparagraph (i) above, to the extent any of the insurance policies carried by Landlord are specific to the Project as a whole (as opposed to the Buildings or the Property), then, Tenant's Project Share of the costs to Landlord to carry and maintain such policies of fire and property damage insurance for the Project (as opposed to just the Buildings or the Property) and general liability and any other insurance required or permitted to be carried by Landlord pursuant to Article 9 which is applicable to the Project (as opposed to just the Buildings or the Property), together with any deductible amounts paid by Landlord upon the occurrence of any insured casualty or loss;

provided, however, that to the extent any deductible amounts or any uninsured amounts relate to damage to improvements the repair, replacement, or reconstruction of which would constitute a capital repair or replacement under GAAP, then the amount thereof (including related softs costs) shall be amortized by Landlord over the useful life of the applicable repaired or replaced (or reconstructed) improvements, as such useful life is set forth on Exhibit L attached hereto, including interest at the Standard Interest Rate, and the monthly amortized cost of such repairs or replacements as so amortized shall be considered a Property Maintenance Cost. If Exhibit L does not list the useful life of a particular item of repair, replacement, or reconstruction, then such useful life shall be determined by Landlord and Tenant, or their accountants, in accordance with GAAP.

(c) **Property Maintenance Costs.** The term “Property Maintenance Costs” shall mean (to the extent applicable to any portion of the Lease Term, regardless of when the same are incurred):

(i) monthly professional management fees equal to 2% of Base Monthly Rent, plus Tenant’s Building Share of all other costs and expenses (except Landlord’s Insurance Costs and Real Property Taxes) paid or incurred by Landlord in protecting, operating, maintaining, repairing and preserving the Buildings and the Property and all parts thereof, including without limitation, (A) the amortizing portion of any costs incurred by Landlord in the making of any modifications, alterations or improvements required by any governmental authority as set forth in Article 6, which are so amortized during the Lease Term, and (B) such other costs as may be paid or incurred with respect to operating, maintaining, and preserving the Buildings or the Property, such as repairing and resurfacing the exterior surfaces of the Buildings (including roofs), repairing and replacing structural parts of the Buildings, and repairing and replacing, when necessary, electrical, plumbing, and HVAC systems serving the Buildings; plus

(ii) without limitation or duplication of the foregoing, Tenant’s Project Share of all costs and expenses (except Landlord’s Insurance Costs and Real Property Taxes) paid or incurred by Landlord in protecting, operating, maintaining, repairing and preserving the Project (as opposed to just the Buildings or the Property) and all parts thereof (excluding the Buildings and the Other Buildings); plus

(iii) without limitation or duplication of the foregoing, Tenant’s Project Share of all costs and expenses paid or incurred by Landlord for transportation management efforts (excluding employee shuttles) at the Project, but only to the extent such transportation management efforts benefit the Property.

(d) **Property Operating Expenses.** The term “Property Operating Expenses” shall mean and include all Real Property Taxes, plus all Landlord’s Insurance Costs, plus all Property Maintenance Costs. Notwithstanding the foregoing provisions of this Paragraph 13.12, the following are specifically excluded from the definition of Property Operating Expenses and Tenant shall have no obligation to pay directly or reimburse Landlord for all or any portion of the following except to the extent any of the following result from the failure of Tenant to comply with the terms of this Lease: (a) costs occasioned by casualties or by the exercise of the power of eminent domain; (b) costs of any renovation, improvement, painting or redecorating of any portion of the Project outside the Property not available for Tenant’s use or enjoyment; (d) costs incurred in connection with negotiations or disputes with any other occupant of the Project; (e) costs incurred in connection with the presence of any Hazardous Material, except to the extent caused by the release of the Hazardous Material in question by Tenant or any of the Tenant Parties; (f) interest, charges and fees incurred on debt; (g) expense reserves; (h) costs of any repair, maintenance, construction, replacement or alteration of any Other Buildings, (l) operating costs and other charges related to any other amenities buildings located outside the Property and serving the Project, (m) co-insurance payments resulting from the failure of Landlord to maintain any insurance which it is obligated to maintain pursuant to this Lease; and (n) costs paid by Landlord for shuttle services, including any fees related to any Cal Train or other public shuttle.

(e) Law. The term “Law” or “Laws” shall mean any judicial decisions and any statute, constitution, ordinance, resolution, regulation, rule, code, administrative order, condition of approval, or other requirements of any municipal, county, state, federal, or other governmental agency or authority having jurisdiction over the parties to this Lease, the Leased Premises, the Buildings, the Property, or the Project, or any of them, in effect either at the Effective Date of this Lease or at any time during the Lease Term, including, without limitation, any regulation, order, or policy of any quasi-official entity or body (e.g. a board of fire examiners or a public utility or special district). Except to the extent otherwise expressly provided in this Lease, to the extent any Law or Restriction places limits on the Buildings or any portion thereof, or on the Property or the Project or any portion thereof, such limits shall be equitably allocated to the Leased Premises pro rata in the same proportion that the rentable square footage of the Leased Premises bears to the rentable square footage of the applicable Building or portion thereof, or the Property or the Project or portion thereof, as applicable.

(f) Lender. The term “Lender” shall mean the holder of any promissory note or other evidence of indebtedness secured by the Property or any portion thereof.

(g) Rent. The term “Rent” shall mean collectively Base Monthly Rent and all Additional Rent.

(h) Restrictions. The term “Restrictions” shall mean (as they may exist from time to time) any and all covenants, conditions and restrictions, private agreements, easements, and any other recorded documents or instruments affecting the use of the Property, the Buildings, the Leased Premises, or the Common Areas, so long as the Required Conditions are satisfied.

13.13 General Waivers. One party’s consent to or approval of any act by the other party requiring the first party’s consent or approval shall not be deemed to waive or render unnecessary the first party’s consent to or approval of any subsequent similar act by the other party. No waiver of any provision hereof, or any waiver of any breach of any provision hereof, shall be effective unless in writing and signed by the waiving party. The receipt by Landlord of any rent or payment with or without knowledge of the breach of any other provision hereof shall not be deemed a waiver of any such breach. No waiver of any provision of this Lease shall be deemed a continuing waiver unless such waiver specifically states so in writing and is signed by both Landlord and Tenant. No delay or omission in the exercise of any right or remedy accruing to either party upon any breach by the other party under this Lease shall impair such right or remedy or be construed as a waiver of any such breach theretofore or thereafter occurring. The waiver by either party of any breach of any provision of this Lease shall not be deemed to be a waiver of any subsequent breach of the same or any other provisions herein contained.

13.14 Miscellaneous. Should any provisions of this Lease prove to be invalid or illegal, such invalidity or illegality shall in no way affect, impair or invalidate any other provisions hereof, and such remaining provisions shall remain in full force and effect. Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor. Any copy of this Lease which is executed by the parties shall be deemed an original for all purposes. This Lease shall, subject to the provisions regarding assignment, apply to and bind the respective heirs, successors, executors, administrators and assigns of Landlord and Tenant. The term “party” shall mean Landlord or Tenant as the context implies. If

Tenant consists of more than one person or entity, then all members of Tenant shall be jointly and severally liable hereunder. If this Lease is signed by an individual “doing business as “ or “dba” another person or entity or entity name, the individual who signs this Lease will be deemed to be the Tenant hereunder for all purposes. Submission of this Lease for review, examination or signature by Tenant does not constitute an offer to lease, a reservation of or an option for lease, or a binding agreement of any kind, and notwithstanding any inconsistent language contained in any other document, this Lease is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant, and prior to such mutual execution and delivery, neither party shall have any obligation to negotiate and may discontinue discussions and negotiations at any time for any reason or no reason. This Lease shall be construed and enforced in accordance with the Laws of the State in which the Leased Premises are located. The headings and captions in this Lease are for convenience only and shall not be construed in the construction or interpretation of any provision hereof. When the context of this Lease requires, the neuter gender includes the masculine, the feminine, a partnership, corporation, limited liability company, joint venture, or other form of business entity, and the singular includes the plural. The terms “must,” “shall,” “will,” and “agree” are mandatory. The term “may” is permissive. The term “governmental agency” or “governmental authority” or similar terms shall include, without limitation, all federal, state, city, local and other governmental and quasi-governmental agencies, authorities, bodies, boards, etc., and any party or parties having enforcement rights under any Restrictions. When a party is required to do something by this Lease, it shall do so at its sole cost and expense without right of reimbursement from the other party unless specific provision is made therefor. Where Landlord’s consent is required hereunder, it shall be reasonable for any such consent to be withheld until Landlord’s receipt of the consent of any Lender, if and to the extent Landlord is required to obtain such Lender’s consent. Landlord and Tenant shall both be deemed to have drafted this Lease, and the rule of construction that a document is to be construed against the drafting party shall not be employed in the construction or interpretation of this Lease. Where Tenant is obligated not to perform any act or is not permitted to perform any act, Tenant is also obligated to restrain any others reasonably within its control, including agents, invitees, contractors, subcontractors and employees, from performing such act. Landlord shall not become or be deemed a partner or a joint venturer with Tenant by reason of any of the provisions of this Lease. Whenever this Lease requires an approval, consent, selection or judgment by either Landlord or Tenant, unless another standard is expressly set forth, such approval, consent, selection or judgment shall be reasonable and shall not be unreasonably withheld or delayed. Any expenditure by a party permitted or required under this Lease, for which such party demands reimbursement from the other party, shall be limited to the market cost of the goods and services involved, shall be reasonably incurred, and shall be substantiated by documentary evidence available for inspection and review by the other party. At Tenant’s request, Landlord shall execute a Memorandum of Lease with respect to this Lease in a form reasonably satisfactory to Landlord and Tenant, and shall cause the same to be recorded in the Official Records of Santa Clara County, California, which Memorandum of Lease shall be recorded against the entire Project and shall include the rights described in Article 16 of this Lease.

13.15 Further Development and Subdivision. Notwithstanding anything to the contrary contained herein, Landlord itself and through its agents, employees and contractors shall be entitled to sell one or more parcels or buildings located on the Project, and to further improve the

Project, including without limitation by modifying the Site Plan and/or the Parcel Map, by adjusting the boundaries of the Property or the Project (or the parcels comprising it) including but not limited to adding other property to it, by constructing additional buildings and parking structures, in the event that Landlord or its affiliate has or obtains the legal right to further develop the Project, either alone or in connection with acquiring property adjacent to the Project. Such sale and development efforts by Landlord may include, without limitation, the relocation, restriping, or reconfiguration of the parking areas, application for building permits use permits, and other development approvals, parcelization, lot combination or merger, or lot line adjustment of the Property or Project, and construction of buildings and parking structures. Tenant agrees to execute such reasonable documents and take such actions as reasonably necessary to assist Landlord with such efforts and actions, provided such documents do not materially increase Tenant's obligations or materially diminish Tenant's rights under the Lease and the Required Conditions are satisfied. Tenant agrees that such efforts and actions of Landlord shall not constitute constructive eviction of Tenant from the Project, the Property, or the Leased Premises. Following any parcelization, lot combination or merger, or lot line adjustment of the Property or the Project after which the Required Conditions are satisfied, Landlord and Tenant agree to amend this Lease to conform the descriptions of the Property, Project, Site Plan, and Common Areas, and (subject to there being no decrease in the number of parking spaces to which Tenant is entitled) the parking areas contained herein, to the parcelization, lot combination or merger, lot line adjustment, or reconfiguration. Landlord agrees to minimize the disruption of Tenant's use of the Leased Premises, the Buildings, the Common Areas and the Project to the extent reasonable, given Landlord's efforts and actions described herein. In connection with any sale or subdivision of a portion of the Project, Landlord may amend the description of the Common Areas outside the Property. Landlord's right to exercise any of the foregoing rights shall be subject to Landlord's satisfaction of the Required Conditions.

13.16 Patriot Act Compliance.

(a) Tenant will use its good faith and commercially reasonable efforts to comply with the Patriot Act (as defined below) and all applicable requirements of governmental authorities having jurisdiction over Tenant, the Property, or the Project, including those relating to money laundering and terrorism. Landlord shall have the right to audit Tenant's compliance with the Patriot Act and all applicable requirements of governmental authorities having jurisdiction over Tenant, the Property, or the Project, including those relating to money laundering and terrorism. In the event that Tenant fails to comply with the Patriot Act or any such requirements of governmental authorities, then Landlord may, at its option, cause Tenant to comply therewith and any and all reasonable costs and expenses incurred by Landlord in connection therewith shall be deemed Additional Charges and Rent and shall be immediately due and payable. For purposes hereof, the term "Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as the same may be amended from time to time, and corresponding provisions of future laws.

(b) Neither Tenant nor, to Tenant's actual knowledge, any partner in Tenant (a) is listed on any Government Lists (as defined below), (b) is a person who has been determined by competent authority to be subject to the prohibitions contained in Presidential Executive

Order No. 13224 (Sept. 23, 2001) or any other similar prohibitions contained in the rules and regulations of OFAC (as defined below) or in any enabling legislation or other Presidential Executive Orders in respect thereof, (c) has been previously indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any Patriot Act Offense (as defined below), or (d) is currently under investigation by any governmental authority for alleged criminal activity. For purposes hereof, the term "Patriot Act Offense" means any violation of the criminal laws of the United States of America or of any of the several states, or that would be a criminal violation if committed within the jurisdiction of the United States of America or any of the several states, relating to terrorism or the laundering of monetary instruments, including any offense under (a) the criminal laws against terrorism; (b) the criminal laws against money laundering, (c) the Bank Secrecy Act, as amended, (d) the Money Laundering Control Act of 1986, as amended, or the (e) Patriot Act. "Patriot Act Offense" also includes the crimes of conspiracy to commit, or aiding and abetting another to commit, a Patriot Act Offense. For purposes hereof, the term "Government Lists" means (i) the Specially Designated Nationals and Blocked Persons Lists maintained by Office of Foreign Assets Control ("OFAC"), (ii) any other list of terrorists, terrorist organizations or narcotics traffickers maintained pursuant to any of the Rules and Regulations of OFAC or pursuant to any Executive Order of the President of the United States of America.

ARTICLE 14
LEGAL AUTHORITY
BROKERS AND ENTIRE AGREEMENT

14.1 Legal Authority. If Tenant or any entity constituting Tenant is a corporation, limited partnership, limited liability company, or other legal entity, Tenant represents and warrants that Tenant is validly formed and duly authorized and existing, that Tenant is qualified to do business in the State in which the Leased Premises are located, that Tenant has the full right and legal authority to enter into this Lease, and that each individual executing this Lease on behalf of Tenant is duly authorized to execute and deliver this Lease on behalf of Tenant in accordance with its terms. Tenant shall, within three (3) business days after the later of (i) the execution of this Lease and (ii) the satisfaction of the Adjacent Property Condition (defined below), deliver to Landlord a certified copy of the resolution of its board of directors (if a corporation), members and manager(s) (if a limited liability company), or partners (if a limited partnership), authorizing or ratifying the execution of this Lease.

14.2 Brokerage Commissions.

(a) Tenant represents, warrants and agrees that it has not had any dealings with any real estate broker(s), leasing agent(s), finder(s) or salesmen, other than the Brokers (as named in Article 1) with respect to the lease by it of the Leased Premises pursuant to this Lease, and that it will indemnify, defend with competent counsel, and hold Landlord harmless from any liability for the payment of any real estate brokerage commissions, leasing commissions or finder's fees claimed by any other real estate broker(s), leasing agent(s), finder(s), or salesmen to be earned or due and payable by reason of Tenant's agreement or promise (implied or otherwise) to pay (or to have Landlord pay) such a commission or finder's fee by reason of its leasing the Leased Premises pursuant to this Lease.

(b) Landlord represents, warrants and agrees that it has not had any dealings with any real estate broker(s), leasing agent(s), finder(s) or salesmen, other than the Brokers (as named in Article 1) with respect to the lease by it of the Leased Premises pursuant to this Lease, and that it will indemnify, defend with competent counsel, and hold Tenant harmless from any liability for the payment of any real estate brokerage commissions, leasing commissions or finder's fees claimed by any other real estate broker(s), leasing agent(s), finder(s), or salesmen to be earned or due and payable by reason of Landlord's agreement or promise (implied or otherwise) to pay (or to have Tenant pay) such a commission or finder's fee by reason of its leasing the Leased Premises pursuant to this Lease.

(c) Landlord shall be responsible for payment to Landlord's Broker of a commission only if, as, and when the same is becomes due and payable pursuant to that Exclusive Leasing Agreement dated January 31, 2013, between Landlord and Landlord's Broker (the "Listing Broker Agreement").

(d) Landlord shall be responsible for payment to Tenant's Broker of a commission only if, as, and when the same becomes due and payable pursuant to that certain letter agreement dated April 3, 2015 between Landlord and Tenant's Broker (the "Procuring Broker Agreement").

(e) Notwithstanding any provision of this Lease to the contrary, Landlord is not obligated to pay any leasing commission or compensation of any kind or type in connection with an extension of the term of this Lease, an expansion of the Leased Premises, a lease or sublease of any other premises leased by Tenant pursuant to any right of first offer or right of first refusal or other similar right granted to Tenant, unless such obligation is set forth in the Listing Broker Agreement or the Procuring Broker Agreement, as applicable.

14.3 Entire Agreement. This Lease and the Exhibits (as described in Article 1), which Exhibits are by this reference incorporated herein, constitute the entire agreement between the parties, and there are no other agreements, understandings or representations between the parties relating to the lease by Landlord of the Leased Premises to Tenant, except as expressed herein. No subsequent changes, modifications or additions to this Lease shall be binding upon the parties unless in writing and signed by both Landlord and Tenant.

14.4 Landlord's Representations. Tenant acknowledges that neither Landlord nor any of its agents made any representations or warranties respecting the Property, the Buildings or the Leased Premises, upon which Tenant relied in entering into the Lease, which are not expressly set forth in this Lease. Tenant further acknowledges that neither Landlord nor any of its agents made any representations as to (i) whether the Leased Premises may be used for Tenant's intended use under existing Law, or (ii) the suitability of the Leased Premises for the conduct of Tenant's business, or (iii) the exact square footage of the Leased Premises or the Buildings, and that Tenant relies solely upon its own investigations with respect to such matters. Tenant expressly waives any and all claims for damage by reason of any statement, representation, warranty, promise or other agreement of Landlord or Landlord's agent(s), if any, not contained in this Lease or in any Exhibit attached hereto.

ARTICLE 15

OPTIONS TO EXTEND

15.1 Options to Extend. So long as Tenant is leasing the entirety of the Buildings and Building E, and subject to the conditions set forth below, Tenant shall have three (3) options to extend the term of this Lease, the Building E Lease, and, if applicable, the Building G Lease, the first for a period of six (6) years from the expiration of the initial, unextended Lease Term (the "First Extension Period"), the second (the "Second Extension Period") for a period of six (6) years from the expiration of the First Extension Period, and the third (the "Third Extension Period") for a period of six (6) years from the expiration of the Second Extension Period, subject to the following conditions:

(a) Each option to extend shall be exercised, if at all, by notice of exercise given to Landlord by Tenant not more than twelve (12) months nor less than nine (9) months prior to the expiration of the initial, unextended Lease Term or the expiration of the First Extension Period or the Second Extension Period, as applicable;

(b) Tenant shall not have the right to extend the term of this Lease without extending the term of the Building E Lease.

(c) Anything herein to the contrary notwithstanding, if Tenant is in default under any of the terms, covenants or conditions of this Lease or the Building E Lease beyond applicable notice and cure period, if any, expressly set forth in this Lease, at the time Tenant exercises any extension option, Landlord shall have, in addition to all of Landlord's other rights and remedies provided in this Lease, the right to terminate such option(s) to extend upon notice to Tenant. For the avoidance of confusion, the foregoing shall not be read to prevent Tenant from curing the applicable default and then exercising the applicable option to extend once the default is cured if such cure is completed within the applicable cure period, if any, expressly set forth in this Lease.

15.2 Fair Market Rent. In the event the applicable option is exercised in a timely fashion, the Lease shall be extended for the term of the applicable extension period upon all of the terms and conditions of this Lease, provided that the Base Monthly Rent applicable to each extension period shall be the sum of (a) Tenant's Amortization Payment, plus (b) 95% of the "Fair Market Rent" for the Leased Premises. For purposes hereof, "Fair Market Rent" shall mean the initial Base Monthly Rent for each extension period and any escalations thereto, as determined with reference to the then-prevailing rates for recently negotiated direct leases (i.e., not subleases) in comparable buildings in the cities of Santa Clara or Sunnyvale and taking into account that this will be a lease renewal rather than a lease origination (but not taking into account Tenant's furniture, fixtures, or equipment, or any tenant improvements made by Tenant at its sole cost), pursuant to the process described below. No leasing commissions shall be due or payable to any broker retained by Tenant with regard to this Lease for any extension period except (if at all) to the extent set forth in a separate written agreement with Tenant's broker.

15.3 Tenant's Election. Within thirty (30) days after receipt of Tenant's notice of exercise, Landlord shall notify Tenant in writing of Landlord's estimate of the Base Monthly Rent for the applicable extension period, based on the provisions of Paragraph 15.2 above. Within thirty (30) days after receipt of such notice from Landlord, Tenant shall have the right to

(i) accept Landlord's statement of Base Monthly Rent as the Base Monthly Rent for the applicable extension period; or (ii) elect to arbitrate Landlord's estimate of Fair Market Rent, such arbitration to be conducted pursuant to the provisions hereof or (iii) withdraw its exercise of the extension option. Failure on the part of Tenant to require arbitration of Fair Market Rent or withdraw its exercise of the extension option within such thirty (30) day period shall constitute acceptance of the Base Monthly Rent for the applicable extension period as calculated by Landlord. If Tenant elects arbitration, the arbitration shall be concluded within ninety (90) days after the date of Tenant's election, subject to extension for an additional thirty (30) day period if a third arbitrator is required and does not act in a timely manner. To the extent that arbitration has not been completed prior to the expiration of any preceding period for which Base Monthly Rent has been determined, Tenant shall pay Base Monthly Rent at the rate calculated by Landlord, with the potential for an adjustment to be made once Fair Market Rent is ultimately determined by arbitration.

15.4 Rent Arbitration. In the event of arbitration, the judgment or the award rendered in any such arbitration may be entered in any court having jurisdiction and shall be final and binding between the parties. The arbitration shall be conducted and determined in the City and County of Santa Clara in accordance with the then prevailing rules of JAMS or its successor for arbitration of commercial disputes except to the extent that the procedures mandated by such rules shall be modified as follows:

(a) Tenant shall make demand for arbitration in writing within thirty (30) days after service of Landlord's determination of Fair Market Rent given under Paragraph 15.3 above, specifying therein the name and address of the person to act as the arbitrator on its behalf. The arbitrator shall be qualified as a real estate appraiser familiar with the Fair Market Rent of comparable buildings in the Santa Clara area who would qualify as an expert witness over objection to give opinion testimony addressed to the issue in a court of competent jurisdiction. Failure on the part of Tenant to make a proper demand in a timely manner for such arbitration shall constitute a waiver of the right thereto. Within fifteen (15) days after the service of the demand for arbitration, Landlord shall give notice to Tenant, specifying the name and address of the person designated by Landlord to act as arbitrator on its behalf who shall be similarly qualified. If Landlord fails to notify Tenant of the appointment of its arbitrator, within or by the time above specified, then the arbitrator appointed by Tenant shall be the arbitrator to determine the issue.

(b) In the event that two arbitrators are chosen pursuant to Paragraph 15.4(a) above, the arbitrators so chosen shall, within fifteen (15) days after the second arbitrator is appointed determine the Fair Market Rent. If the two arbitrators shall be unable to agree upon a determination of Fair Market Rent within such fifteen (15) day period, they, themselves, shall appoint a third arbitrator, who shall be a competent and impartial person with qualifications similar to those required of the first two arbitrators pursuant to Paragraph 15.4(a). In the event they are unable to agree upon such appointment within seven (7) days after expiration of such fifteen (15) day period, the third arbitrator shall be selected by the parties themselves, if they can agree thereon, within a further period of fifteen (15) days. If the parties do not so agree, then either party, on behalf of both, may request appointment of such a qualified person by the then Presiding Judge of the California Superior Court having jurisdiction over the County of Santa

Clara, and the other party shall not raise any question as to such Judge's full power and jurisdiction to entertain the application for and make the appointment. The three arbitrators shall decide the dispute if it has not previously been resolved by following the procedure set forth below.

(c) Where an issue cannot be resolved by agreement between the two arbitrators selected by Landlord and Tenant or settlement between the parties during the course of arbitration, the issue shall be resolved by the three arbitrators within fifteen (15) days of the appointment of the third arbitrator in accordance with the following procedure. The arbitrator selected by each of the parties shall state in writing his determination of the Fair Market Rent supported by the reasons therefor with counterpart copies to each party. The arbitrators shall arrange for a simultaneous exchange of such proposed resolutions. The role of the third arbitrator shall be to select which of the two proposed resolutions most closely approximates his determination of Fair Market Rent. The third arbitrator shall have no right to propose a middle ground or any modification of either of the two proposed resolutions. The resolution he chooses as most closely approximating his determination shall constitute the decision of the arbitrators and be final and binding upon the parties.

(d) In the event of a failure, refusal or inability of any arbitrator to act, his successor shall be appointed by him, but in the case of the third arbitrator, his successor shall be appointed in the same manner as provided for appointment of the third arbitrator. The arbitrators shall decide the issue within fifteen (15) days after the appointment of the third arbitrator. Any decision in which the arbitrator appointed by Landlord and the arbitrator appointed by Tenant concur shall be binding and conclusive upon the parties. Each party shall pay the fee and expenses of its respective arbitrator and both shall share the fee and expenses of the third arbitrator, if any, and the attorneys' fees and expenses of counsel for the respective parties and of witnesses shall be paid by the respective party engaging such counsel or calling such witnesses.

(e) The arbitrators shall have the right to consult experts and competent authorities to obtain factual information or evidence pertaining to a determination of Fair Market Rent, but any such consultation shall be made in the presence of both parties with full right on their part to cross examine. The arbitrators shall render their decision and award in writing with counterpart copies to each party. The arbitrators shall have no power to modify the provisions of this Lease.

ARTICLE 16
EXPANSION RIGHT; RIGHT OF FIRST OFFER TO LEASE;
RIGHT OF FIRST OFFER TO PURCHASE; RIGHT OF FIRST
REFUSAL TO PURCHASE

16.1 Expansion Right. For a period of forty-eight (48) months from the Effective Date of this Lease (as extended one day for each day of Entitlement Delay, as defined below, the "Expansion Period"), provided that Tenant is leasing the entirety of the Buildings and Building E, and is not then in monetary or material non-monetary default under this Lease or the Building E Lease beyond the applicable notice and cure period, if any, expressly set forth in this Lease or the Building E Lease, as applicable, Landlord shall not lease Building G to any other tenant or

make Parking Structure – P2 available for use by any other tenant. As used herein, “Entitlement Delay” means any delay beyond July 1, 2016 in Landlord’s obtaining all discretionary (non-ministerial) entitlements required by the City to construct Building G in accordance with Paragraph 16.1(c), after all applicable appeal periods, as prescribed by Law, have expired, with such square footage as may be permitted by the City. At any time during the Expansion Period, so long as Tenant is not in monetary or material non-monetary default under this Lease beyond the applicable notice and cure period, if any, expressly set forth in this Lease, Tenant may provide a written notice (the “Expansion Premises Election Notice”) to Landlord of Tenant’s election to lease the entirety of Building G (the “Expansion Premises”) and the attendant right to its allocation of parking spaces (including all parking spaces in Parking Structure – P2). If Tenant timely delivers the Expansion Premises Election Notice in compliance with the foregoing, Tenant will be obligated to lease the Expansion Premises, and Landlord and Tenant shall within twenty-one (21) days after the date Tenant delivers the Expansion Premises Election Notice, enter into a lease for the Expansion Premises (the “Building G Lease”) in substantially the same in form as this Lease, but reflecting the following terms (the “Expansion Terms”):

(a) Expansion Within 24 Months. If Tenant delivers the Expansion Premises Election Notice in compliance with the foregoing within twenty-four (24) months from the Effective Date of this Lease (as extended one day for each day of Entitlement Delay):

(i) the lease commencement date for the Building G Lease (the “Expansion Premises Commencement Date”) would be determined in the same manner as the Lease Commencement Date is determined under this Lease and would include construction milestones and penalties for late delivery substantively the same as those set forth in Paragraph 2.8 of this Lease, subject to reasonable adjustments to the timing and deadlines based on then-market conditions (e.g., City capacity and turn-around times, availability and responsiveness of, and ability to engage, contractors and subcontractors, lead time for steel and other special order items, expiration of the existing lease on the parcel on which Building G would be constructed, etc.); provided, however, in no event would such penalties (or any of Tenant’s other remedies) include the right to terminate this Lease or the Building E Lease;

(ii) the Lease Term of the Building G Lease would commence on the Expansion Premises Commencement Date and expire on the Lease Expiration Date (as defined in Article 1 above);

(iii) the Base Monthly Rent (on a per rentable square foot basis) for the Expansion Premises would be equal to the then-current Base Monthly Rent (on a per rentable square foot basis) being paid by Tenant on the Expansion Premises Commencement Date with respect to the Leased Premises, but would be abated for the first nine (9) months; and

(iv) Landlord would provide a tenant improvement allowance applicable to the Expansion Premises equal to sixty dollars (\$60.00) per rentable square foot of Building G, and such tenant improvement allowance would be governed and disbursed as described in the Work Letter attached hereto with respect to the Tenant Improvement Allowance.

(b) Expansion After 24 Months. If Tenant delivers the Expansion Premises Election Notice in compliance with the foregoing but not within twenty-four (24) months from the Effective Date of this Lease:

(i) the Expansion Premises Commencement Date would be as determined pursuant to Paragraph 16.1(a)(i) above and would include construction milestones and penalties for late delivery substantively the same those set forth in Paragraph 2.8 of this Lease, subject to reasonable adjustments to the timing and deadlines based on then-market conditions (e.g., City and turn-around times, availability and responsiveness of, and ability to engage, contractors and subcontractors, lead time for steel and other special order items, etc.); *provided, however*, in no event would such penalties (or any of Tenant's other remedies) include the right to terminate this Lease or the Building E Lease;

(ii) the Lease Term of the Building G Lease would commence on the Expansion Premises Commencement Date and expire on the later to occur of (A) the Lease Expiration Date (as defined in Article 1 above) or (B) one hundred eight (108) months after the Expansion Premises Commencement Date;

(iii) the Base Monthly Rent (on a per rentable square foot basis) for the Expansion Premises would be equal to the higher of (A) the then-current Base Monthly Rent (on a per rentable square foot basis) being paid by Tenant with respect to the Leased Premises on the Expansion Premises Commencement Date, and (B) ninety-five percent (95%) of the Fair Market Rent (as defined in Paragraph 15.2 above, but taking into account the tenant improvement allowance and rental abatement described in this subsection (iii) and in subsection (iv) below), as determined for the Expansion Premises, but would be abated for the first nine (9) months;

(iv) Landlord would provide a tenant improvement allowance applicable to the Expansion Premises equal to sixty dollars (\$60.00) per rentable square foot of Building G, and such tenant improvement allowance would be governed and disbursed as described in the Work Letter attached hereto with respect to the Tenant Improvement Allowance.

(c) Building G Design and Parking Structure – P2. Building G will be substantially the same as Building F in design, style, materials, and appearance, and Parking Structure - P2 together with surface parking will provide 3.3 parking spaces for each 1,000 net rentable square feet of Expansion Premises; *provided, however*, that if Tenant does not lease the Expansion Premises pursuant to this Paragraph 16.1 and provided that the Required Conditions are satisfied, Landlord shall have the right to redesign Building G and Parking Structure - P2, and reconfigure their locations, or elect not to build them, in Seller's sole discretion.

(d) Building G Size. Building G is currently estimated to contain 300,000 (but not greater than 310,000) rentable square feet of space, and Landlord shall promptly commence and use its best efforts to obtain the City's approval for such amount. Without limiting the foregoing, Landlord shall pay any and all fees and costs required by the City or any other governmental authority for Building G to be entitled for 300,000 rentable square feet; including, without limitation, impact fees, fair share fees, in-lieu fees, mitigation costs and measures required in connection with any CEQA analysis, and/or any other exactions connected with such entitlement, other than Transportation Demand Management ("TDM") program costs.

Notwithstanding anything to the contrary in this Lease, if the rentable square footage of Building G finally approved by the City after expiration of applicable appeal periods is less than 300,000 rentable square feet, then, provided that Tenant has timely delivered the Expansion Premises Election Notice and properly exercised its expansion right pursuant to this Paragraph 16.1, Landlord shall make a payment to Tenant in the amount of \$1,000,000 for each 10,000 rentable square foot increment below 300,000 rentable square feet, which payment shall be made within twenty (20) days after the later of (i) the date Landlord obtains all discretionary (non-ministerial) entitlements required by the City to construct Building G with all applicable appeal periods having expired (or, if no such approval is obtained, after request for approvals is denied (whether due to a moratorium or otherwise) and all applicable appeal periods have expired), and (ii) the date that Tenant delivers its Expansion Premises Election Notice. For example, if the final approved rentable square footage of Building G is between 290,000 rentable square feet and 281,000 rentable square feet, then Landlord shall pay \$1,000,000 to Tenant; if the final approved rentable square footage of Building G is between 280,000 rentable square feet and 271,000 rentable square feet, Landlord shall pay \$2,000,000 to Tenant. In addition, if the actual rentable square footage of the newly constructed Building G is both (i) less than 300,000 and (ii) less than the final approved rentable square footage of Building G, then Landlord shall make a payment to Tenant in the amount of \$1,000,000 for each 10,000 rentable square foot increment below the final approved rentable square footage of Building G, which payment shall be made within twenty (20) days after Building G has been substantially completed and its rentable square footage has been re-determined pursuant to Paragraph 2.1(b) of the Building G Lease. For avoidance of doubt, the square footage of improvements approved by the City for Building G shall include any building area that Landlord is permitted to build as of right under applicable zoning, as well as any pre-existing development rights or entitlements; however, Building G shall, regardless of size, be a newly constructed building substantially the same as Building F in design, style, materials, and appearance.

(e) Expansion Timing. Landlord shall not be obligated to commence construction activities of Building G or Parking Structure - P2 prior to Tenant's timely delivery of the Expansion Premises Election Notice in compliance with the foregoing requirements. Tenant acknowledges that the parcel on which Building G would be constructed is currently encumbered with a lease whose term does not expire until September 30, 2016, and that Landlord cannot commence construction activities on Building G until after such lease expires.

16.2 Right of First Refusal to Lease.

(a) Provided that Tenant is then is leasing the entirety of the Buildings, Building E, and, Building G, if the Building G Lease is entered into by Landlord and Tenant pursuant to Paragraph 16.1 above, and Tenant is not then in monetary or material non-monetary default under this Lease, the Building E Lease, or the Building G Lease beyond the applicable cure period, if any, expressly set forth in this Lease, then after receiving or negotiating an Acceptable Proposal (as defined below) for any Available Space (as defined in clause (f) below) in the Project (such space described in the Acceptable Proposal being defined herein as the "ROFR Space"), Landlord shall deliver a written notice (the "ROFR Notice") to Tenant and the terms of the Acceptable Proposal.

(b) Tenant shall notify Landlord in writing within nine (9) Business Days after receipt of the ROFR Notice of Tenant's election to lease the ROFR Space on the terms set forth in the Acceptable Proposal ("Tenant's Election Notice"). Tenant shall not have the right to lease less than the entire ROFR Space. As used herein, the term "Acceptable Proposal" means a lease proposal received from or negotiated with a third party (whether or not executed) containing terms upon which Landlord or its affiliate is willing to lease the ROFR Space to such third party. Anything in this Lease to the contrary notwithstanding, Tenant shall not have the right to deliver Tenant's Election Notice during any period that Tenant is in monetary or material non-monetary default under any of the terms, covenants or conditions of this Lease with respect to which it has received a written notice from Landlord if such default remains uncured, and the time periods provided for herein shall not be tolled or extended during Tenant's cure thereof, but the foregoing shall not be read to prevent Tenant from curing the applicable default and then delivering Tenant's Election Notice once the default is cured if such cure is completed within the applicable cure period, if any, expressly set forth in this Lease, and Tenant's Election Notice is delivered within the time periods provided above.

(c) Failure of Tenant to deliver Tenant's Election Notice within the required time period (i) shall be deemed an election by Tenant to not lease the ROFR Space, Landlord shall then be free to lease the ROFR Space to such third party in accordance with the terms set forth in the ROFR Notice or such terms as Landlord shall elect, and Tenant shall have no further rights to lease the ROFR Space; *provided, however*, that (i) Tenant's rights under this Paragraph 16.2 shall continue for any portion of the Available Space which was not referenced in the ROFR Notice, (ii) Tenant's rights under this Paragraph 16.2 with respect to the ROFR Space shall continue to the extent such space becomes available for lease again during the Lease Term or any extension thereof, and (iii) in the event that Landlord proposes to lease such ROFR Space at a Net Effective Rental Rate that is less (on a per rentable square foot basis) than ninety percent (90%) of the Net Effective Rental Rate specified in the ROFR Notice, Tenant's rights under this Paragraph 16.1 shall be revived as to the Identified ROFR Space and Landlord shall deliver a revised ROFR Notice (the "Revised ROFR Notice") offering such Identified ROFR Space to Tenant at such proposed lower rate and Tenant shall have the right to lease such ROFR Space on the terms set forth in such Revised ROFR Notice by notice to Landlord given within nine (9) business days after Tenant's receipt thereof. As used in this Agreement, the term "Net Effective Rental Rate" shall mean the net present value of the rent and additional rent payable under the ROFR Notice, taking into account any allowances and the fair market value of any work to be performed by Landlord at its expense in connection with any such proposed transaction using a discount rate equal to the Prime Rate plus two percent (2%) as reported in the Wall Street Journal from time to time, or any successor published from time to time as reasonably selected by Landlord.

(d) If Tenant delivers Tenant's Election Notice within the time period required herein, Tenant shall be bound and obligated to lease from Landlord, and Landlord shall be bound and obligated to lease to Tenant, the ROFR Space, and Landlord and Tenant shall within fifteen (15) days after the date Tenant delivers Tenant's Election Notice, enter into a lease for the ROFR Space in substantially the same in form as this Lease (but with appropriate modifications, by reference to the Bridge Space Lease, where applicable, in the event that the ROFR Space does not constitute an entire Building), but reflecting the terms set forth in the Acceptable Proposal.

(e) Notwithstanding the foregoing, Tenant's rights pursuant to this Paragraph 16.2 are subject only to existing extension and expansion rights of current project tenants¹ ("Existing Project Tenants") as of the date of this Lease and set forth in such current written leases as and to the extent described on Exhibit M attached hereto and made a part hereof (the "Existing Superior Rights").

(f) As used herein, "Available Space" means all rentable space in Building A, Building B, Building C, and Building D, and Building G, whether now existing or hereinafter constructed, subject only to Existing Superior Rights.

16.3 Right of First Offer to Lease. If (a) Landlord is then owned by Menlo Equities Development Company IX LLC and Beacon Santa Clara Campus Equity LLC (or another special purpose entity owned and controlled by Menlo Equities Development Company IX LLC and Beacon Santa Clara Campus Equity LLC), (b) Tenant is leasing the entirety of the Leased Premises and the Building E Premises (and the Expansion Premises, if the Building G Lease is entered into by Landlord and Tenant pursuant to Paragraph 16.1 above or otherwise), (c) Tenant is not then in monetary or material non-monetary default under this Lease or the Building E Lease beyond the applicable notice and cure periods, if any, expressly set forth in such leases, and (d) Landlord, in its sole discretion, acquires (or enters into a binding agreement to acquire) one or more parcels of real property adjacent to the Project, incorporates (or intends to incorporate) such parcel(s) into the Project, and decides that it will construct one or more additional buildings thereon for lease, then Landlord shall notify Tenant that such building(s) will be available for lease ten (10) business days (the "Lease Negotiation Period") prior to offering such building(s) for lease to third parties and would not solicit or entertain offers from parties other than Tenant during the Lease Negotiation Period. Tenant acknowledges Landlord may choose not to acquire such parcel(s), construct such building(s), or incorporate any such building(s) into the Project at any time before, during, or after the Lease Negotiation Period. This right shall be personal to Palo Alto Networks, Inc. and its Permitted Assignee.

In the event Landlord and Tenant, each in its sole discretion, reach agreement with respect to the lease of such building(s), then by no later than the end of the Lease Negotiation Period they shall enter into one or more leases reflecting the terms agreed upon during the Lease Negotiation Period. In the event Landlord and Tenant, each in its sole discretion, do not reach agreement with respect to the lease of such Building(s) during the Lease Negotiation Period, Landlord shall then be free to market and lease such building(s) to third parties, and Tenant shall have the same rights as other potential tenants to participate in the marketing process, either directly or through its brokers or agents. Anything in this Lease to the contrary notwithstanding, Tenant shall not have the right to exercise its rights under this Paragraph 16.3 during any period that Tenant is in material default under any of the terms, covenants or conditions of this Lease, and the time periods provided for herein shall not be tolled or extended during Tenant's cure thereof, but the foregoing shall not be read to prevent Tenant from curing the applicable default.

¹ If the lease to Move, Inc. has not been executed as of, but is executed within thirty (30) days after, the Effective Date of this Lease, Move, Inc. shall be deemed to be an Existing Project Tenant, and its extension and expansion rights set forth in its lease shall be deemed Existing Superior Rights. If the lease to Move, Inc. has not been executed within thirty (30) days after the Effective Date of this Lease, the space listed on Exhibit M as space leased by Move, Inc. will be deemed Available Space and references to Move, Inc. will be deemed to be deleted from such exhibit.

and then exercising its rights under this Paragraph 16.3 once the default is cured if such cure is completed within the applicable cure period, if any, expressly set forth in this Lease.

16.4 Right of First Offer to Purchase. If Landlord is then owned by Menlo Equities Development Company IX LLC and Beacon Santa Clara Campus Equity LLC (or another special purpose entity owned and controlled by Menlo Equities Development Company IX LLC and Beacon Santa Clara Campus Equity LLC), and Tenant is leasing the entirety of the Leased Premises and the Building E Premises (and the Expansion Premises, if the Building G Lease is entered into by Landlord and Tenant pursuant to Paragraph 16.1 above or otherwise), and provided that Tenant is not then in monetary or material non-monetary default under this Lease or the Building E Lease beyond the applicable notice and cure periods, if any, expressly set forth in such leases, then if and when Landlord, in its sole discretion, decides to market either (a) the Buildings, and/or Building E, and/or Building G (if the Building G Lease is entered into by Landlord and Tenant pursuant to Paragraph 16.1 above or if the Expansion Period has not yet expired) (the "Subject Buildings"), or (b) the entire Project, for sale on a standalone basis to an unaffiliated third party, Landlord will provide an offering package and/or summary financial information to Tenant fifteen (15) business days (the "Purchase Negotiation Period") prior to offering the Subject Buildings or the Project, as applicable, for sale to third parties and would not solicit or entertain offers from parties other than Tenant during the Purchase Negotiation Period. Tenant acknowledges Landlord may choose not to sell the Subject Buildings or the Project at any time during the Purchase Negotiation Period and/or marketing process. This right shall be personal to Palo Alto Networks, Inc. and its Permitted Assignee, applies only to a sale of either (i) the Subject Buildings only, or (ii) the Project only, and without limitation shall not apply in the event of (a) any other multi-building or multi-project portfolio sale involving additional property, (b) a Property, multi-property, or Project recapitalization or financing, or (c) a larger capital markets transaction (e.g., a merger, consolidation, reorganization, master limited partnership, REIT, UPREIT, etc.) involving the Property or the Project. In the event Landlord and Tenant, each in its sole discretion, reach agreement with respect to the purchase and sale of the Subject Buildings or the Project, then by no later than the end of the Purchase Negotiation Period they shall enter into an "As-Is" Purchase and Sale Agreement, without representations or warranties other than those relating to authority, and otherwise reflecting the terms agreed upon during the Purchase Negotiation Period. In the event Landlord and Tenant, each in its sole discretion, do not reach agreement with respect to the purchase and sale of the Subject Buildings or the Project during the Purchase Negotiation Period, Tenant shall have the same rights as other potential buyers to participate in the marketing process, either directly or through its brokers or agents. Anything in this Lease to the contrary notwithstanding, Tenant shall not have the right to exercise its rights under this Paragraph 16.4 during any period that Tenant is in material default under any of the terms, covenants or conditions of this Lease, and the time periods provided for herein shall not be tolled or extended during Tenant's cure thereof, but the foregoing shall not be read to prevent Tenant from curing the applicable default and then exercising its rights under this Paragraph 16.4 once the default is cured if such cure is completed within the applicable cure period, if any, expressly set forth in this Lease.

16.5 Right of First Refusal to Purchase (Unsolicited Purchase Proposal).

(a) If (i) Landlord is then owned by Menlo Equities Development Company IX LLC and Beacon Santa Clara Campus Equity LLC (or another special purpose entity owned and controlled by Menlo Equities Development Company IX LLC and Beacon Santa Clara Campus Equity LLC), (ii) Tenant is then leasing the entirety of the Buildings, Building E, and, Building G, if the Building G Lease is entered into by Landlord and Tenant pursuant to Paragraph 16.1 above, and (iii) Tenant is not then in monetary or material non-monetary default under this Lease, the Building E Lease, or the Building G Lease beyond the applicable notice and cure period, if any, expressly set forth in this Lease or such other leases (as applicable), then, after receiving or negotiating an Acceptable Unsolicited Purchase Proposal (as defined below) for the Subject Buildings (as defined in Paragraph 16.4 above) on a standalone basis, Landlord shall deliver a written notice (the "Purchase ROFR Notice") to Tenant and the terms of the Acceptable Unsolicited Purchase Proposal.

(b) Tenant shall notify Landlord in writing within ten (10) Business Days after receipt of the Purchase ROFR Notice of Tenant's election to purchase the Subject Buildings or the Project, as applicable, on the terms set forth in the Acceptable Unsolicited Purchase Proposal ("Tenant's Purchase Election Notice"). As used herein, the term "Acceptable Unsolicited Purchase Proposal" means an unsolicited purchase proposal received from a third party (whether or not executed, and whether or not further negotiated after initial receipt) containing terms upon which Landlord or its affiliate is willing to sell the Subject Buildings or the Project on a standalone basis to such third party. Anything in this Lease to the contrary notwithstanding, Tenant shall not have the right to deliver Tenant's Purchase Election Notice during any period that Tenant is in monetary or material non-monetary default under any of the terms, covenants or conditions of this Lease or the Building E Lease or (if applicable) the Building G Lease, with respect to which it has received a written notice from Landlord if such default remains uncured, and the time periods provided for herein shall not be tolled or extended during Tenant's cure thereof, but the foregoing shall not be read to prevent Tenant from curing the applicable default and then delivering Tenant's Purchase Election Notice once the default is cured if such cure is completed within the applicable cure period, if any, expressly set forth in this Lease, the Building E Lease, or the Building G Lease (as applicable) and Tenant's Purchase Election Notice is delivered within the time periods provided above.

(c) Failure of Tenant to deliver Tenant's Purchase Election Notice within the required time period shall be deemed an election by Tenant not to purchase the Buildings, Landlord shall then be free to sell the Buildings to such third party in accordance with the terms set forth in the Acceptable Unsolicited Purchase Proposal and Tenant shall have no further rights to purchase the Buildings pursuant to this Paragraph 16.5.

(d) If Tenant delivers Tenant's Purchase Election Notice in accordance with subparagraph (b) above within the required time period, then by no later than five (5) business days after delivery of Tenant's Purchase Election Notice, they shall enter into an "As-Is" Purchase and Sale Agreement, without representations or warranties other than those relating to authority, and otherwise reflecting the terms of the Acceptable Unsolicited Purchase Proposal.

(e) Tenant's rights set forth in this Paragraph 16.5 shall be personal to Palo Alto Networks, Inc. and its Permitted Assignee, apply only to a sale of either (i) the Subject

Buildings only, or (ii) the Project only, and without limitation shall not apply in the event of (a) any other multi-building or multi-project portfolio sale involving additional property, (b) a Property, multi-property, or Project recapitalization or financing, or (c) a larger capital markets transaction (e.g., a merger, consolidation, reorganization, master limited partnership, REIT, UPREIT, etc.) involving the Property or the Project.

16.6 Condition Subsequent Related to 3535 Garrett. Although this Lease, the Building E Lease, and the Bridge Space Lease, and the rights and obligations of the parties hereunder and thereunder, are binding and effective upon the Effective Date hereof and the Effective Date of each such other lease, they are nonetheless conditioned upon the closing of Landlord's acquisition of Parcel "2", 3535 Garrett Drive (the "Garrett Property"), as evidenced by delivery by Landlord to Tenant of a conformed copy of the vesting deed with recording information (the "Adjacent Property Condition"). Landlord shall use commercially reasonable efforts to cause the Adjacent Property Condition to be satisfied as soon as reasonably practicable after the Effective Date of this Lease. Without limiting the foregoing, not later than June 1, 2015, Landlord shall deliver to the current owner of the Garrett Property Landlord's written election to proceed with the closing of the acquisition of the Garrett Property pursuant to its purchase agreement therefor, together with any additional deposit required in connection therewith. Landlord shall concurrently send a copy of such written notice to Tenant together with evidence of payment by Landlord of such additional deposit. If Landlord fails to satisfy the Adjacent Property Condition by June 9, 2015, Tenant may terminate this Lease, the Building E Lease, and the Bridge Space Lease (i.e., if Tenant elects to terminate, Tenant must terminate all such leases) by giving Landlord at least two (2) business days' advance written notice thereof. Such notice of termination must be delivered by 12:00 p.m. Pacific Daylight Time by the earlier to occur of (a) June 11, 2015, and (b) the satisfaction of the Adjacent Property Condition, and, upon any such termination, each of this Lease, the Building E Lease, and the Bridge Space Lease shall be null, void and of no further force and effect; *provided, however*, that if Landlord satisfies the Adjacent Property Condition within the foregoing two (2) business day notice period, Tenant's notice of termination shall be void and of no force or effect and this Lease, the Building E Lease, and the Bridge Space Lease shall continue in full force and effect.

16.7 Effect of Sale or Transfer of Parcels. If any property in the Project is sold or conveyed by Landlord to a third party, and provided that Landlord has complied with Paragraphs 16.4 and 16.5 hereof to the extent they are applicable, and such third party assumes Landlord's obligations under Article 16 hereof as it applies to the parcel in the Project being acquired by such third party, then Landlord shall have no further liability to Tenant, and Tenant shall have no rights or remedies against Landlord, under this Lease with respect to such property so sold or conveyed.

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IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the respective dates below set forth with the intent to be legally bound thereby as of the Effective Date of this Lease first above set forth.

TENANT:

PALO ALTO NETWORKS, INC.,
a Delaware corporation

Dated: May 28, 2015 By: /s/ MARK D. MCLAUGHLIN
Printed Name: President and CEO
Title: President

Dated: May 28, 2015 By: /s/ STEFFAN TOMLINSON
Printed Name: Chief Financial Officer
Title: Chief Financial Officer

LANDLORD:

SANTA CLARA CAMPUS PROPERTY OWNER I LLC, a Delaware limited liability company

By: Santa Clara Campus Partners LLC,
a Delaware limited liability company,
its Sole Member

By: Menlo Equities Development Company IX LLC, a California limited liability
company,
its Manager

By: Menlo Equities V LLC,
a California limited liability company, its Manager

By: Menlo Legacy Holdings L.P.,
a California limited partnership, its Managing Member

Dated: May 28, 2015 By: /s/ HENRY D. BULLOCK

Henry D. Bullock, President

EXHIBIT A-1

PARCEL MAP

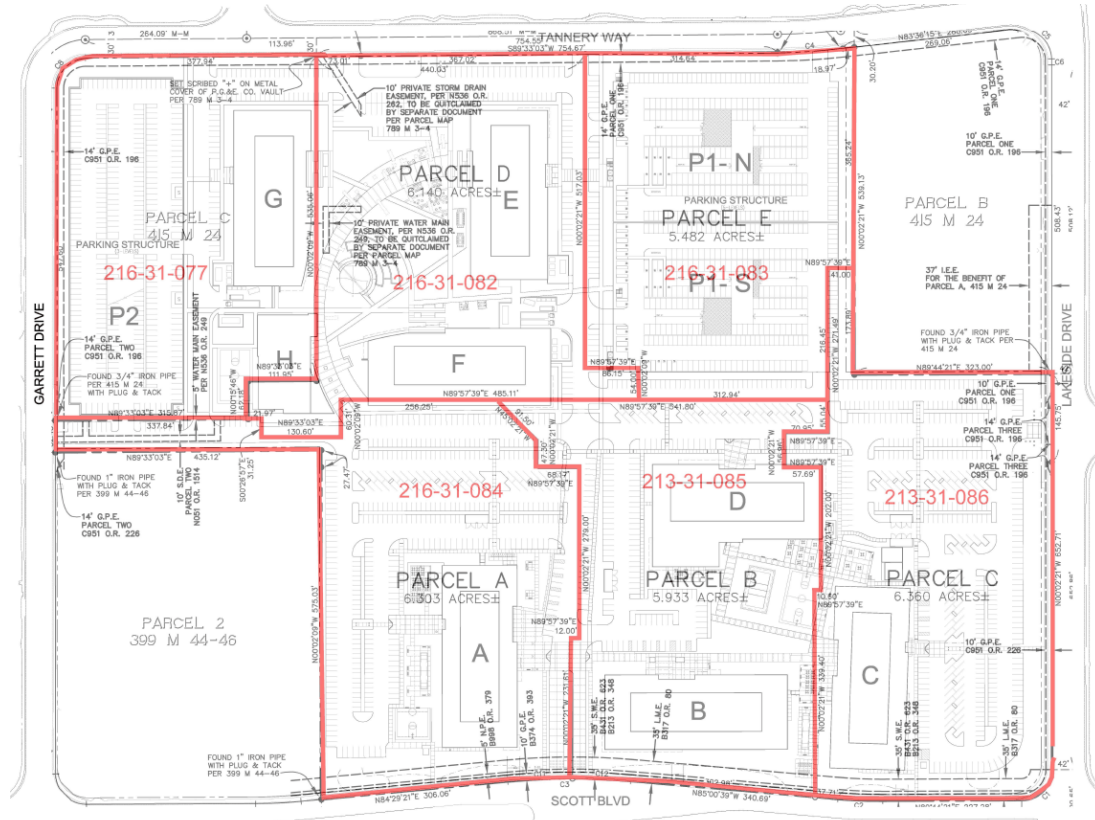


Exhibit A

EXHIBIT A-2

SITE PLAN

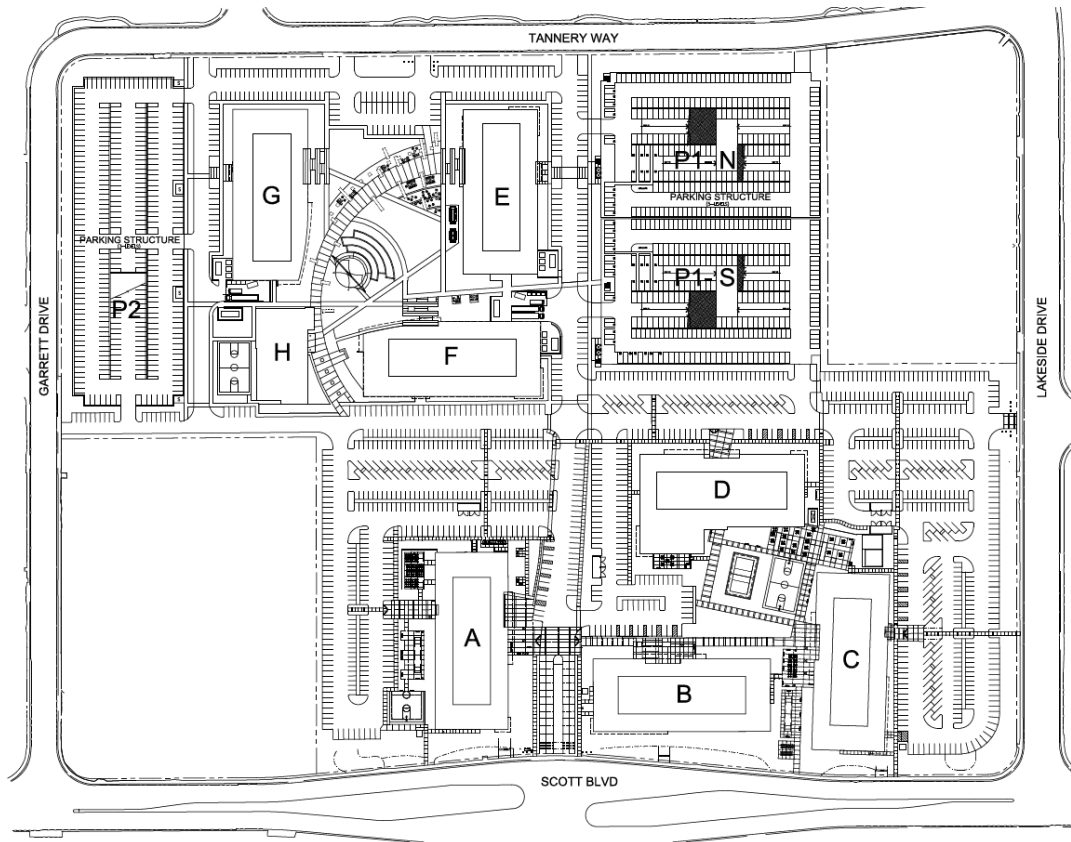


Exhibit A

EXHIBIT A-3
TARGET PARCEL MAP



Exhibit A

EXHIBIT A-4

EXCLUSIVE USE AREAS

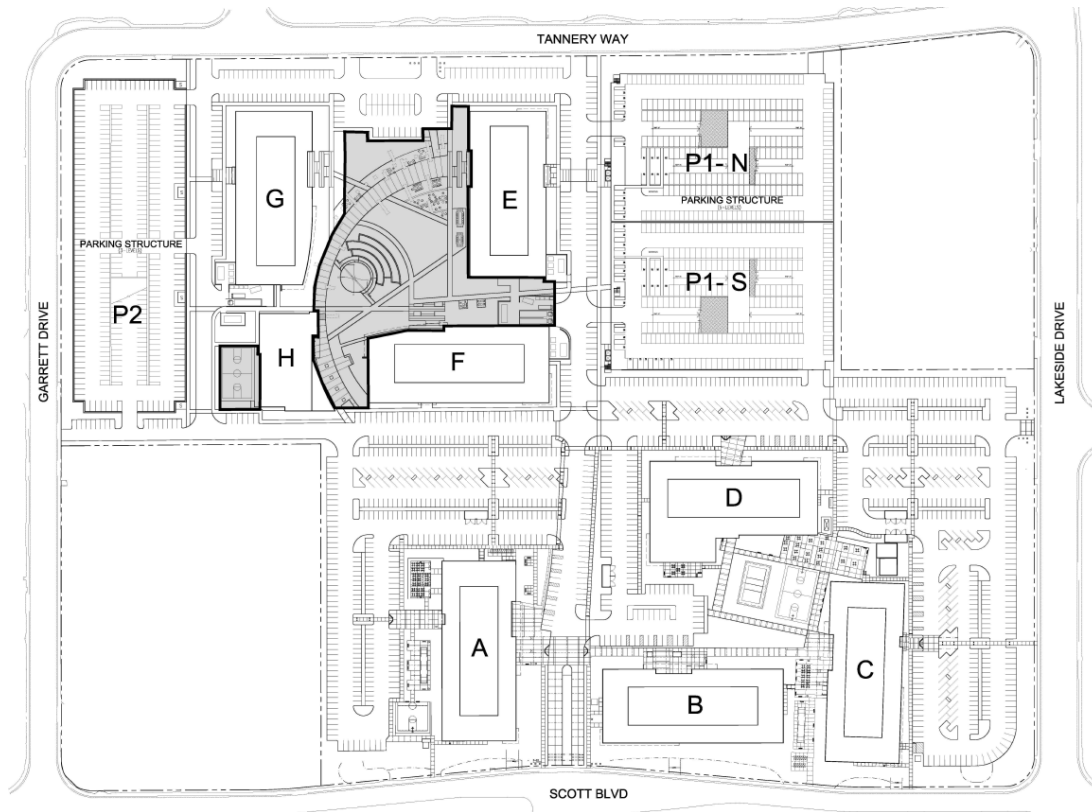


Exhibit A

EXHIBIT A-5
BICYCLE STORAGE AREA

Exhibit A

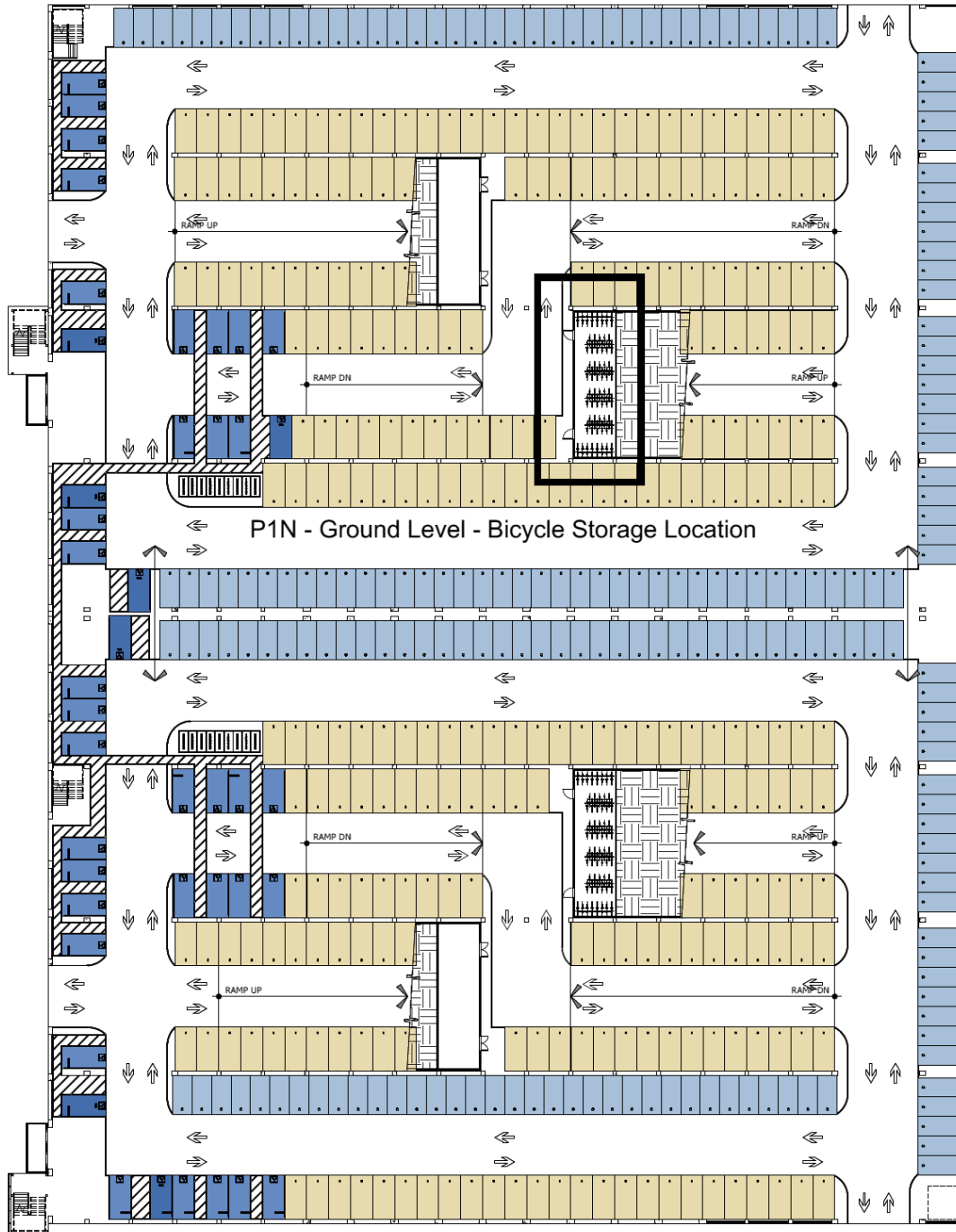


Exhibit A

EXHIBIT A-6
PAN VISITOR PARKING SPACES

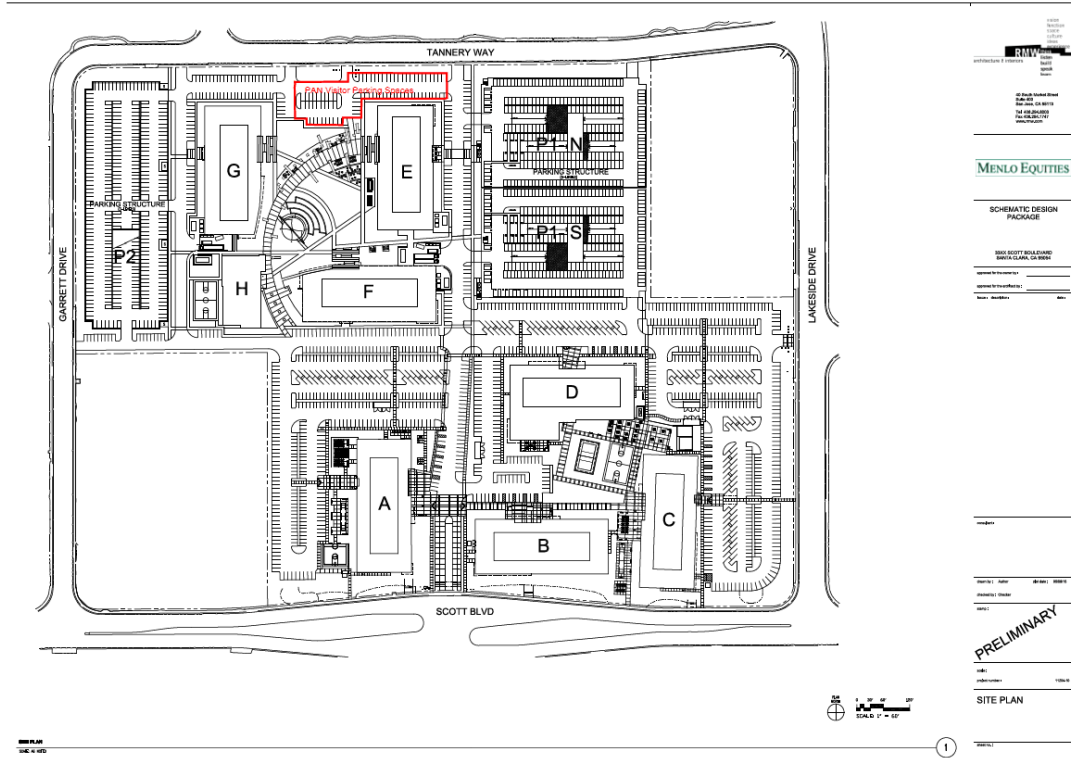
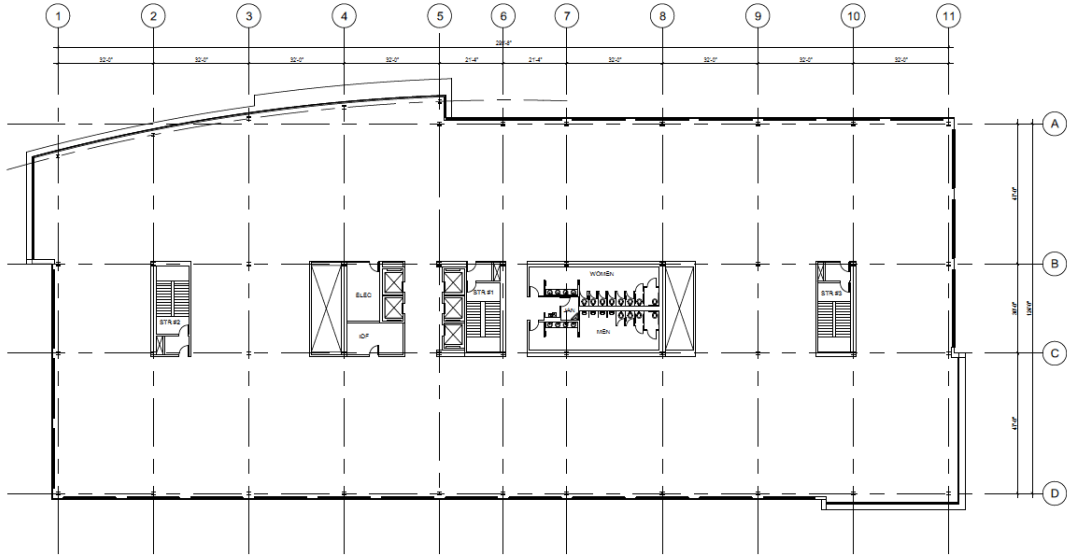


Exhibit A

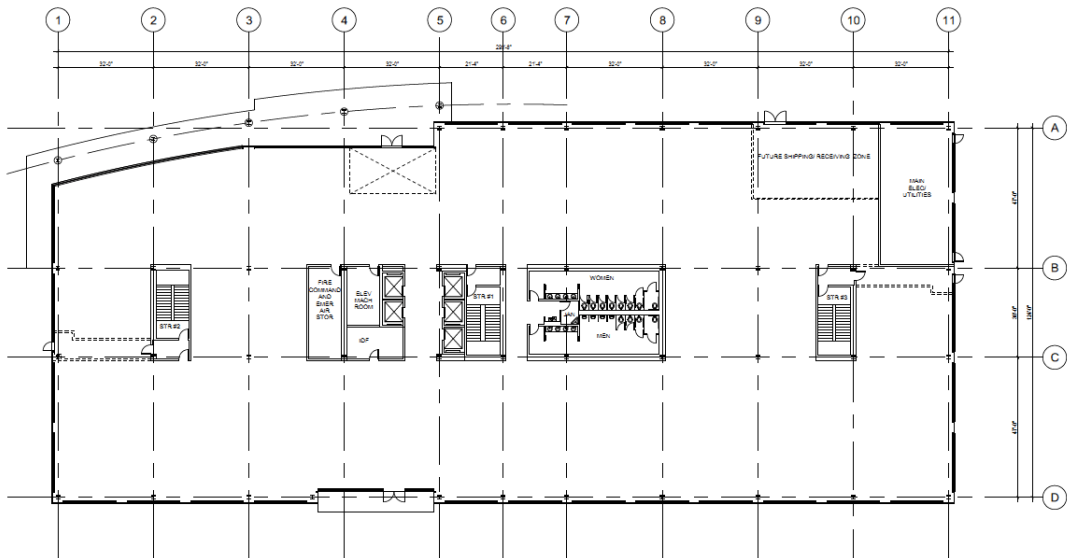
EXHIBIT B
FLOOR PLAN

Building F:



3RD - 5TH FLOOR PLANS - BUILDING F
1/8" = 1'-0"

2



1ST FLOOR PLAN (2ND FLOOR SIM) - BUILDING F
1/8" = 1'-0"

1

Exhibit B

Building H:

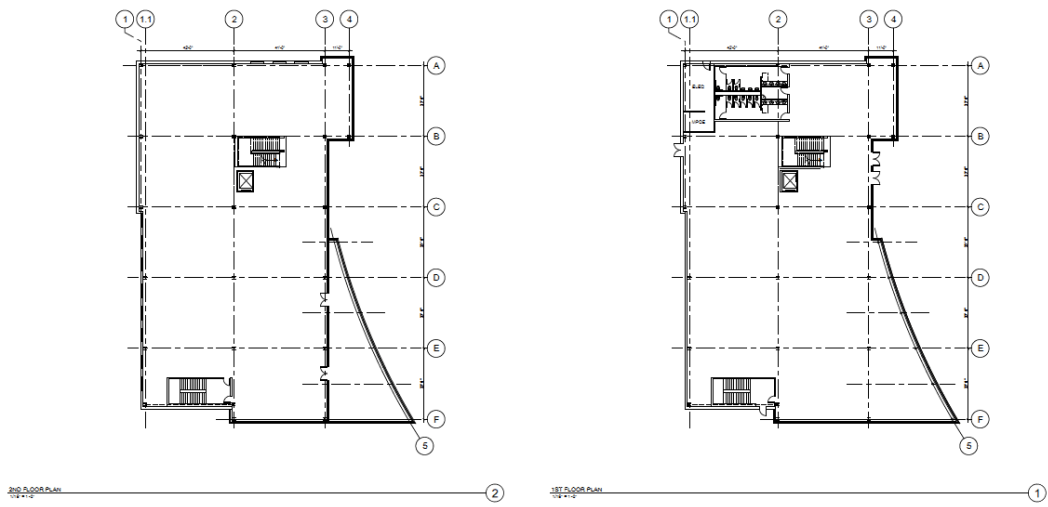


Exhibit B

EXHIBIT C

WORK LETTER

THIS TENANT WORK LETTER (“Work Letter”) sets forth the agreement of Landlord and Tenant with respect to the improvements to be constructed in the Leased Premises, as defined in the Lease to which this Work Letter is attached as an exhibit. In the event of any inconsistency between the terms of this Work Letter and the terms of the Lease, the terms of the Lease shall control. All defined terms used herein shall have the meanings set forth in the Lease, unless otherwise defined in this Work Letter.

1. Landlord’s Work.

(a) Landlord will construct (i) the base building warm shell of Building F, which shall be an eight-story, steel frame building containing the components listed on Exhibit A-1 attached hereto, and including the improvements to the Common Areas (including the Exclusive Use Area) shown on such exhibit, and (ii) the base building warm shell of Amenities Building H, which shall be a two-story, steel frame building containing the components listed on Exhibit A-2 attached hereto (as applicable, the “Warm Shell Components”), substantially in accordance with the plans for the Building which are being developed by Landlord (based on the rendered plans which are listed on Exhibit A-3 attached hereto) and the Site Plan (such plans and Site Plan are subject to adjustment by Landlord and approval, and changes if any are required, by the City), and in compliance with all Laws applicable thereto on the date the Building is substantially completed by Landlord (the “Landlord’s Work”). Such plans, prior to approval by the City are defined herein as the “Interim Base Building Plans” and, after approval by the City are defined herein as the “Final Base Building Plans.” The exterior architecture of Building F shall be comparable to Building C with regard to materials and color, but shall consist of eight (8) stories with a curvilinear front facade. Landlord shall provide Tenant’s architect with a CAD file of the Final Base Building Plans within three (3) business days after the same have been upon submittal of same to the City of Santa Clara Building Department (the “Submittal Date”).

(b) Landlord will deliver drafts of the Interim Base Building Plans to Tenant as the same are developed and revised, within three (3) business days after each revision set is completed. In addition, Landlord shall use reasonable efforts to provide Tenant with copies of other material submissions to the City of Santa Clara and to keep Tenant informed of material discussions and correspondence with the City and other relevant governmental authorities. Tenant shall have the right to approve any material changes to the Interim Base Building Plans, unless the same are required solely by the City of Santa Clara.

(c) In the event it is determined that Landlord’s Work has not been completed in accordance with the requirements of this Work Letter, Landlord agrees to correct (or to cause Landlord’s contractor to correct) Landlord’s Work as necessary with the result that that Landlord’s Work will have been completed in accordance with the requirements of this Work Letter (and the foregoing shall also apply to work required due to a governmental agency requiring remediation of any Hazardous Materials on or about the Property not released by Tenant or any of the Tenant Parties).

2. Tenant Improvements. Tenant shall be permitted to construct, furnish or install all improvements that are necessary for the use and occupancy of the entirety of the Leased Premises (collectively, the "Tenant Improvements"). Tenant will engage a consultant reasonably approved by Landlord to manage the design and construction of the Tenant Improvements ("Tenant Improvement Project Manager"). Tenant shall cause all drawings and specifications for the Tenant Improvements to be prepared by an architect selected by Tenant and reasonably approved by Landlord ("Tenant Improvement Architect") and to be constructed by a general contractor licensed in California, selected by Tenant, and reasonably approved by Landlord ("Tenant Improvement Contractor"). Without limiting Tenant's right to propose others, Landlord hereby approves the general contractors, architects and project managers listed on Schedule 1 to this Work Letter. Landlord's prior written consent, which shall not be unreasonably withheld, shall be required if Tenant desires to change its Tenant Improvement Architect, Tenant Improvement Contractor or Tenant Improvement Project Manager. Tenant shall furnish to Landlord a copy of the executed contracts between Tenant and Tenant Improvement Architect, and Tenant and Tenant Improvement Contractor, covering all of Tenant's obligations under this Work Letter.

The Tenant Improvements shall be in conformity with drawings and specifications submitted to and approved by Landlord, which approval shall not be unreasonably withheld or delayed, and shall be performed in accordance with the following provisions:

Tenant Improvement Space Plans: Tenant shall prepare and submit to Landlord for its approval Tenant Improvement space plans (the "Tenant Improvement Space Plans"). Within five (5) business days after receipt of Tenant's drawings Landlord shall return one set of prints thereof with Landlord's approval and/or suggested modifications noted thereon. If Landlord has approved Tenant's drawings subject to modifications, such modifications shall be deemed to be acceptable to and approved by Tenant unless Tenant shall prepare and resubmit revised drawings for further consideration by Landlord. If Landlord has suggested modifications without approving Tenant's drawings Tenant shall prepare and resubmit revised drawings within five (5) business days for consideration by Landlord. All revised drawings shall be submitted, with changes highlighted, to Landlord within five (5) business days following Landlord's return to Tenant of the drawings originally submitted, and Landlord shall approve or disapprove such revised drawings within five (5) business days following receipt of the same. Landlord shall be provided with a copy of Tenant's preliminary floor plan and associated CAD files as a condition to receiving reimbursement.

Tenant Improvement Design Development Plans: Tenant shall prepare and submit to Landlord for its approval Tenant Improvement design development plans ("Tenant Improvement Design Development Plans"). Within five (5) business days after receipt of Tenant's drawings Landlord shall return one set of prints thereof with Landlord's approval and/or suggested modifications noted thereon. If Landlord has approved Tenant's drawings subject to modifications, such modifications shall be deemed to be acceptable to and approved by Tenant unless Tenant shall prepare and resubmit revised drawings for further consideration by Landlord. If Landlord has suggested modifications without approving Tenant's drawings Tenant shall prepare and resubmit revised drawings

within five (5) business days for consideration by Landlord. All revised drawings shall be submitted, with changes highlighted, to Landlord within five (5) business days following Landlord's return to Tenant of the drawings originally submitted, and Landlord shall approve or disapprove such revised drawings within five (5) business days following receipt of the same.

Tenant Improvement Working Drawings: Tenant shall prepare and submit to Landlord for its approval Tenant Improvement working drawings ("Tenant Improvement Working Drawings") including mechanical, electrical, and plumbing plans ("MEP"). Within five (5) business days after receipt of Tenant's drawings Landlord shall return one set of prints thereof with Landlord's approval and/or suggested modifications noted thereon. If Landlord has approved Tenant's drawings subject to modifications, such modifications shall be deemed to be acceptable to and approved by Tenant unless Tenant shall prepare and resubmit revised drawings for further consideration by Landlord. If Landlord has suggested modifications without approving Tenant's drawings Tenant shall prepare and resubmit revised drawings within seven (7) business days for consideration by Landlord. All revised drawings shall be submitted, with changes highlighted, to Landlord within seven (7) business days following Landlord's return to Tenant of the drawings originally submitted, and Landlord shall approve or disapprove such revised drawings within five (5) business days following receipt of the same.

Final Tenant Improvement Plans: Tenant shall submit the approved Tenant Improvement Working Drawings to the Santa Clara Building Department for a Tenant Improvement building permit prior to the commencement of such work. The Tenant Improvement Working Drawings as modified by the City are defined herein as the "Final Tenant Improvement Plans." Prior to commencing construction, Tenant shall deliver to Landlord a copy of the City of Santa Clara building permit for the Final Tenant Improvement Plans.

Tenant shall have the right to install a key card security system for the exterior doors of the Buildings and in the elevator cabs, subject to Landlord's approval over the plans and specifications therefor as set forth below. Tenant shall have the right, but not the obligation, to achieve LEED Silver, Gold or Platinum for the Tenant Improvements. In addition, Tenant, at Tenant's sole discretion, may elect not to achieve any LEED certification. Tenant shall have the exclusive right, as an element of its Tenant Improvements, to install interior improvements to be included in the Amenities Building, which may include a cafeteria, gym, fitness center, and training and conference facilities.

Any material changes to the Final Tenant Improvement Plans shall be subject to Landlord's prior written approval, which shall not be unreasonably withheld or delayed. Only new materials or other materials of good quality (such as recycled or reclaimed materials) shall be used in the construction of the Tenant Improvements, except with the written consent of Landlord, which consent shall not be unreasonably withheld.

Tenant acknowledges that it will engage the Tenant Improvement Architect, the Tenant Improvement Project Manager, and the Tenant Improvement Contractor, and Landlord shall not be liable for the actions and omissions of Tenant's architects, engineers, contractors, and project/

construction managers. Landlord's approval of any of Tenant's architects, engineers or project/construction managers and of any documents prepared by any of them shall not be for the benefit of Tenant or any third party, and Landlord shall have no duty to Tenant or to any third parties for the actions or omissions of Tenant's architects, engineers or project/construction managers.

The Tenant Improvements shall be constructed by Tenant Improvement Contractor in accordance with the Final Tenant Improvement Plans, in compliance with all of the terms and conditions of this Work Letter and the Lease, and with all applicable Laws and Restrictions. Tenant or the Tenant Improvement Contractor shall obtain a builder's risk policy of insurance in an amount and form and issued by a carrier reasonably satisfactory to Landlord, and its subcontractors shall carry worker's compensation insurance for their employees as required by law. The builder's risk policy of insurance shall name Landlord as an additional insured and shall not be cancelled without at least thirty (30) days' prior written notice to Landlord.

Tenant shall notify Landlord of its intention to commence construction ten (10) days prior to commencement and shall again notify Landlord of actual commencement within one (1) business day thereafter. Landlord shall have the right to post in a conspicuous location on the Buildings or the Leased Premises, as well as record with the County of Santa Clara, a Notice of Nonresponsibility. Tenant shall provide Landlord with a copy of the City of Santa Clara building permit allowing for the construction of the Final Tenant Improvement Plans prior to commencement of construction of the Tenant Improvements.

All work to be performed inside or outside of the Buildings shall be coordinated with Landlord. Tenant and the Tenant Improvement Contractor shall conduct their work and employ labor in such manner as to maintain harmonious labor relations, and Landlord and Tenant shall reasonably cooperate with each other with respect to securing their respective entitlements/building permits and avoiding interfering with each other's respective work.

Tenant shall submit to Landlord on or before the Lease Commencement Date (as defined in the Lease) a Certificate of Substantial Completion, AIA Document G704, by its Tenant Improvement Architect for the Final Tenant Improvement Plans, a copy of all final inspection cards for the Tenant Improvements signed by the appropriate City of Santa Clara inspector and the Temporary Certificate of Occupancy from the City of Santa Clara.

Tenant shall submit to Landlord two CDs containing copies of all Tenant Improvement as-built plans and specifications (including but not limited to final as-built design-build mechanical, electrical, and plumbing plans), warranties, and operating manuals covering all of the work in the Final Tenant Improvement Plans.

Any minor work required for Tenant's occupancy of the Leased Premises but not included in the Final Tenant Improvement Plans such as the procurement and installation of furniture, fixtures, equipment, interior artwork and signage, shall not require Landlord approval but shall be installed in a good and workmanlike manner by Tenant.

3. Project Costs. The costs and expenses of the development and construction of the Landlord's Work and the Tenant Improvements ("Project Costs") shall be paid in accordance with this Paragraph 3.

(a) Landlord's Work. The costs and expenses of the development and construction of the Landlord's Work shall be paid by Landlord.

(b) Tenant Improvements. Unless specified otherwise herein, Tenant shall bear and pay the cost of the Tenant Improvements (which cost shall include, without limitation, the costs of construction as provided for in the Tenant Improvement Contractor's contract, the cost of permits, and all architectural, design, space planning, and engineering services obtained by Tenant in connection with Tenant Improvements, office improvements, wiring and cabling costs, and cubicle costs; provided that so long as Tenant is not in monetary or material non-monetary default under the Lease with respect to which it has received written notice from Landlord, Landlord shall contribute a maximum of \$60 per rentable square foot, for an aggregate maximum of \$20,400,000⁵ (the "Tenant Improvement Allowance"), which shall be utilized only for improvements to the Buildings, and for any related "soft costs," including but not limited to design fees, consulting fees for audio/visual, cabling, telephone, security and computer systems; mechanical/electrical engineers' fees; and construction management (the "TI Costs"). The foregoing shall not be read to prevent Tenant from curing the applicable default and then being entitled to the applicable disbursement(s) once the default is cured if such cure is completed within the applicable cure period, if any, expressly set forth in this Work Letter or the Lease. The Tenant Improvement Allowance shall be available to Tenant only until October 31, 2018 (the "TI Allowance Deadline"). Landlord shall have no further obligation to make disbursements of the Tenant Improvement Allowance with respect to requests for disbursements made by Tenant after the TI Allowance Deadline; provided, however, that Landlord will remain obligated to honor requests for disbursement properly made by Tenant prior to the TI Allowance Deadline. There shall be no construction management fee or architectural review fee charged by Landlord in connection with the Tenant Improvements. Subject to such deadline:

(i) Not later than the 25th day of each month Tenant may submit applications for payment to Landlord in a form reasonably acceptable to Landlord, including Tenant Improvement Contractor's Application and Certification for Payment AIA G702 certified by Tenant Improvement Architect, certified as correct by an authorized representative of Tenant and by Tenant's architect, for payment of that portion of the TI Costs allocable to the prior month. Each application for payment shall set forth such information and shall be accompanied by such supporting documentation as shall be reasonably requested by Landlord, including the following:

(A) Invoices.

(B) Fully executed conditional lien releases in the form prescribed by law from the Tenant Improvement Contractor and all subcontractors and suppliers furnishing labor or materials during such period and fully executed unconditional lien releases from all such entities covering the prior payment period.

⁵ Based on the Leased Premises containing 340,000 rentable square feet, and subject to measurement as described in the "Leased Premises" definition in the Lease, and adjustment.

(C) Tenant Improvement Contractor's worksheets showing percentages of completion.

(D) Tenant Improvement Contractor's certification as follows:

"There are no known mechanics' or materialmen's liens outstanding at the date of this application for payment, all due and payable bills with respect to the Buildings have been paid to date or shall be paid from the proceeds of this application for payment, and there is no known basis for the filing of any mechanics' or materialmen's liens against the Buildings or the Property, and, to the best of our knowledge, waivers from all subcontractors are valid and constitute an effective waiver of lien under applicable law to the extent of payments that have been made or shall be made concurrently herewith."

(ii) On or before the 30th day following submission of the application for payment, so long as Tenant is not in default under the terms of this Work Letter or the Leases, Landlord shall pay the amount so requested (but in no event more than \$60 per square foot for the applicable space under construction), provided that at such time as Landlord has paid the entire Tenant Improvement Allowance on account of such Tenant Improvement work, all billings shall be paid entirely by Tenant. Notwithstanding the foregoing, Landlord shall have no obligation to make disbursements of the Tenant Improvement Allowance at any time that Landlord has delivered written notice of a monetary or material non-monetary default under the Lease or this Work Letter by Tenant until such default has been cured. If upon completion of the Tenant Improvement Work and payment in full to the Tenant Improvement Contractor, the architect and engineer, and payment in full of all fees and permits, the portion of the cost of the Tenant Improvement Work, architects' and engineers' fees, permits and fees theretofore paid by Landlord is less than the Tenant Improvement Allowance, Landlord shall reimburse Tenant for costs expended by Tenant for Tenant Improvement work up to the amount by which the Tenant Improvement Allowance exceeds the portion of such cost theretofore paid by Landlord. Landlord shall have no obligation to advance the Tenant Improvement Allowance to the extent it exceeds the total cost of the Tenant Improvement Work. In no event shall Landlord have any responsibility for the cost of the Tenant Improvement Work in excess of the Improvement Allowance. Landlord shall have no obligation to make any payments to Tenant Improvement Contractor's material suppliers or subcontractors or to determine whether amounts due them from Tenant Improvement Contractor in connection with the Tenant Improvement work have, in fact, been paid. The foregoing shall not be read to prevent Tenant from curing the applicable default and then being entitled to the applicable disbursement once the default is cured if such cure is completed within the applicable cure period, if any, expressly set forth in this Work Letter or the Lease.

(c) Test Fit Allowance and Moving Allowance. Landlord shall pay Tenant up to \$53,968⁶ in reimbursement of the reasonable, third party costs incurred by Tenant in the development of the Tenant Improvement Space Plans; such reimbursement(s) shall be paid within 30 days following receipt by Landlord from time to time of reasonable supporting

⁶ Based on the Leased Premises containing 340,000 rentable square feet and Building E containing 290,000 rentable square feet, and subject to measurement as described in the "Leased Premises" definition in the Lease, and adjustment.

documentation as requested by Landlord. Landlord shall pay Tenant up to \$404,762⁷ in reimbursement of the reasonable, third party costs incurred by Tenant in moving to the Leased

Premises from other space in the Project and its existing headquarters located at 4301 and 4401 Great America Parkway, Santa Clara, California; such reimbursement(s) shall be paid within 30 days following receipt by Landlord of reasonable supporting documentation as requested by Landlord, or, if later, on the later to occur of the Lease Commencement Date or the date Tenant has completed its move.

(e) Evidence of Completion of Improvement Work. Upon the completion of the Improvement Work, Tenant shall:

(i) Submit to Landlord a detailed breakdown of Tenant's final and total construction costs, together with receipted evidence showing payment thereof, satisfactory to Landlord.

(ii) Submit to Landlord all evidence reasonably available from governmental authorities showing compliance with any and all other laws, orders and regulations of any and all governmental authorities having jurisdiction over the Buildings, including, without limitation, authorization for physical occupancy of the Buildings.

(iii) Submit to Landlord the as-built plans and specifications referred to above.

4. Tenant's Contracts with Architect, Contractor, etc. Tenant agrees to cause its contracts with Tenant Improvement Contractor, the Tenant Improvement Architect, the Tenant Improvement Project Manager, and any other of Tenant's consultants, subcontractors, agents, etc., relating to the Tenant Improvements, to include provisions the effect of which is that the warranties and indemnities in favor of Tenant set forth in such contracts shall name Landlord as an intended beneficiary.

5. Tenant Delay. For the purposes of this Work Letter and the Lease, "Tenant Delay" means any actual delay in any of (a) Substantial Completion of the Landlord Work, or (b) achievement of the Required Delivery Condition, or (c) achievement any of the milestones listed in Paragraph 2.8 of the Lease, in each of cases (a) through (c) beyond the dates specified therefor set forth in Article 2 of the Lease, resulting from either: (i) Tenant's failure to fulfill its obligation with respect to provide either documents or approvals within the time periods specified therefor herein, (ii) any change orders requested by Tenant, (iii) an act or omission of Tenant or any Tenant Parties which interferes with the progress of construction of the Building. In the event of any Tenant Delay the date upon which Substantial Completion of the Landlord's Work, completion of the Warm Shell Components and Exclusive Use Areas in the Required Delivery Condition, or achievement of an affected milestone, is deemed to have occurred shall be advanced by the cumulative duration of such Tenant Delays, and the Delivery Date shall be deemed to have occurred in advance of the actual delivery date as a sole and direct result of the cumulative duration of such Tenant Delays. A Tenant Delay shall not be deemed to have commenced until Landlord has provided written notice to Tenant that a Tenant Delay is

⁷ See footnote no. 6.

occurring. With respect to any changes to the Warm Shell Components requested by Tenant, Landlord hereby notifies Tenant that such request will result in a Tenant Delay, and Tenant agrees that this notice satisfies the requirement for written notice set forth in the previous sentence.

6. Landlord Delay. A "Landlord Delay" means any actual delay in the permitting, construction or completion of the Tenant Improvements or equipment to be installed by Tenant which actually and directly delays Substantial Completion of the Tenant Improvements beyond the date set forth in Paragraph 2.4(c) of the Lease (as such date may be extended pursuant to Paragraph 2.4(c) of the Lease), which (a) is not caused by Force Majeure, and (b) is caused by (i) Landlord's breach of this Work Letter, (ii) Landlord's changes to the Final Base Building Plans as approved by the City of Santa Clara other than as required solely by the City of Santa Clara, (iii) any alterations, improvements or work required due to a governmental agency requiring remediation of any Hazardous Materials on or about the Property not released by Tenant or any of the Tenant Parties, or (iv) any other interference with Tenant's Substantial Completion of the Tenant Improvements or placement of furniture, fixtures or equipment in the Leased Premises caused by acts or omissions of Landlord or its agents or contractors. For the purposes of this Paragraph 6 only, the term "Substantial Completion" means that the Tenant Improvements have been substantially completed pursuant to the details of the Final Tenant Improvement Plans but for punch list items which don't materially and adversely affect Tenant's use of the Leased Premises and a temporary certificate of occupancy for the Leased Premises has been issued by the City of Santa Clara. In the event Landlord Delays occur, the Lease Commencement Date shall be delayed by on day for each day of such Landlord Delays.

7. Offset Right. Landlord acknowledges that if Landlord fails to pay any portion of the Tenant Improvement Allowance as and when it is obligated to do so under this Work Letter, and Landlord thereafter fails to pay such portion of the Tenant Improvement Allowance within thirty (30) days after Landlord's receipt of a written notice from Tenant describing Landlord's failure to pay such portion of the Tenant Improvement Allowance, then Tenant shall be entitled to deduct from Base Monthly Rent payable by Tenant under the Lease, the amount set forth in such written notice from Tenant, but limited each month to an amount not to exceed 40% of each payment of Base Monthly Rent, until fully paid. If, however, Landlord delivers to Tenant, within thirty (30) days after Landlord's receipt of such written notice from Tenant, a written objection to the requested payment setting forth with reasonable particularity Landlord's reasons for its claim that such payment did not have to be made (including, without limitation, the fact that such payment has already been made), then Tenant shall not then be entitled to such deduction from Base Monthly Rent unless and until such dispute is resolved in accordance with the procedures set forth in Paragraph 5.1(b)(iii) of the Lease; provided, however, Tenant shall be entitled to offset any undisputed amounts set forth in the written notice from Tenant (subject to the foregoing 40% limitation) within thirty (30) days after Landlord's receipt of the same.

Exhibit C

EXHIBIT A-1 TO WORK LETTER

**The Campus @ 3333 Scott
Landlord's Warm Shell
8-Story Base Building & Core
(Restrooms, Stairwells, HVAC, Elevators, Electrical/MPOE)**

GENERAL DESCRIPTION: Landlord's shell and core will comply with all codes and regulations, including fire, building, Title 24 and ADA. Building is to achieve LEED Silver, at minimum.

- The building will be a steel frame structure with glass, metal and thin-shell concrete window wall system similar in design to the existing 4-story buildings on the Site Plan.
- Interior brace frames with exterior moment frames.
- Glass/metal frame entry doors.
- Roof Screen will be incorporated in the overall architectural design and included in the warm shell.
- 15' floor-to-floor clearance on ground floor and 14' on upper floors to allow for an 11'+/- ceiling height on the ground floor and a 10' +/- finished ceiling on the upper floors.
- Three exit stairs.
- 15mil Stego vapor barrier installed under building slabs.
- Ground floor and upper floor elevator lobbies to be completed by Tenant as part of TIs.

CONCRETE FLOORS

- Floor flatness/levelness consistent with ASTM E1155/E 1155M.
- The floors will be designed for structural loading capability that can accommodate the placement of furnishings, fixtures and equipment that is consistent with the needs of a typical office tenant - live load of 100psf. High density loads by Tenant are not anticipated.

EXTERIOR GLASS

- Exterior glass Title 24 compliant, insulated, free from scratches, nicks, cracks, marring and the intrusion of weather.

ELEVATORS

- Five (5) 3,500 lb capacity traction passenger elevators that have a rated speed of 200 fpm will be provided.
- Side/center opening doors with 9'-3" cab finished ceiling height.
- Finished interior cabs, except floors which will be finished by Tenant to match Tenant's ground floor lobby.
- All elevator cars, lobby call lanterns and call buttons in compliance with all codes and regulations.
- No service or freight elevator provided.
- No elevator cars security card readers; part of TIs.

PERIMETER CONDITIONS AND BUILDING CORE (restrooms, elevators, stairwells and electrical rooms)

- Lights, finished walls, ceiling and floor tile provided in restrooms and exit corridors only; lights and unfinished walls in electrical rooms. Toilet exhaust at restrooms included. IT closets are part of TI construction except ground floor MPOE room.
- Exit stairwells with painted walls, finished ceilings, handrails, lights and noise reducing epoxy sealed floors stairs and landings.
- Exposed window wall system. Completed window assembly with painted metal frames.
- Exterior building envelope insulation as per Title 24, roof insulation and firesafing are included. No drywall is included except in the core areas. Core walls are framed, drywalled and fire taped finish.
- Code compliant premium grade finished doors, complete with frame, trim and hardware, installed at all stairwells, toilet rooms and service areas. Finish to be mutually agreed to by Tenant and Landlord.

PERIMETER WINDOW COVERINGS

- Tenant shall install window blinds and/or shades as part of TIs, subject to Landlord approval.

TOILET ROOMS

- Women's and men's toilet rooms designed and constructed in compliance with current code requirements, laws and recommendations for size and quantity, including the Americans with Disabilities Act/Title 24, except that Landlord will provide two additional toilet stalls and one additional sink per restroom. The design and finish shall be mutually approved by Landlord and Tenant and include the following:
 - Water (hot and cold) shall be provided for all toilet rooms.
 - Lavatory counters shall have high quality solid surface tops with recessed lavatories.
 - All faucets shall have auto-sensors.
 - Code required wet walls shall be finished with full height ceramic tile.
 - Includes floor drains.
 - The ceilings shall be painted with semi-gloss paint.
 - Toilet partitions shall be floor mounted; baked enamel or P-lam.
 - Urinal partitions shall be wall mounted.
 - Low flow toilets and urinals shall be wall mounted in all restrooms.
 - Code compliant lighting only.
 - Showers in each ground floor men's and women's restroom.
- All fixtures are porcelain and ADA compliant.
- Accessories include:
 - Recessed seat cover dispenser
 - Recessed paper towel dispenser/waste receptacles
 - Recessed feminine napkin vendor
 - Recessed mounted roll toilet tissue dispensers
 - Handicap grab bar as required by code
 - Lavatory soap dispensers

WASTE WATER AND VENT SYSTEM (PLUMBING)

- One cold water line, two hot water lines, a sanitary waste and vent on every floor for Tenant's use, size to be mutually determined. All plumbing required for TIs, including any break areas, to be installed by Tenant as part of TIs.
- An ADA accessible drinking water refrigerated fountain installed on each floor. Location determined by Tenant, subject to code requirements.
- Domestic water booster pump, if required.

HVAC SYSTEM

- Built-up HVAC system with sufficient capacity for each office building with energy management controls and vertical shafts to each floor as part of the Base Building per Landlord's mechanical engineer's specifications. Supply and exhaust ductwork and air outlets for warm shell "core" areas such as the restrooms also provided.
- Rooftop boiler and hot water line vertically distributed and valved to each floor included.
- Stairwell pressurization fans with vertical distribution as required to meet code.
- Fire/smoke control system inclusive of smoke removal fans, damper and overriding controls at Fire Control room
- Tenant to install all additional exhaust and HVAC systems related to TIs, including connecting to the base building energy management system.

SUPPLEMENTAL and 24 hour HVAC

- Supplied by Tenant in TI construction. Landlord to provide a rooftop equipment pad within Landlord's roof screen area for Tenant's supplemental HVAC units or other equipment.

ELECTRICAL AND POWER SYSTEM

- 12KV Primary service to ground floor electrical room. Service to accommodate tenant's connected loads of 10w/sf in the office areas and 20w/sf in the lab areas, subject to Silicon Valley Power approval.
- Normal power distribution system for office use with vertical bus duct riser feeding lighting and power bus circuit breakers at each floor and rooftop HVAC.
- Emergency distribution system consisting of standby generator, distribution board at ground floor with life safety and legally required automatic transfer switches, distribution boards and feeders.
- Step-down transformers in electrical rooms on all upper floors provided.

- Landlord to provide switchgear and panels in the main electrical room sufficient to distribute power to accommodate the core, landscape lighting, HVAC, elevators and fire alarm.
- Power and lighting per 2013 Title 24 Requirements
- Receptacles provided in the restrooms and exit corridors.
- Downlights and specialty lighting provided in the restrooms and stairs.
- Each building is to be separately metered. Landlord will coordinate with the utility companies to have meter installed at Landlord's cost.
- No Emergency/Backup Power Supply and/or Generators supplied by Landlord for Tenant's use. Landlord to provide conduit from electrical room to a site outside the building for future "Optional Standby" Tenant installed generator if requested by Tenant.
- Emergency supply and exhaust fan service
- Emergency elevator service.
- Emergency fire pump service
- Egress lighting to be internal battery, central inverter or generator fed at landlord's discretion.
- DAS System

FIRE & LIFE SAFETY SYSTEMS

- Major fire line throughout the buildings with sprinkler heads pointing up in unfinished interior space. Complete sprinkler assembly in restrooms and stairwells. Fire monitoring system for base building with core; adequately sized to allow tenant to expand as part of TIs.
- Includes fire pump and water tanks, per code.
- Monitoring provided for sprinklers, elevators and HVAC base building and core systems per code. Tenant to expand monitoring for TI.
- Landlord to provide required Fire/Life Safety systems per code.

SECURITY ACCESS SYSTEMS

- None provided. Supplied by Tenant in TI construction if desired by Tenant. Landlord to provide rough-in provisions at locations requested by Tenant.

TELECOMMUNICATION

- Landlord will provide four 4" conduits into the ground floor MPOE room in each building from central underground telecom vaults on site which all service providers can access.
- Tenant is responsible for distribution of its teledata/IT from the MPOE room to rest of the building.
- Landlord will provide roof top space and conduit from the MPOE room for Tenant's satellite dish. Tenant is responsible for installing its satellite dish.

PARKING

- Landlord is to install all surface parking and garage P1 as shown on the site plan, excluding Garage P2 and surface parking surrounding Garage P2 and Building G.

LANDSCAPE

- Landlord is to provide landscape and hardscape at all common area as shown on the attached Site Plan, excluding landscaping and hardscaping surrounding Building G and Garage P2.
- Bike storage areas as per code/LEED will be provided in Garage P1.
- Conduit from the main ground floor electrical room in Garage P2 to two locations in the parking lot or Garage P2 for future tenant EV charging stations.
- The landscaped areas are to be planted such that areas containing flowers shall mature within one year of initial occupancy. Areas planted with shrubs and trees shall mature within two years of initial occupancy.
- All landscaped path of pedestrian travel areas to be lighted and irrigated with electrically controlled automatic systems.

LOADING DOCK

- Two depressed and one grade level loading docks provided in between Buildings E and F as shown on the Site Plan.
- No trash compactors.

EXHIBIT A-2 TO WORK LETTER

**The Campus @ 3333 Scott
Landlord's Warm Shell
2-Story Amenity Base Building & Core
(Restrooms, Stairwells, HVAC, Elevators, Electrical/MPOE)**

GENERAL DESCRIPTION: Landlord's shell and core will comply with all codes and regulations, including fire, building, Title 24 and ADA. Building is to achieve LEED Silver, at minimum.

- The building will be a steel frame structure with glass and precast concrete window wall system with a curtain wall system similar in design materials to adjacent office buildings but architecturally designed to accommodate tenant's interior amenities use.
- Interior brace frames.
- Glass/metal frame entry doors.
- Roof Screen will be incorporated in the overall architectural design and included in the warm shell.
- 15.5' floor-to-floor clearance on ground floor and 14.5' on upper floor to allow for a 11' ground floor and 10' +/- finished ceiling on the upper floor, except portions of the ground floor in the cafeteria seating area will be increased to allow for a 15' finished ceiling.
- Roof deck off of second floor with a capacity of 50. Furniture provided by Tenant.
- Two exit stairwells.
- Landlord to provide an outdoor seating area for cafeteria dining and a BBQ station adjacent to Tenant's interior cafeteria. Size and location to be mutually agreed upon. Furniture provided by Tenant.
- Underground grease interceptor needed for a cafeteria.
- 15mil Stego vapor barrier installed under building slab.

CONCRETE FLOORS

- Floor flatness/levelness consistent with ASTM E1155/E 1155M.
- The floors will be designed for structural loading capability that can accommodate the placement of furnishings, fixtures and equipment that is consistent with the needs of a typical office tenant - live load of 100psf. High density loads by Tenant are not anticipated.

EXTERIOR GLASS

- Exterior glass Title 24 compliant, insulated, free from scratches, nicks, cracks, marring and the intrusion of weather.

ELEVATORS

- One passenger elevator will be provided.
- Side/center opening doors with 9'-3" cab finished ceiling height.
- Finished interior cab, except floor which will be finished by Tenant to match Tenant's interior space.
- Elevator car, call lantern and call buttons in compliance with all codes and regulations.
- No service elevator provided.
- No elevator cars security card readers; part of TIs.

PERIMETER CONDITIONS AND BUILDING CORE (restrooms, elevator, stairs and electrical rooms)

- Lights, finished walls, ceiling and floor tile provided in restrooms and exit corridors only; lights and unfinished walls in electrical rooms. Toilet exhaust at restrooms included. IT closets are part of TI construction except ground floor MPOE room.
- Exposed window wall system. Completed window assembly with painted metal frames.
- Exterior building envelope insulation as per Title 24, roof insulation and firesafing are included. No drywall is included except in the core: restroom, elevator, electrical rooms and stairs as needed. Core walls are framed, drywalled and fire taped finish.
- Code compliant premium grade finished doors, complete with frame, trim and hardware, installed at all stairwell, toilet rooms and service areas. Finish to be mutually agreed to by Tenant and Landlord.

PERIMETER WINDOW COVERINGS

- Tenant shall install window blinds and/or shades as part of TIs, subject to Landlord approval.

TOILET ROOMS

- Women's and men's toilet rooms designed and constructed in compliance with current code requirements, laws and recommendations for size and quantity, including the Americans with Disabilities Act/Title 24. Tenant shall pay for any above code requirements. The design and finish shall be mutually approved by Landlord and Tenant and include the following:
 - Water (hot and cold) shall be provided for all toilet rooms.
 - Lavatory counters shall have high quality solid surface tops with recessed lavatories.
 - All faucets shall have auto-sensors.
 - Code required wet walls shall be finished with full height ceramic tile.
 - Includes floor drains.
 - The ceilings shall be painted with semi-gloss paint.
 - Toilet partitions shall be floor mounted; baked enamel or P-lam.
 - Urinal partitions shall be wall mounted.
 - Low flow toilets and urinals shall be wall mounted in all restrooms.
 - Code compliant lighting only.
 - Showers in each ground floor men's and women's restroom.
- All fixtures are porcelain and ADA compliant.
- Accessories include:
 - Recessed seat cover dispenser
 - Recessed paper towel dispenser/waste receptacles
 - Recessed feminine napkin vendor
 - Recessed mounted roll toilet tissue dispensers
 - Handicap grab bar as required by code
 - Lavatory soap dispensers

WASTE WATER AND VENT SYSTEM (PLUMBING)

- One 1" cold water line, two ¾" hot water lines, a sanitary waste and vent on second floor for Tenant's use. All plumbing required for TIs, including any cafeterias, break areas and fitness centers, to be installed by Tenant as part of TIs.
- An ADA accessible drinking water refrigerated fountain installed on each floor. Location determined by Tenant, subject to code requirements.

HVAC SYSTEM

- Sufficient capacity of HVAC with energy management controls provided by Landlord as part of the Base Building. Supply and exhaust ductwork and air outlets for warm shell "core" areas such as the restrooms also provided as part of the Base Building.
- Rooftop boiler and hot water line vertically distributed and valved to each floor included in the Base Building.
- Tenant to install all additional exhaust and HVAC systems related to TIs, including connecting to the base building energy management system.

SUPPLEMENTAL and 24 hour HVAC

- Supplied by Tenant in TI construction. Landlord to provide a rooftop equipment pad within Landlord's roof screen area for Tenant's supplemental HVAC units or other equipment.

ELECTRICAL AND POWER SYSTEM

- Transformer and main switchboard with a house panel required for 277/480 volt service provided per SVP specifications for a 30,000sf building. Step-down transformer in electrical room on upper floor provided. Landlord to provide switchgear and panels in the main electrical room sufficient to distribute power to accommodate the core HVAC, elevators, restrooms and fire alarm.
- Receptacles provided in the restrooms.
- Downlights and specialty lighting provided in the restrooms and stairs.

- Building is to be separately metered. Landlord will coordinate with the utility companies to have meter installed at Landlord's cost.
- No Emergency/Backup Power Supply and/or Generators supplied by Landlord for Tenant's use. Landlord to provide conduit from electrical room to a site outside the building for future Tenant installed generator if requested by Tenant.
- Emergency elevator service included if required by code.
- Egress lighting is battery back-up.

FIRE & LIFE SAFETY SYSTEMS

- Major fire line throughout the buildings with sprinkler heads pointing up in unfinished interior space. Complete sprinkler assembly in restrooms and stairwells. Fire monitoring system for base building with core; adequately sized to allow tenant to expand as part of TIs.
- Monitoring provided for sprinklers, elevators and HVAC base building and core systems per code. Tenant to expand monitoring for TI.
- Landlord to provide code required fire alarm sounding devices and strobe lights in base building and core areas.

SECURITY ACCESS SYSTEMS

- None provided. Supplied by Tenant in TI construction if desired by Tenant. Landlord to provide rough-in provisions at locations requested by Tenant.

TELECOMMUNICATION

- Landlord will provide four 4" conduits into the ground floor MPOE room from central underground telecom vaults on site which connect all of tenant's buildings to each other and allow service providers access.
- Tenant is responsible for distribution of its teledata/IT from the MPOE room to rest of the building.
- Landlord will provide roof top space for Tenant's satellite dish. Tenant is responsible for installing its satellite dish.

EXHIBIT A-3 TO WORK LETTER

RENDERED PLANS

Building F:



Exhibit C

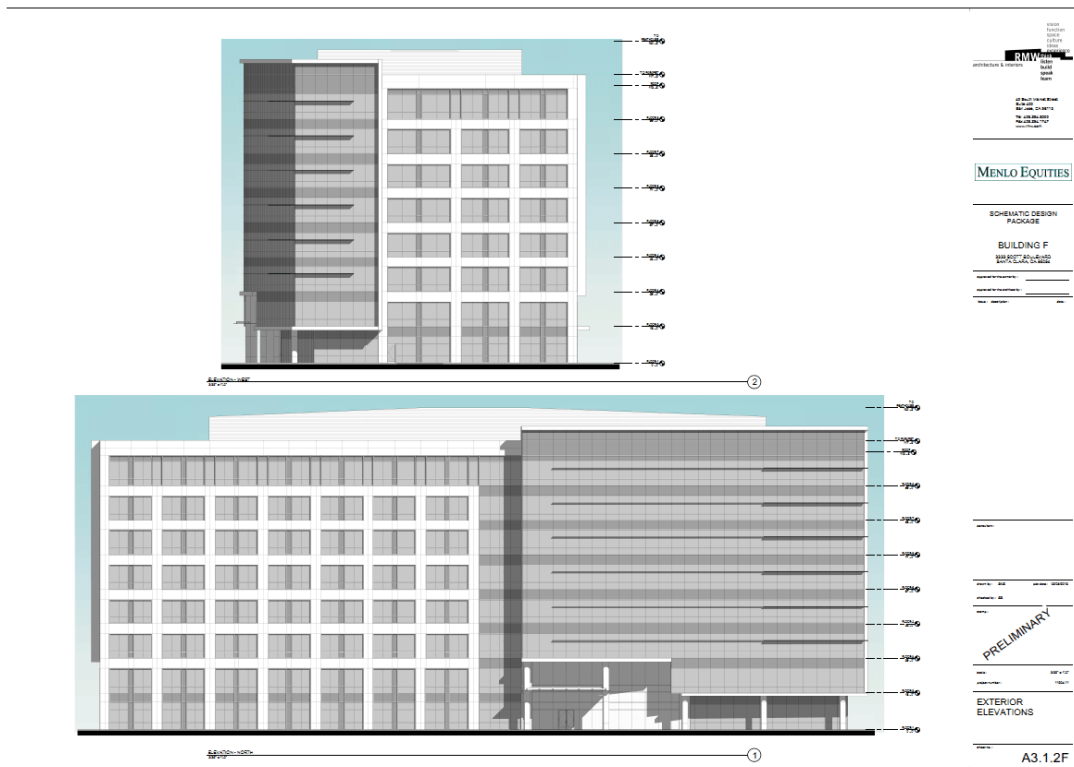


Exhibit C

Building H:



MENLO EQUITIES

SCOTT BLVD - VIEW OF AMENITIES BUILDING FROM SOUTHWEST

RTW
ARCHITECTS
PLANNERS
& ENGINEERS

Exhibit C

SCHEDULE 1 TO WORK LETTER

LIST OF APPROVED GENERAL CONTRACTORS, ARCHITECTS
AND PROJECT MANAGERS

Architects

- AP&I
- ArcTec
- Gensler
- IA
- Rapt Studios
- RMW
- Studio O + A

General Contractors

- Devcon Construction
- DPR
- Novo Construction
- SC Builders
- Skyline Construction
- South bay Construction

Project Managers

- Jones Lang LaSalle

EXHIBIT D

EXCLUSIVE USE AREA CONCEPTUAL PLAN



LANDLORD PROVIDES:

1. ALL LANDSCAPE AND HARDSCAPE FOR RECREATION, OUTDOOR DINING, SEATING, AND MEETINGS (FURNITURE BY TENANT)
2. AMENITY BUILDING 2ND FLOOR OUTDOOR PATIO (50 PERSON CAPACITY)
3. AMENITY BUILDING CANOPY FOR SHELTERED OUTDOOR CAFETERIA DINING BELOW
4. BBQ
5. AMPHITHEATRE WITH BUILT-IN SEATING (320 - 570 PERSON CAPACITY) AND OVERHEAD CANOPY
6. BASKETBALL COURT
7. MONUMENTS FOR TENANT'S SIGNAGE
8. LOADING DOCKS (2 DEPRESSED AND 1 AT GRADE)

TENANT OPTIONS:

- A. PUTTING GREEN
- B. BOCCIE COURTS
- C. ROCK CLIMBING WALL
- D. FIRE PIT
- E. WATER FEATURE

Exhibit D

EXHIBIT E

LEASE COMMENCEMENT DATE CERTIFICATE

This LEASE COMMENCEMENT CERTIFICATE ("Certificate") is made this _____ day of _____, 201_, by and between _____ ("Landlord"), and _____, a _____ ("Tenant"), and is attached to and made a part of that certain Lease dated as of _____, 201_, by and between Landlord and Tenant (the "Lease").

Landlord and Tenant hereby acknowledge and agree for all purposes of the Lease that:

1. Tenant has accepted possession of the Leased Premises and formally accepts the same and acknowledges that the Leased Premises are in the condition called for by the Lease (including the Work Letter), subject to latent defects, and subject to the punch list items noted by Landlord's architect or by the City of Santa Clara upon its sign-off on the building permit for the Buildings, as listed on Schedule 1 attached hereto.
2. the Lease Commencement Date as defined in Paragraph 2.3 of the Lease is _____, 201_.
3. the rentable square footage of the Leased Premises is _____, and
4. Tenant's Building Share is __. __%,
5. Tenant's Project Share is __. __%,
6. the Tenant Improvement Allowance is \$ _____,
7. the Additional Tenant Improvement Allowance is \$ _____, and
8. the schedule of Base Monthly Rent is:

<u>Period</u>	<u>Base Monthly Rent*</u>
Months 1-12	\$ _____.
Months 13-24	\$ _____.
Months 25-36	\$ _____.
Months 37-48	\$ _____.
Months 49-60	\$ _____.
Months 61-72	\$ _____.
Months 73-84	\$ _____.
Months 85-96	\$ _____.
Months 97-108	\$ _____.
Months 109-120	\$ _____.
Months 121-132	\$ _____.

[NTD: Paragraphs 3 through 8 to be completed only if the determination of the rentable square footage of the Leased Premises pursuant to Paragraph 2.1(b) of the Lease results in rentable square footages different than those set forth in Article 1 of the Lease]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Certificate on the date first above written.

TENANT:

PALO ALTO NETWORKS, INC., a Delaware corporation

By: _____
Printed Name: _____
Title: President

By: _____
Printed Name: _____
Title: Chief Financial Officer

LANDLORD:

SANTA CLARA CAMPUS PROPERTY OWNER I LLC, a Delaware limited liability company

By: Santa Clara Campus Partners LLC,
a Delaware limited liability company,
its Sole Member

By: Menlo Equities Development Company IX LLC,
a California limited liability company,
its Manager

By: Menlo Equities V LLC,
a California limited liability company,
its Manager

By: Menlo Legacy Holdings L.P.,
a California limited partnership,
its Managing Member

By: _____
Henry D. Bullock, President

SCHEDULE 1

PUNCH LIST ITEMS NOTED BY LANDLORD'S ARCHITECT
AND BY THE CITY OF SANTA CLARA

Exhibit E

EXHIBIT F

FORM OF LUMP SUM PAYMENT AMENDMENT

AMENDMENT NO. __ TO LEASE

This AMENDMENT TO LEASE (“Amendment”) is dated as of this __ day of _____, 201_ (the “Amendment Date”), by and between _____ LLC, a California limited liability company (“Landlord”), and _____, a _____ (“Tenant”).

RECITALS

- A. Landlord and Tenant entered into that certain Lease dated as of _____, 201_ [as amended by that certain _____ dated as of _____] (collectively, the “Lease”) for premises located in the City of Santa Clara, County of Santa Clara, State of California, commonly known as or otherwise described as _____ Street, Suite _____, _____, California, comprised of approximately _____ rentable square feet of floor area as more particularly described in the Lease; and
- B. Landlord has exercised the Lump Sum Payment Option as defined in Paragraph 3.1(b) of the Lease.
- C. Landlord and Tenant now desire to amend the Lease to set forth the on the terms and conditions set forth herein.

AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

- 1. Definitions. All capitalized terms used in this Amendment but not otherwise defined shall have the meanings assigned to them in the Lease.
- 2. Lump Sum Payment Date. The Lump Sum Payment Date is _____, 201_.
- 3. Base Monthly Rent Start Date. The Base Monthly Rent Start Date is _____, 201_.
- 4. Abated Rent Lump Sum Payment. The amount of the Abated Rent Lump Sum Payment is _____ Dollars (\$_____).
- 5. Base Monthly Rent. The schedule of Base Monthly Rent, as set forth in Article 1 of the Lease, is hereby amended in its entirety to read as follows:

<u>Period</u>	<u>Base Monthly Rent</u>
[Months ___-__	\$0.00
Months __**-24	\$1,025,440.00
Months 25-36	\$1,056,203.20
Months 37-48	\$1,079,967.77
Months 49-60	\$1,101,567.13
Months 61-72	\$1,123,598.47
Months 73-84	\$1,146,070.44
Months 85-96	\$1,168,991.85
Months 97-108	\$1,192,371.69
Months 109-120	\$1,216,219.12
Months 121-132	\$1,240,543.50

*Based upon the Leased Premises containing 340,000 rentable square feet of space, and subject to measurement as described in the "Leased Premises" definition in the Lease, and adjustment.

**[DRAFTING NOTE: COMPLETE TO CORRESPOND WITH BASE MONTHLY RENT START DATE AND CONFORM THE FIRST ROW IN THE SCHEDULE; IF BASE MONTHLY RENT START DATE IS MONTH 1, DELETE THE FIRST ROW IN THE SCHEDULE.]

6. Ratification. The Lease, as amended by this Amendment, is hereby ratified by Landlord and Tenant and Landlord and Tenant hereby agree that the Lease, as so amended, shall continue in full force and effect.

7. Miscellaneous.

7.1 Voluntary Agreement. The parties have read this Amendment and the mutual releases contained in it, and on the advice of counsel they have freely and voluntarily entered into this Amendment.

7.2 Attorney's Fees. If either party commences an action against the other party arising out of or in connection with this Amendment, the prevailing party shall be entitled to recover from the non-prevailing party, reasonable attorney's fees and costs of suit.

7.3 Successors. This Amendment shall be binding on and inure to the benefit of the parties and their successors.

7.4 Counterparts. This Amendment may be signed in two or more counterparts. When at least one such counterpart has been signed by each party, this Amendment shall be deemed to have been fully executed, each counterpart shall be deemed to be an original, and all counterparts shall be deemed to be one and the same agreement.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the date first written above.

LANDLORD:

SANTA CLARA CAMPUS PROPERTY OWNER I LLC, a Delaware
limited liability company

By: Santa Clara Campus Partners LLC,
a Delaware limited liability company,
its Sole Member

By: Menlo Equities Development Company IX LLC,
a California limited liability company,
its Manager

By: Menlo Equities V LLC,
a California limited liability company,
its Manager

By: Menlo Legacy Holdings L.P.,
a California limited partnership,
its Managing Member

By: _____
Henry D. Bullock, President

Exhibit F

EXHIBIT G
BUILDING SIGNAGE

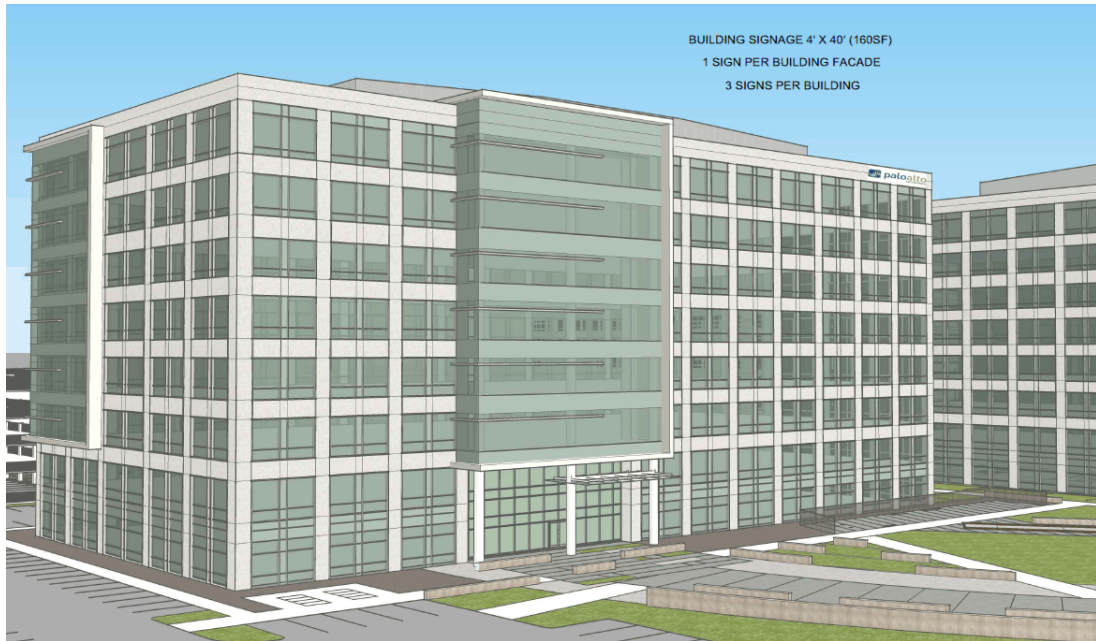


Exhibit H

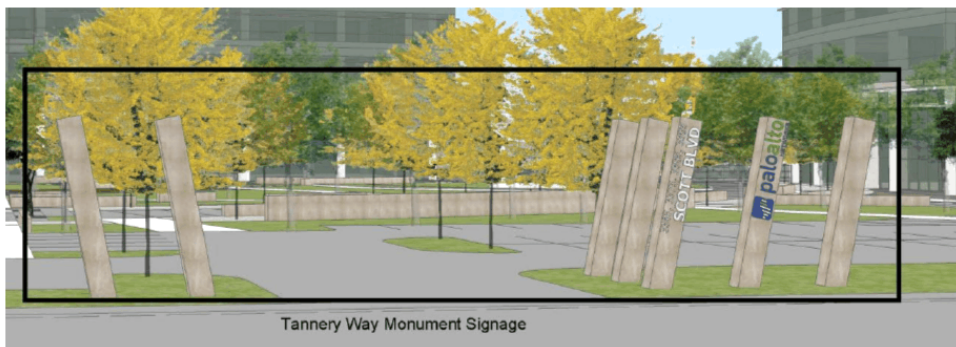
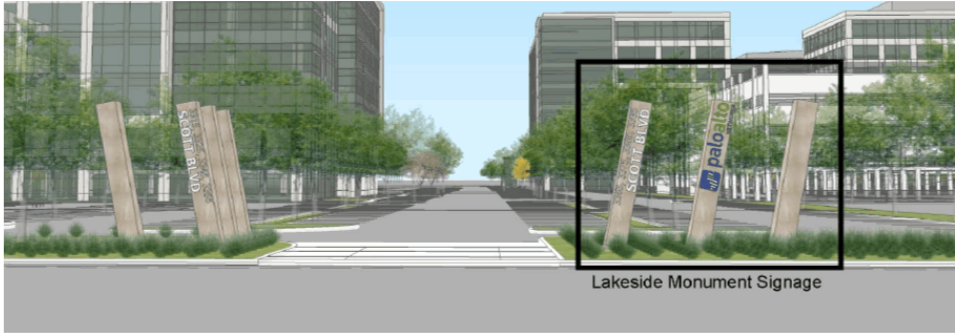


Exhibit G

EXHIBIT H
LANDLORD SIGNAGE ILLUSTRATION

LANDLORD'S NAME/OWNERSHIP AFFILIATION FOR SIGNAGE

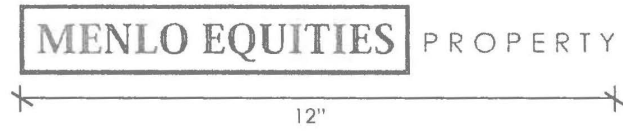


Exhibit H

EXHIBIT I

RULES AND REGULATIONS

1. No sign, advertisement, name or notice shall be installed or displayed on any part of the outside, or inside if visible from the outside, of the Building without the prior written consent of Landlord. Landlord shall have the right to remove, at Tenant's expense and without notice, any sign installed or displayed in violation of this rule.

2. Tenant shall not place anything or allow anything to be placed near the glass of any window, door, partition or wall which may appear unsightly from outside the Leased Premises. No awnings or other projection shall be attached to the outside walls of the Building without the prior written consent of Landlord. No curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Leased Premises, other than Building standard materials, without the prior written consent of Landlord.

3. Tenant shall not obstruct any sidewalks, halls, passages, exits, entrances, elevators, escalators or stairways of the Building. The halls, passages, exits, entrances, elevators, escalators, stairways and other common areas (excluding such spaces in the Leased Premises) are not for the general public, and Landlord shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the reasonable judgment of Landlord would be prejudicial to the safety, character, reputation and interests of the Building and its tenants; provided, that nothing herein contained shall be construed to prevent such access to persons with whom any tenant normally deals in the ordinary course of its business, unless such persons are engaged in illegal activities. Except as otherwise set forth in Paragraph 4.14 of the Lease, neither tenant nor any employee, invitee, agent, licensee or contractor of Tenant shall go upon or be entitled to use any portion of the roof of the Building.

4. The directory of the Building will be provided exclusively for the display of the name and location of tenants only, and Landlord reserves the right to exclude any other names therefrom.

5. All cleaning and janitorial services for the Building Common Areas and the Leased Premises shall be provided exclusively through Landlord or Landlord's janitorial contractors in accordance with the provisions of Paragraph 5.1(b) of the Lease. No person or persons other than those approved by Landlord shall be employed by Tenant or permitted to enter the Building for the purpose of cleaning the same. Tenant shall not cause any unnecessary labor by carelessness or indifference to the good order and cleanliness of the Leased Premises. Landlord shall not in any way be responsible to Tenant for loss of property on the Leased Premises, however occurring, or for any damage to Tenant's property by the janitors or any other employee or any other person.

6. Tenant, upon termination of its tenancy, shall deliver to Landlord the keys of all doors which have been furnished to, or otherwise procured by Tenant, and, in the event of loss of any keys, shall pay Landlord the cost of replacing the same or of changing the lock or locks opened by such lost key if Landlord shall deem it necessary to make such change. Landlord may impose a reasonable charge for keys it furnishes to Tenant, if any. Tenant may not make or have

made additional keys, and Tenant shall not alter any lock or install a new additional lock or bolt on any door or window of the Leased Premises.

7. Tenant shall not place a load upon any floor of the Leased Premises which exceeds the one hundred (100) pounds per square foot of live load which such floor was designed to carry and which is allowed by law. Business machines and mechanical equipment which cause noise or vibration that may be transmitted to the structure of the Building or to any space therein to such a degree as to be objectionable to Landlord or to any tenants in the Building, shall be placed and maintained by Tenant, at Tenant's expense, on vibration eliminators or other devices sufficient to eliminate noise or vibration. Landlord will not be responsible for loss of, or damage to, any such equipment or other property from any cause, and all damage done to the Building by maintaining or moving such equipment or other property shall be repaired at the expense of Tenant.

8. Tenant shall not use or keep in the Leased Premises any kerosene, gasoline or inflammable or combustible fluid or material other than those limited quantities necessary for the operation or maintenance of office equipment. Tenant shall not use or permit to be used in the Leased Premises any foul or noxious gas or substance, or permit or allow the Leased Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Property or the project of which the Property is a part (the "Project") by reason of noise, odors or vibrations, nor shall Tenant bring into or keep in or about the Leased Premises any birds or animals other than "seeing-eye" or other assistance animals.

9. Tenant shall not use any method of heating or air-conditioning other than that supplied by Landlord or as approved by Landlord pursuant to the Work Letter attached to the Lease.

10. Tenant shall not waste electricity, water or air-conditioning and agrees to cooperate fully with Landlord to assure the most effective operation of the Building's heating and air-conditioning and to comply with any governmental energy-saving rules, laws or regulations of which Tenant has actual notice, and shall not adjust controls other than room thermostats installed for Tenant's use. Tenant shall keep corridor doors closed at the end of each business day.

11. Landlord shall not be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. Tenant shall be responsible for all persons for whom it requests passes and shall be liable to Landlord for all acts of such persons. Landlord reserves the right to prevent access to the Building in case of invasion, mob, riot, public excitement or other commotion by closing the doors or by other appropriate action.

12. Tenant shall close and lock all doors of the Leased Premises and entirely shut off all water faucets or other water apparatus, and, except with regard to Tenant's computers and other equipment which reasonably require electricity on a 24-hour basis, all electricity, gas or air outlets before Tenant and its employees leave the Leased Premises. Tenant shall be responsible for any damage or injuries sustained by other tenants or occupants of the Building or by Landlord for noncompliance with this rule.

Exhibit I

13. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substances of any kind whatsoever shall be thrown therein.

14. Tenant shall not sell, or permit the sale at retail, of newspapers, magazines, periodicals, theater tickets, or any other goods or merchandise to the general public in or on the Leased Premises. Tenant shall not make any room-to-room solicitation of business from other tenants of the Property or the Project. Tenant shall not use the Leased Premises for any business or activity other than that specifically provided for in the Lease.

15. Except as otherwise set forth in Paragraph 4.14 of the Lease, Tenant shall not install any radio or television antenna, loudspeaker or other device on the roof or exterior walls of the Building. Tenant shall not interfere with radio or television broadcasting or reception from or in the Building or elsewhere.

16. Except as expressly permitted in the Lease, Tenant shall not mark, drive nails, screw or drill into the partitions, window mullions, woodwork or plaster, or in any way deface the Leased Premises or any part thereof, except to install normal wall hangings. Tenant shall repair any damage resulting from noncompliance under this rule.

17. Tenant shall not install, maintain or operate upon the Leased Premises any vending machines that do not serve solely the occupants of the Leased Premises, without the prior written consent of Landlord, .

18. Canvassing, soliciting and distribution of handbills or any other written material, and peddling in and around the Property or the Project or the Building are expressly prohibited, and each tenant shall cooperate to prevent same.

19. Landlord reserves the right to exclude or expel from the Property or the Project and/or the Building any person who, in Landlord's judgment, is intoxicated or under the influence of liquor or drugs or who is in violation of any of the Rules and Regulations of the Building, the Property, or the Project.

20. Tenant shall store all its trash and garbage within the Leased Premises or the outdoor trash enclosure/receptacle as described in Paragraph 4.4 of the Lease. Tenant shall not place in any trash box or receptacle any material which cannot be disposed of in the ordinary and customary manner of trash and garbage disposal. All recycling, garbage and refuse disposal shall be made in accordance with directions reasonably issued from time to time by Landlord.

21. The Leased Premises shall not be used for the storage of merchandise held for sale to the general public, or for lodging or for manufacturing of any kind. No cooking shall be done or permitted by Tenant on the Leased Premises, except that use by Tenant of Underwriters' Laboratory-approved equipment for brewing coffee, tea, hot chocolate and similar beverages shall be permitted and the use of a microwave shall be permitted, provided that such equipment and use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations.

22. Tenant shall not use in any space, or in the public halls of the Building, any hand trucks except those equipped with rubber tires and side guards, or such other material-handling equipment as Landlord may approve. Tenant shall not bring any other vehicles of any kind into the Building.

23. Tenant shall not use the name of the Building, the Property, or the Project in connection with, or in promoting or advertising, the business of Tenant, except for Tenant's address.

24. Tenant agrees that it shall comply with all fire and security regulations that may be issued from time to time by Landlord, and Tenant also shall provide Landlord with the name of a designated responsible employee to represent Tenant in all matters pertaining to such fire or security regulations. Tenant shall cooperate fully with Landlord in all matters concerning fire and other emergency procedures.

25. Tenant assumes any and all responsibility for protecting the Leased Premises from theft, robbery and pilferage. Such responsibility shall include keeping doors locked and other means of entry to the Leased Premises closed.

26. Landlord may waive any one or more of these Rules and Regulations for the benefit of Tenant or any other tenant.

27. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of any lease of premises in the Building, the Property, or the Project.

28. Landlord reserves the right to make such other and reasonable Rules and Regulations as, in its judgment, may from time to time be needed for safety, security, care and cleanliness of the Building, the Property, or the Project and for the preservation of good order therein. Tenant agrees to abide by all such Rules and Regulations hereinabove stated and any additional rules and regulations which are adopted.

29. Tenant shall be responsible for the observance of all of the foregoing rules by Tenant's employees, agents, clients, customers, invitees or guests.

30. Except as otherwise provided in Paragraph 6.1 of the Lease, Tenant shall not lay linoleum, tile, carpet or other similar floor covering without the prior written approval of Landlord. The expense of repairing any damage resulting from a violation of this rule shall be borne by Tenant.

PARKING RULES AND REGULATIONS

1. In addition to the parking provisions contained in the Lease to which these Rules and Regulations are attached, the following rules and regulations shall apply with respect to the use of the Building's parking facilities.

2. Every parker is required to park and lock his/her own vehicle. All responsibility for damage to or loss of vehicles is assumed by the parker and Landlord shall not be responsible

for any such damage or loss by water, fire, defective brakes, the act or omissions of others, theft, or for any other cause.

3. Tenant shall not park or permit its employees to park in any parking areas designated by Landlord as areas for parking by visitors to the Building, the Property, or the Project. Tenant shall not leave vehicles in the parking areas overnight (except vehicles belonging to Akamai employees who are working overnight or who have legitimate business needs for occasional overnight parking) nor park any vehicles in the parking areas other than automobiles, motorcycles, motor driven or non-motor driven bicycles or four wheeled trucks.

4. No overnight or extended term storage of vehicles shall be permitted.

5. Vehicles must be parked entirely within painted stall lines of a single parking stall.

6. All directional signs and arrows must be observed.

7. The speed limit within all parking areas shall be five (5) miles per hour.

8. Parking is prohibited: (a) in areas not striped for parking; (b) in aisles; (c) where "no parking" signs are posted; (d) on ramps; (e) in cross-hatched areas; and (f) in reserved spaces and in such other areas as may be designated by Landlord or Landlord's parking operator.

9. Landlord may elect in the future to implement a parking system which includes the use of parking identification devices, and if Landlord does so: (a) the loss or theft of parking identification devices must be reported to the Property Manager designated by Landlord immediately, (b) a lost or stolen report must be filed by the Tenant or user of such parking identification device at the time, (c) any parking identification devices reported lost or stolen found on any unauthorized car will be confiscated and the illegal holder will be subject to prosecution, and (d) Landlord will have the right to exclude any vehicle from the parking facilities that does not have an identification device.

10. Washing, waxing, cleaning or servicing of any vehicle in any area not specifically reserved for such purpose is prohibited.

11. The parking operators, managers or attendants, if any, are not authorized to make or allow any exceptions to these rules and regulations.

12. Tenant's continued right to park in the parking facilities is conditioned upon Tenant abiding by these rules and regulations and the applicable terms of the Lease. Further, if the Lease terminates for any reason whatsoever, Tenant's right to park in the parking facilities shall terminate concurrently therewith.

13. Landlord reserves the right to modify and/or adopt such other commercially reasonable and non-discriminatory rules and regulations for the parking facilities as it deems necessary for the operation of the parking facilities. Landlord may refuse to permit any person who violates these rules to park in the parking facilities, and any violation of the rules shall subject the vehicle to removal, at such vehicle owner's expense.

EXHIBIT J-1

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT PROVISIONS

(CURRENT FINANCING)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Wells Fargo Bank, National Association
CRE – San Francisco - Gold ([Redacted])
420 Montgomery Street, 6th Floor
San Francisco, CA 94104

Attn: Colleen King
Loan No. [Redacted]

(Space Above For Recorder's Use)

SUBORDINATION AGREEMENT, ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ESTOPPEL, ATTORNMENT AND NON-DISTURBANCE AGREEMENT
(Lease to Security Instrument)

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT, ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ESTOPPEL, ATTORNMENT AND NON-DISTURBANCE AGREEMENT ("Agreement") is made [DATE] by and between [PROPERTY OWNER NAME], A(N) [ENTITY TYPE], OWNER(S) OF THE REAL PROPERTY HEREINAFTER DESCRIBED ([[collectively,]] "Mortgagor"), [TENANT NAME] ("Tenant") and Wells Fargo Bank, National Association (collectively with its successors or assigns, "Lender").

R E C I T A L S

- A. Pursuant to the terms and provisions of a lease dated [DATE OF LEASE] ("Lease"), Mortgagor granted to Tenant a leasehold estate in and to [[a portion of]] the property described on Exhibit A attached hereto and incorporated herein by this reference (which property, together with all improvements now or hereafter located on the property, is defined as the "Property").
- B. Mortgagor has executed, or proposes to execute, that certain Deed Of Trust ("Security Instrument") securing, among other things, that certain Promissory Note dated [DATE]

OF NOTE] ("Note") in the principal sum of [LOAN AMOUNT (\$NUMBERS)], in favor of Lender ("Loan"). The Security Instrument has been or will be recorded concurrently herewith in the real property records where the Property is located.

- C. As a condition to Lender making the Loan secured by the Security Instrument, Lender requires that the Security Instrument be unconditionally and at all times remain a lien on the Property, prior and superior to all the rights of Tenant under the Lease and that the Tenant specifically and unconditionally subordinate the Lease to the lien of the Security Instrument.
- D. Mortgagor and Tenant have agreed to the subordination, attornment and other agreements herein in favor of Lender.

NOW THEREFORE, for valuable consideration and to induce Lender to make the Loan, Mortgagor and Tenant hereby agree for the benefit of Lender as follows:

(1) SUBORDINATION. Mortgagor and Tenant hereby agree that:

- 1. Prior Lien. The Security Instrument securing the Note in favor of Lender, and any modifications, renewals or extensions thereof (including, without limitation, any modifications, renewals or extensions with respect to any additional advances made subject to the Security Instrument), shall unconditionally be and at all times remain a lien on the Property prior and superior to the Lease;
- 2. Subordination. Lender would not make the Loan or approve the Lease without this agreement to subordinate; and
- 3. Whole Agreement. This Agreement shall be the whole agreement and only agreement with regard to the subordination of the Lease to the lien of the Security Instrument and shall supersede and cancel, but only insofar as would affect the priority between the Security Instrument and the Lease, any prior agreements as to such subordination, including, without limitation, those provisions, if any, contained in the Lease which provide for the subordination of the Lease to a deed or deeds of trust or to a mortgage or mortgages.

AND FURTHER, Tenant individually declares, agrees and acknowledges for the benefit of Lender, that:

- 4. Use of Proceeds. Lender, in making disbursements pursuant to the Note, the Security Instrument or any loan agreements with respect to the Property, is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat this agreement to subordinate in whole or in part; and

5. Waiver, Relinquishment and Subordination. Tenant intentionally and unconditionally subordinates all of Tenant's right, title and interest in and to the Property to the lien of the Security Instrument and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination, specific loans and advances are being and will be made by Lender and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

(2) ASSIGNMENT. Tenant acknowledges and consents to the assignment of the Lease by Mortgagor in favor of Lender.

(3) ESTOPPEL. Tenant acknowledges and represents that:

1. Entire Agreement. The Lease constitutes the entire agreement between Mortgagor and Tenant with respect to the Property and Tenant claims no rights with respect to the Property other than as set forth in the Lease;

2. No Prepaid Rent. No deposits or prepayments of rent have been made in connection with the Lease;

3. No Default. To Tenant's actual knowledge, as of the date hereof: (i) there exists no breach, default, or event or condition which, with the giving of notice or the passage of time or both, would constitute a breach or default under the Lease; and (ii) there are no existing claims, defenses or offsets against rental due or to become due under the Lease;

4. Lease Effective. The Lease has been duly executed and delivered by Tenant and, subject to the terms and conditions thereof, the Lease is in full force and effect, the obligations of Tenant thereunder are valid and binding and there have been no amendments, modifications or additions to the Lease, written or oral; and

5. No Broker Liens. Neither Tenant nor Mortgagor has incurred any fee or commission with any real estate broker which would give rise to any lien right under state or local law, except as follows (if none, state "None"):_____

(4) ADDITIONAL AGREEMENTS. Tenant covenants and agrees that, during all such times as Lender is the Beneficiary under the Security Instrument:

1. Modification, Termination and Cancellation. Any modification, amendment, termination or cancellation of the Lease (in whole or in part) and any payment to Mortgagor made in consideration thereof without Lender's prior written consent shall not be binding on Lender and shall be deemed null and void; provided, however, that if the Lease is terminated without Lender's prior written consent (except pursuant to the provisions of Paragraphs 2.4, 2.8 or 16.6 thereof or Paragraph 5(3) of this Agreement), the Lease shall be reinstated regardless of the timing of any foreclosure or other enforcement action under the Security Instrument. Tenant hereby agrees that, from and

after the date hereof, in the event of any act or omission by the Landlord under the Lease which would give Tenant the right, either immediately or after the lapse of a period of time, to terminate the Lease, or to claim a partial or total eviction, Tenant will not exercise any such right until it has given Lender the opportunity to cure any such act or omission of Landlord in accordance with Section 4(2) below; provided, however, that, the foregoing shall not prevent Tenant from terminating the Lease pursuant to the provisions of Paragraph 5(3) of this Agreement or Paragraphs 2.4, 2.8 or 16.6 of the Lease or within the time periods set forth in such sections (without additional allowance for Lender cure periods, provided that Tenant has delivered to Lender concurrent notice of its intent to terminate). Lender's consent to any modification or amendment of the Lease shall not be unreasonably withheld, conditioned or delayed and shall be deemed given if Lender fails to approve or disapprove the same within 10 business days after receipt of Mortgagor's written request for approval, together with a draft of the proposed modification or amendment and such other information as shall be necessary for Lender's review thereof, and provided that Mortgagor's request for approval contains a prominent statement on the first page notifying Lender of the consequences of Lender's failure to respond within such 10-business day period. For the avoidance of doubt, the foregoing sentence shall not apply to Lender's consent to any termination of the Lease;

2. Notice of Default. Tenant will notify Lender in writing concurrently with any notice given to Mortgagor of any default by Mortgagor under the Lease, and Tenant agrees that Lender has the right (but not the obligation) to cure any breach or default specified in such notice within the time periods set forth below and Tenant will not declare a default of the Lease, as to Lender, if Lender cures such default within fifteen (15) days from and after the expiration of the time period provided in the Lease for the cure thereof by Mortgagor; provided, however, that if such default cannot with diligence be cured by Lender within such fifteen (15) day period, the commencement of action by Lender within such fifteen (15) day period to remedy the same followed by diligent pursuit of such action shall be deemed sufficient so long as Lender pursues such cure with diligence; provided, that such cure period shall not exceed one hundred eighty (180) days.

3. No Advance Rents. No advance payments or prepayments of rent more than one (1) month in advance of the time when the same is due under the Lease shall be binding on Lender unless such rent is actually received by Lender.

4. Assignment of Rents. Upon receipt by Tenant of written notice from Lender that Lender has elected to terminate the license granted to Mortgagor to collect rents, as provided in the Security Instrument, and directing the payment of rents by Tenant to Lender, Tenant shall comply with such direction to pay and shall not be required to determine whether Mortgagor is in default under the Loan and/or the Security Instrument, and, Mortgagor agrees that any amount so paid by Tenant shall automatically be credited towards Tenant's obligations under the Lease.

(5) ATTORNMEN. In the event of a foreclosure under the Security Instrument, Tenant agrees for the benefit of Lender (including for this purpose any transferee of Lender or any transferee of Mortgagor's title in and to the Property by Lender's exercise of the remedy of sale by foreclosure under the Security Instrument) as follows:

1. Payment of Rent. Tenant shall pay to Lender all rental payments required to be made by Tenant pursuant to the terms of the Lease for the duration of the term of the Lease;
2. Continuation of Performance. Tenant shall be bound to Lender in accordance with all of the provisions of the Lease for the balance of the term thereof, and Tenant hereby attorns to Lender as its landlord, such attornment to be effective and self-operative without the execution of any further instrument immediately upon Lender succeeding to Mortgagor's interest in the Lease and giving written notice thereof to Tenant;
3. No Offset. Lender shall not be liable for, nor subject to, any offsets or defenses which Tenant may have by reason of any act or omission of Mortgagor under the Lease, nor for the return of any sums which Tenant may have paid to Mortgagor under the Lease as and for security deposits, advance rentals or otherwise, except to the extent that such sums are actually delivered by Mortgagor to Lender, nor shall Lender be obligated to perform the Construction Obligations (as hereinafter defined), unless Lender or any such transferee so elects as hereinafter provided; provided, however, that Lender or any such transferee shall be required to cure any continuing non-monetary defaults under the Lease other than the Construction Obligations (except as set forth below). Upon Lender's or any such transferee's obtaining title to the Property (whether by foreclosure or otherwise) and delivery to Tenant of written notice that it has obtained title, Tenant will deliver to Lender a written statement confirming the then outstanding Construction Obligations ("Outstanding Construction Obligations Notice"). Within thirty (30) days of the date upon which Lender or any such transferee receives the Outstanding Construction Obligations Notice, Lender or any such transferee will give Tenant written notice of whether Lender or any such transferee will elect to perform all of the outstanding Construction Obligations as set forth in the Outstanding Construction Obligations Notice. If Lender or any such transferee does not elect within such thirty (30) day period to perform all such outstanding Construction Obligations, then Tenant may terminate the Lease within ten (10) days of Tenant's receipt of notice of Lender's or any such transferee's election not to perform the outstanding Construction Obligations (or within ten (10) days after the expiration of such thirty (30) day period if no election to perform such Construction Obligations has been made). If Lender or any such transferee elects to perform the outstanding Construction Obligations, then Lender or any such transferee (and any successor landlord) shall perform them in accordance with the Lease. As used herein, the term "Construction Obligations" shall mean Landlord's obligations to (i) perform the Landlord's Work, (ii) disburse the Tenant Improvement Allowance, (iii) honor Tenant's rights of offset set forth in Section 7 of Exhibit C to the Lease, and (iv) make the payment, if required, described in Paragraph 16.1(d) of the Lease.

4. Subsequent Transfer. If Lender, by succeeding to the interest of Mortgagor under the Lease, should become obligated to perform the covenants of Mortgagor thereunder, then, upon any further transfer of Mortgagor's interest by Lender, all of such obligations shall terminate as to Lender.

(6) NON-DISTURBANCE. In the event of a foreclosure under the Security Instrument, so long as there shall then exist no breach, default, or event of default on the part of Tenant under the Lease beyond applicable notice and cure periods, Lender agrees for itself and its successors and assigns that the leasehold interest of Tenant under the Lease shall not be extinguished or terminated by reason of such foreclosure, but rather the Lease shall continue in full force and effect and Lender shall recognize and accept Tenant as tenant under the Lease subject to the terms and provisions of the Lease except as modified by this Agreement.

(7) MISCELLANEOUS.

1. Remedies Cumulative. All rights of Lender herein to collect rents on behalf of Mortgagor under the Lease are cumulative and shall be in addition to any and all other rights and remedies provided by law and by other agreements between Lender and Mortgagor or others.

2. NOTICES. All notices, demands, or other communications under this Agreement and the other Loan Documents shall be in writing and shall be delivered to the appropriate party at the address set forth below (subject to change from time to time by written notice to all other parties to this Agreement). All notices, demands or other communications shall be considered as properly given if delivered personally or sent by first class United States Postal Service mail, postage prepaid, or by Overnight Express Mail or by overnight commercial courier service, charges prepaid, except that notice of Default may be sent by certified mail, return receipt requested, charges prepaid. Notices so sent shall be effective three (3) Business Days after mailing, if mailed by first class mail, and otherwise upon delivery or refusal; provided, however, that non-receipt of any communication as the result of any change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication. For purposes of notice, the address of the parties shall be:

Mortgagor:	[OWNER NAME STREET ADDRESS CITY, STATE ZIP] Attention: [CONTACT NAME]
Tenant:	[TENANT NAME TENANT ADDRESS 1 TENANT ADDRESS 2 TENANT CITY, STATE ZIP] Attention: [TENANT CONTACT]
Lender:	Wells Fargo Bank, National Association CRE – San Francisco Gold ([Redacted]) 420 Montgomery Street, 6th Floor San Francisco, CA 94104 Attention: Ivane Tatt Loan #: [Redacted]
With a copy to:	Wells Fargo Bank, National Association WLS Minneapolis Loan Center 608 2nd Avenue South, 11th Floor Minneapolis, MN 55402 Attention: Jessica Bistodeau

Any party shall have the right to change its address for notice hereunder to any other location within the continental United States by the giving of thirty (30) days' notice to the other party in the manner set forth hereinabove.

3. Heirs, Successors and Assigns. Except as otherwise expressly provided under the terms and conditions herein, the terms of this Agreement shall bind and inure to the benefit of the heirs, executors, administrators, nominees, successors and assigns of the parties hereto.
4. Headings. All article, section or other headings appearing in this Agreement are for convenience of reference only and shall be disregarded in construing this Agreement.
5. Counterparts. To facilitate execution, this document may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single

document. It shall not be necessary in making proof of this document to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

6. Exhibits, Schedules and Riders. All exhibits, schedules, riders and other items attached hereto are incorporated into this Agreement by such attachment for all purposes.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT HERETO.

“MORTGAGOR”

[[SIGNATURE BLOCK FOR PROPERTY MORTGAGOR(S)]]

“TENANT”

[[SIGNATURE BLOCK FOR TENANT]]

“LENDER”

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: _____

Name: _____

Its: _____

(IF DOCUMENT TO BE RECORDED, ALL SIGNATURES
MUST BE ACKNOWLEDGED)

EXHIBIT A - DESCRIPTION OF PROPERTY

[[TO BE ATTACHED]]

Exhibit J-1

[[IF LEASE GUARANTY]] LEASE GUARANTOR'S CONSENT

The undersigned ("Lease Guarantor") consents to the foregoing [[Subordination Agreement]] [[Subordination Agreement; Acknowledgment of Lease Assignment, Estoppel, Attornment and Non-Disturbance Agreement]] [[Acknowledgment of Lease Assignment, Estoppel, Attornment and Non-Disturbance Agreement]] and the transactions contemplated thereby and reaffirms its obligations under the lease guaranty ("Lease Guaranty") dated LEASE GUARANTY DATE. Lease Guarantor further reaffirms that its obligations under the Lease Guaranty are separate and distinct from Tenant's obligations.

AGREED:

Dated as of: _____

"LEASE GUARANTOR"

[[SIGNATURE BLOCK FOR LEASE GUARANTOR]]

(IF DOCUMENT TO BE RECORDED, ALL SIGNATURES
MUST BE ACKNOWLEDGED)

EXHIBIT J-2

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT PROVISIONS

(FUTURE FINANCING)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Wells Fargo Bank, National Association
CRE – San Francisco - Gold ([Redacted])
420 Montgomery Street, 6th Floor
San Francisco, CA 94104

Attn: Colleen King
Loan No. [Redacted]

(Space Above For Recorder's Use)

SUBORDINATION AGREEMENT, ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ESTOPPEL, ATTORNMENT AND NON-DISTURBANCE AGREEMENT
(Lease to Security Instrument)

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT, ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ESTOPPEL, ATTORNMENT AND NON-DISTURBANCE AGREEMENT ("Agreement") is made [DATE] by and between [PROPERTY OWNER NAME], A(N) [ENTITY TYPE], OWNER(S) OF THE REAL PROPERTY HEREINAFTER DESCRIBED ([[collectively,]] "Mortgagor"), [TENANT NAME] ("Tenant") and Wells Fargo Bank, National Association (collectively with its successors or assigns, "Lender").

R E C I T A L S

A. Pursuant to the terms and provisions of a lease dated [DATE OF LEASE] ("Lease"), Mortgagor granted to Tenant a leasehold estate in and to [[a portion of]] the property described on Exhibit A attached hereto and incorporated herein by this reference (which property, together with all improvements now or hereafter located on the property, is defined as the "Property").

B. Mortgagor has executed, or proposes to execute, that certain Deed Of Trust ("Security Instrument") securing, among other things, that certain Promissory Note dated [DATE OF NOTE] ("Note") in the principal sum of [LOAN AMOUNT (\$NUMBERS)], in favor of Lender ("Loan"). The Security Instrument has been or will be recorded concurrently herewith in the real property records where the Property is located.

C. As a condition to Lender making the Loan secured by the Security Instrument, Lender requires that the Security Instrument be unconditionally and at all times remain a lien on the Property, prior and superior to all the rights of Tenant under the Lease and that the Tenant specifically and unconditionally subordinate the Lease to the lien of the Security Instrument.

D. Mortgagor and Tenant have agreed to the subordination, attornment and other agreements herein in favor of Lender.

NOW THEREFORE, for valuable consideration and to induce Lender to make the Loan, Mortgagor and Tenant hereby agree for the benefit of Lender as follows:

(1) SUBORDINATION. Mortgagor and Tenant hereby agree that:

1. Prior Lien. The Security Instrument securing the Note in favor of Lender, and any modifications, renewals or extensions thereof (including, without limitation, any modifications, renewals or extensions with respect to any additional advances made subject to the Security Instrument), shall unconditionally be and at all times remain a lien on the Property prior and superior to the Lease;
2. Subordination. Lender would not make the Loan or approve the Lease without this agreement to subordinate; and
3. Whole Agreement. This Agreement shall be the whole agreement and only agreement with regard to the subordination of the Lease to the lien of the Security Instrument and shall supersede and cancel, but only insofar as would affect the priority between the Security Instrument and the Lease, any prior agreements as to such subordination, including, without limitation, those provisions, if any, contained in the Lease which provide for the subordination of the Lease to a deed or deeds of trust or to a mortgage or mortgages.

AND FURTHER, Tenant individually declares, agrees and acknowledges for the benefit of Lender, that:

4. Use of Proceeds. Lender, in making disbursements pursuant to the Note, the Security Instrument or any loan agreements with respect to the Property, is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat this agreement to subordinate in whole or in part; and

5. Waiver, Relinquishment and Subordination. Tenant intentionally and unconditionally subordinates all of Tenant's right, title and interest in and to the Property to the lien of the Security Instrument and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination, specific loans and advances are being and will be made by Lender and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

(2) ASSIGNMENT. Tenant acknowledges and consents to the assignment of the Lease by Mortgagor in favor of Lender.

(3) ESTOPPEL. Tenant acknowledges and represents that:

1. Entire Agreement. The Lease constitutes the entire agreement between Mortgagor and Tenant with respect to the Property and Tenant claims no rights with respect to the Property other than as set forth in the Lease;

2. No Prepaid Rent. No deposits or prepayments of rent have been made in connection with the Lease;

3. No Default. To Tenant's actual knowledge, as of the date hereof: (i) there exists no breach, default, or event or condition which, with the giving of notice or the passage of time or both, would constitute a breach or default under the Lease; and (ii) there are no existing claims, defenses or offsets against rental due or to become due under the Lease;

4. Lease Effective. The Lease has been duly executed and delivered by Tenant and, subject to the terms and conditions thereof, the Lease is in full force and effect, the obligations of Tenant thereunder are valid and binding and there have been no amendments, modifications or additions to the Lease, written or oral; and

5. No Broker Liens. Neither Tenant nor Mortgagor has incurred any fee or commission with any real estate broker which would give rise to any lien right under state or local law, except as follows (if none, state "None"): _____

(4) ADDITIONAL AGREEMENTS. Tenant covenants and agrees that, during all such times as Lender is the Beneficiary under the Security Instrument:

1. Modification, Termination and Cancellation. Any modification, amendment, termination or cancellation of the Lease (in whole or in part) and any payment to Mortgagor made in consideration thereof without Lender's prior written consent shall not be binding on Lender and shall be deemed null and void; provided, however, that if the Lease is terminated without Lender's prior written consent (except pursuant to the provisions of Paragraphs 2.4, 2.8 or 16.6 thereof), the Lease shall be reinstated regardless of the timing of any foreclosure or other enforcement action under the Security Instrument. Tenant hereby agrees that, from and after the date hereof, in the event of any act or omission by the Landlord under the Lease which would give Tenant the right,

either immediately or after the lapse of a period of time, to terminate the Lease, or to claim a partial or total eviction, Tenant will not exercise any such right until it has given Lender the opportunity to cure any such act or omission of Landlord in accordance with Section 4(2) below; provided, however, that, the foregoing shall not prevent Tenant from terminating the Lease pursuant to the provisions of Sections 2.4, 2.8 or 16.6 thereof within the time periods set forth in such sections (without additional allowance for Lender cure periods, provided that Tenant has delivered to Lender concurrent notice of its intent to terminate). Lender's consent to any modification or amendment of the Lease shall not be unreasonably withheld, conditioned or delayed and shall be deemed given if Lender fails to approve or disapprove the same within 10 business days after receipt of Mortgagor's written request for approval, together with a draft of the proposed modification or amendment and such other information as shall be necessary for Lender's review thereof, and provided that Mortgagor's request for approval contains a prominent statement on the first page notifying Lender of the consequences of Lender's failure to respond within such 10-business day period. For the avoidance of doubt, the foregoing sentence shall not apply to Lender's consent to any termination of the Lease;

2. Notice of Default. Tenant will notify Lender in writing concurrently with any notice given to Mortgagor of any default by Mortgagor under the Lease, and Tenant agrees that Lender has the right (but not the obligation) to cure any breach or default specified in such notice within the time periods set forth below and Tenant will not declare a default of the Lease, as to Lender, if Lender cures such default within fifteen (15) days from and after the expiration of the time period provided in the Lease for the cure thereof by Mortgagor; provided, however, that if such default cannot with diligence be cured by Lender within such fifteen (15) day period, the commencement of action by Lender within such fifteen (15) day period to remedy the same followed by diligent pursuit of such action shall be deemed sufficient so long as Lender pursues such cure with diligence; provided, that such cure period shall not exceed one hundred eighty (180) days.

3. No Advance Rents. No advance payments or prepayments of rent more than one (1) month in advance of the time when the same is due under the Lease shall be binding on Lender unless such rent is actually received by Lender.

4. Assignment of Rents. Upon receipt by Tenant of written notice from Lender that Lender has elected to terminate the license granted to Mortgagor to collect rents, as provided in the Security Instrument, and directing the payment of rents by Tenant to Lender, Tenant shall comply with such direction to pay and shall not be required to determine whether Mortgagor is in default under the Loan and/or the Security Instrument, and, Mortgagor agrees that any amount so paid by Tenant shall automatically be credited towards Tenant's obligations under the Lease.

(5) ATTORNMENT. In the event of a foreclosure under the Security Instrument, Tenant agrees for the benefit of Lender (including for this purpose any transferee of Lender or any transferee of Mortgagor's title in and to the Property by Lender's exercise of the remedy of sale by foreclosure under the Security Instrument) as follows:

1. Payment of Rent. Tenant shall pay to Lender all rental payments required to be made by Tenant pursuant to the terms of the Lease for the duration of the term of the Lease;
2. Continuation of Performance. Tenant shall be bound to Lender in accordance with all of the provisions of the Lease for the balance of the term thereof, and Tenant hereby attorns to Lender as its landlord, such attornment to be effective and self-operative without the execution of any further instrument immediately upon Lender succeeding to Mortgagor's interest in the Lease and giving written notice thereof to Tenant;
3. No Offset. Lender shall not be liable for, nor subject to, any offsets or defenses which Tenant may have by reason of any act or omission of Mortgagor under the Lease, nor for the return of any sums which Tenant may have paid to Mortgagor under the Lease as and for security deposits, advance rentals or otherwise, except to the extent that such sums are actually delivered by Mortgagor to Lender; provided, however, that Lender or any such transferee shall be required to cure any continuing non-monetary defaults under the Lease and shall be obligated to perform the Construction Obligations (as hereinafter defined) in accordance with the Lease, to the extent not previously performed. As used herein, the term "Construction Obligations" shall mean Landlord's obligations to (i) perform the Landlord's Work, (ii) disburse the Tenant Improvement Allowance, (iii) honor Tenant's rights of offset set forth in Section 7 of Exhibit C to the Lease, and (iv) make the payment, if required, described in Paragraph 16.1(d) of the Lease.
4. Subsequent Transfer. If Lender, by succeeding to the interest of Mortgagor under the Lease, should become obligated to perform the covenants of Mortgagor thereunder, then, upon any further transfer of Mortgagor's interest by Lender, all of such obligations shall terminate as to Lender.

(6) NON-DISTURBANCE. In the event of a foreclosure under the Security Instrument, so long as there shall then exist no breach, default, or event of default on the part of Tenant under the Lease beyond applicable notice and cure periods, Lender agrees for itself and its successors and assigns that the leasehold interest of Tenant under the Lease shall not be extinguished or terminated by reason of such foreclosure, but rather the Lease shall continue in full force and effect and Lender shall recognize and accept Tenant as tenant under the Lease subject to the terms and provisions of the Lease except as modified by this Agreement.

(7) MISCELLANEOUS.

1. Remedies Cumulative. All rights of Lender herein to collect rents on behalf of Mortgagor under the Lease are cumulative and shall be in addition to any and all other rights and remedies provided by law and by other agreements between Lender and Mortgagor or others.
2. NOTICES. All notices, demands, or other communications under this Agreement and the other Loan Documents shall be in writing and shall be delivered to the

appropriate party at the address set forth below (subject to change from time to time by written notice to all other parties to this Agreement). All notices, demands or other communications shall be considered as properly given if delivered personally or sent by first class United States Postal Service mail, postage prepaid, or by Overnight Express Mail or by overnight commercial courier service, charges prepaid, except that notice of Default may be sent by certified mail, return receipt requested, charges prepaid. Notices so sent shall be effective three (3) Business Days after mailing, if mailed by first class mail, and otherwise upon delivery or refusal; provided, however, that non-receipt of any communication as the result of any change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication. For purposes of notice, the address of the parties shall be:

Mortgagor:	[OWNER NAME STREET ADDRESS CITY, STATE ZIP] Attention: [CONTACT NAME]
Tenant:	[TENANT NAME TENANT ADDRESS 1 TENANT ADDRESS 2 TENANT CITY, STATE ZIP] Attention: [TENANT CONTACT]
Lender:	Wells Fargo Bank, National Association CRE – San Francisco Gold ([Redacted]) 420 Montgomery Street, 6th Floor San Francisco, CA 94104 Attention: Ivane Tatt Loan #: [Redacted]
With a copy to:	Wells Fargo Bank, National Association WLS Minneapolis Loan Center 608 2nd Avenue South, 11th Floor Minneapolis, MN 55402 Attention: Jessica Bistodeau

Any party shall have the right to change its address for notice hereunder to any other location within the continental United States by the giving of thirty (30) days' notice to the other party in the manner set forth hereinabove.

3. Heirs, Successors and Assigns. Except as otherwise expressly provided under the terms and conditions herein, the terms of this Agreement shall bind and inure to the benefit of the heirs, executors, administrators, nominees, successors and assigns of the parties hereto.
4. Headings. All article, section or other headings appearing in this Agreement are for convenience of reference only and shall be disregarded in construing this Agreement.
5. Counterparts. To facilitate execution, this document may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single document. It shall not be necessary in making proof of this document to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.
6. Exhibits, Schedules and Riders. All exhibits, schedules, riders and other items attached hereto are incorporated into this Agreement by such attachment for all purposes.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT HERETO.

“MORTGAGOR”

[[SIGNATURE BLOCK FOR PROPERTY MORTGAGOR(S)]]

“TENANT”

[[SIGNATURE BLOCK FOR TENANT]]

“LENDER”

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: _____

Name: _____

Its: _____

(IF DOCUMENT TO BE RECORDED, ALL SIGNATURES
MUST BE ACKNOWLEDGED)

Exhibit J-2

EXHIBIT A - DESCRIPTION OF PROPERTY

[[TO BE ATTACHED]]

Exhibit J-2

[[IF LEASE GUARANTY]] LEASE GUARANTOR'S CONSENT

The undersigned ("Lease Guarantor") consents to the foregoing [[Subordination Agreement]] [[Subordination Agreement; Acknowledgment of Lease Assignment, Estoppel, Attornment and Non-Disturbance Agreement]] [[Acknowledgment of Lease Assignment, Estoppel, Attornment and Non-Disturbance Agreement]] and the transactions contemplated thereby and reaffirms its obligations under the lease guaranty ("Lease Guaranty") dated LEASE GUARANTY DATE. Lease Guarantor further reaffirms that its obligations under the Lease Guaranty are separate and distinct from Tenant's obligations.

AGREED:

Dated as of: _____

"LEASE GUARANTOR"

[[SIGNATURE BLOCK FOR LEASE GUARANTOR]]

(IF DOCUMENT TO BE RECORDED, ALL SIGNATURES
MUST BE ACKNOWLEDGED)

EXHIBIT K

FORM OF ESTOPPEL CERTIFICATE

_____, 20____

Re _____
_____, California

Ladies and Gentlemen:

Reference is made to that certain Lease, dated as of _____, 20____, between _____ LLC, a California limited liability company (“Landlord”), as landlord, and _____ (“Tenant”), as tenant (herein referred to as the “Lease”). A copy of the Lease [and all amendment thereto] is[are] attached hereto as Exhibit A. At the request of Landlord in connection with [_____ State reasons for request for estoppel certificate _____], the undersigned hereby certifies to Landlord and to [state names of other parties requiring certification (e.g., lender, purchaser, investor)] (“Lender”/ “Purchaser”/ “Investor”) and each of your respective successors and assigns as follows:

1. The undersigned is the tenant under the Lease.
2. The Lease is in full force and effect and has not been amended, modified, supplemented or superseded except as indicated in Exhibit A.
3. There is no current defense, offset, claim or counterclaim by or in favor of the Tenant against Landlord under the Lease or against the obligations of the undersigned under the Lease. The Tenant has no renewal, extension or expansion option, no right of first offer or right of first refusal and no other similar right to renew or extend the term of the Lease or expand the property demised thereunder except as may be expressly set forth in the Lease.
4. All improvements to be constructed in the Leased Premises by Landlord, if any, have been completed and accepted by Tenant, and any tenant construction or other allowances have been paid in full.

Exhibit K

5. To Tenant's current, actual knowledge there is no default now existing of the Tenant or of Landlord under the Lease, nor of any event which with notice or the passage of time or both would constitute a default of Tenant or of Landlord under the Lease.

6. The undersigned has not received notice of a prior transfer, assignment, hypothecation or pledge by Landlord of any of Landlord's interest in the Lease.

7. The monthly rent due under the Lease is \$_____ and has been paid through _____, and all additional rent due and payable under the Lease has been paid through _____.

8. The term of the Lease commenced on _____, and expires on _____, unless sooner terminated pursuant to the provisions of the Lease. Landlord has performed all work required by the Lease for the undersigned's initial occupancy of the demised property.

9. The undersigned has deposited the sum of \$_____ with Landlord as security for the performance of its obligations as tenant under the Lease, and no portion of such deposit has been applied by Landlord to any obligation under the Lease.

10. There is no free rent period pending, nor is Tenant entitled to any Landlord's contribution.

The above certifications are made to Landlord and [Lender/ Purchaser/ Investor] knowing that Landlord and [Lender/ Purchaser/ Investor] will rely thereon in [making a loan secured in part by an assignment of the Lease/ accepting an assignment of the Lease/ investing in Landlord/other].

Very truly yours,

By:
Name:
Title:

EXHIBIT L

AMORTIZATION CATEGORIES AND PERIODS

<u>Category</u>	<u>Useful Life</u>
HVAC Equipment per ASHRAE standards	
1. Split systems	15 years
2. Air Handlers	25 years
3. Heat Pumps	18 years
4. Roof Top Air Conditioners	15 years
5. Boilers	25 years
6. Furnaces, Burners	18 years
7. Ductwork	30 years
8. Dampers	20 years
9. Fans	20 years
10. Coils	18 years
11. Heat Exchangers	20 years
12. Compressors	15 years
13. Cooling Towers	28 years
14. Energy management system	15 years
Single Ply roof overlay 45 mil	15 years
Parking lot seal coat/repairs	4 years
Exterior paint	6 years
Landscaping	20 years
Signage	20 years
Carpeting	8 years
Restrooms	20 years
Lobby redo	20 years
Building structure	39 years

EXHIBIT M
EXISTING SUPERIOR RIGHTS

Building A, 3355 Scott Boulevard:

Fourth Floor Akamai Technologies 41,049 SF through March 16, 2024 Two (2) 5-Year Options to Extend	
Third Floor Akamai Technologies 41,049 SF through March 16, 2024 Two (2) 5-Year Options to Extend	
Second Floor Akamai Technologies 39,287 SF through March 16, 2024 Two (2) 5-Year Options to Extend	
First Floor Pivot Interiors 23,405 SF through February 28, 2025 One (1) 5-Year Options to Extend	Gym & Cafeteria Space

Exhibit M

Building
B: 3325
Scott
Boulevard:

<p>Fourth Floor Palo Alto Networks (est. Start May 1, 2016) 41,235 SF through April 31, 2021 (est.)</p>
<p>Third Floor Palo Alto Networks (est. Start May 1, 2016) 41,235 SF through April 31, 2021 (est.)</p>
<p>Second Floor Palo Alto Networks (est. Start May 1, 2016) 39,483 SF through April 31, 2021 (est.)</p>
<p>First Floor Lenovo 35,776 SF through August 31, 2021 Two (2) 5-Year Options to Extend</p>

Building C: 3315 Scott Boulevard:

Fourth Floor Hitachi America (est. Start Jul.1, 2015) 41,252 SF through October 31, 2025 (est.) Two (2) 5-Year Options to Extend	
Third Floor Move, Inc. (est. Start Oct. 1, 2015) 41,252 SF through September 30, 2025 (est.) One (1) 5- OR 10-Year Option to Extend	
Second Floor - 100 Move, Inc. (est. Start Oct. 1, 2015) est. 11,203 SF - Same Exp. as 3rd Floor Same as Third Floor	Second Floor - 200 VACANT 28,280 SF Subject to expansion rights from Aruba Networks & Move, Inc.
First Floor Aruba Networks (est. Start Mar. 1, 2017) 35,191 SF through February 28, 2028 (est.) Two (2) 5-Year Options to Extend	

Building D: 3345 Scott Boulevard:

Sixth Floor VACANT 40,813 SF (est.) Subject to expansion rights from Aruba Networks
Fifth Floor Aruba Networks (est. Start Mar. 1, 2017) 40,813 SF through Feb. 28, 2028 (est.) Two (2) 5-Year Options to Extend
Fourth Floor Aruba Networks (est. Start Mar. 1, 2017) 40,813 SF through Feb. 28, 2028 (est.) Two (2) 5-Year Options to Extend
Third Floor Aruba Networks (est. Start Mar. 1, 2017) 40,813 SF through Feb. 28, 2028 (est.) Two (2) 5-Year Options to Extend
Second Floor Aruba Networks (est. Start Mar. 1, 2017) 40,813 SF through Feb. 28, 2028 (est.) Two (2) 5-Year Options to Extend
First Floor Aruba Networks (est. Start Mar. 1, 2017) 40,813 SF through Feb. 28, 2028 (est.) Two (2) 5-Year Options to Extend

LEASE

BY AND BETWEEN

Santa Clara Campus Property Owner I LLC,
a Delaware limited liability company

as Landlord

and

Palo Alto Networks, Inc.,
a Delaware corporation

as Tenant

May 28, 2015

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LEASE

THIS LEASE, dated May 28, 2015 for reference purposes only, is made by and between SANTA CLARA CAMPUS PROPERTY OWNER I LLC, a Delaware limited liability company (“Landlord”) and PALO ALTO NETWORKS, INC, a Delaware corporation [NYSE: PANW] (“Tenant”), to be effective and binding upon the parties as of the date the last of the designated signatories to this Lease shall have executed this Lease (the “Effective Date of this Lease”).

ARTICLE 1
REFERENCE

1.1 References. All references in this Lease (subject to any further clarifications contained in this Lease) to the following terms shall have the following meaning or refer to the respective address, person, date, time period, amount, percentage, calendar year or fiscal year as below set forth:

Tenant’s Representative:	Fayez Jangda
Phone Number:	[Redacted]
Landlord’s Representative:	Henry Bullock/Richard Holmstrom
Phone Number:	[Redacted]
Intended Commencement Date:	May 1, 2016, subject to Paragraph 2.3 hereof
Intended Term:	Sixty (60) months
Lease Expiration Date:	Sixty (60) months from the Lease Commencement Date (defined in Paragraph 2.3 below), unless earlier terminated by Landlord or Tenant in accordance with the terms of this Lease, or extended by Tenant pursuant to Article 15. Notwithstanding the foregoing or any other provision of this Lease, if the Lease Commencement Date is other than the first calendar day of a calendar month, then the Lease Expiration Date shall be sixty (60) months from the last calendar day of the calendar month in which the Lease Commencement Date occurs (unless earlier terminated by Landlord or Tenant in accordance with the terms of this Lease, or extended by Tenant pursuant to Article 15).
Options to Extend:	One (1) option to extend for a term coterminous with the Building F Lease and, provided such option has been properly exercised, three (3) options to extend, each for a term of six (6) years.
First Month’s Prepaid Rent:	None
Tenant’s Security Deposit:	None
Late Charge Amount:	Four Percent (4%) of the Delinquent Amount
Tenant’s Required Liability Coverage:	\$5,000,000 Combined Single Limit
Tenant’s Broker:	Cornish & Carey Commercial, dba Newmark Cornish & Carey
Landlord’s Broker:	Colliers International

Project: That certain real property situated in the City of Santa Clara, County of Santa Clara, State of California, identified as: Assessor's Parcel Nos. 216-31-082, 216-31-083, 216-31-084, 216-31-085, and 216-31-086, which real property is shown on the preliminary Site Plan attached hereto as Exhibit A (the "Site Plan") and is commonly known as or otherwise described as follows (respectively): 3345 Scott Boulevard (shown on the Site Plan as "Building D"), 3335 Scott Boulevard (shown on the Site Plan as "Building E"), 3355 Scott Boulevard (shown on the Site Plan as "Building A"), 3325 Scott Boulevard (shown on the Site Plan as "Building B"), 3315 Scott Boulevard (shown on the Site Plan as "Building C"). Landlord shall not be obligated to construct any other buildings or improvements except as provided in the Other Leases. Landlord reserves the right to adjust the boundaries of the Project at any time, provided that any such adjustment shall not reduce the number of parking spaces to which Tenant has the right to park as provided in this Lease, nor impair ingress or egress to or from the Property or the Leased Premises.

Property: That certain separate legal parcel of real property currently identified as Assessor's Parcel No. 216-31-085, on which is situated the Building as delineated on the Site Plan, with a street address of 3325 Scott Boulevard, Santa Clara, California. Landlord reserves the right to adjust the boundaries of the Property at any time, provided that any such adjustment shall not reduce the number of parking spaces to which Tenant has the right to park as provided in this Lease, nor impair ingress or egress to or from the Property or the Leased Premises.

Building: That certain building on the Property in which the Leased Premises are located commonly known as 3325 Scott Boulevard, Santa Clara, California (the "Building"), which Building is shown outlined on Exhibit A hereto (and denoted thereon as "Building B"), containing approximately 157,729 rentable square feet of space, which rentable square footage has been determined by Landlord's method of measurement (the "Measurement Method"), which has been explained to Tenant, which is illustrated on Exhibit A-1 attached hereto, and which Building, for purposes of this Lease, is agreed to contain said number of rentable square feet. Such rentable area calculation includes, without limitation, a proportionate share of the common Building lobby, and the cafeteria and fitness center in the Other Building located at 3355 Scott Boulevard allocated across the rentable square footage of the Building and the Other Buildings.

Other Buildings: Those certain buildings currently constructed in the Project commonly known as 3355 Scott Boulevard, containing approximately 144,790 rentable square feet of space, and 3315 Scott Boulevard, containing approximately 157,205 rentable square feet of space, as such rentable square footage amounts were determined based on the Measurement Method and, for purposes of this Lease, agreed to contain said number of rentable square feet, together with such other buildings as may be built on the Project from time to time, including without limitation the buildings to be constructed pursuant to the Other Leases.

Other Leases: Each lease between Landlord (or its affiliate) and Tenant (or its affiliate), including without limitation (i) that certain lease for "Building E" (as defined in such lease) to be entered into between Landlord (or its affiliate) and Tenant (the "Building E Lease"), (ii) that certain lease for "Building F", and "Amenities Building H" (each as defined in such lease) to be entered into between Landlord (or its affiliate) and Tenant (the "Building F Lease"), and (iv) that certain lease that may be entered into between Landlord (or its affiliate) and Tenant for "Building G" as further provided in the Building F Lease (the "Building G Lease").

Common Areas: The "Common Areas" shall mean the areas within the Project which are located outside the Leased Premises, such as common lobbies, electrical closets, pedestrian walkways, parking areas, circulation roads and ways, parking structures and surface parking areas, landscaped areas, open areas and enclosed trash disposal areas which, at the time in question, are not for the exclusive use of a tenant of the Building or of the other buildings on the Project.

Parking: With respect to the Leased Premises, Tenant shall be entitled to utilize 3.3 unreserved and unassigned parking spaces for each 1,000 net rentable square feet of Leased Premises (as the same may change from time to time in accordance with the terms of this Lease or an amendment hereto), such spaces to be located in the parking area of the Common Areas. Parking is provided to Tenant by Landlord without additional charge for the entire Lease Term including any extension periods.

Building Standard Hours: The term "Building Standard Hours" means from 7:00 a.m. and 7:00 p.m. Monday through Friday and on Saturdays from 8:00 a.m. to noon, excluding Sundays and New Year's Day, Presidents Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, Christmas and such other holidays as are generally recognized in the vicinity of the Project.

HVAC: Heating, ventilating, and/or air conditioning.

Leased Premises: The approximately 41,235 rentable square foot space located on the fourth floor of the Building, the approximately 41,235 rentable square foot space located on the third floor of the Building, and the approximately 39,483 rentable square foot space located on the second floor of the building, each as shown on the floor plan attached hereto as Exhibit B, plus the load factor associated therewith, consisting of an aggregate of approximately 121,953 rentable square feet, which rentable square footage has been determined based on the Measurement Method and, for purposes of this Lease, the Leased Premises is agreed to contain said number of rentable square feet. The Building, the Other Buildings (except pursuant to the applicable leases of the Other Buildings), and the Leased Premises are not subject to re-measurement unless, pursuant to a written amendment to this Lease, space is subtracted therefrom or additional space is added thereto. Recognizing that both Landlord and Tenant have agreed to the foregoing rentable square footage number and have agreed that there will be no re-measurement except as expressly provided above, Landlord has given Tenant the opportunity to measure the Building, the Other Buildings, and the Leased Premises and has encouraged Tenant to do so, and Tenant hereby confirms that it has elected, in its sole discretion and without reliance on any representation by Landlord or its agents or any brokers, not to measure the Building, or the Leased Premises.

MDM/ST
Initials

Tenant's Building Share: The term "Tenant's Building Share" shall mean the percentage obtained by dividing the rentable square footage of the Leased Premises at the time of calculation by the rentable square footage of the Building at the time of calculation. Such percentage is currently 77.32%. In the event that the rentable square footage of the Leased Premises or the Building is changed (by a written amendment to this Lease memorializing the physical addition or subtraction of space), Tenant's Building Share shall be recalculated to equal the percentage described in the first sentence of this paragraph, so that the aggregate Tenant's Building Share of all tenants of the Building shall equal 100%, and upon Landlord's or Tenant's request, the parties shall execute a written amendment to this Lease memorializing such change. Tenant's Building Share is subject to adjustment as set forth in Paragraphs 13.12(b) and 13.12 (c).

Tenant's Project Share:

The term "Tenant's Project Share" shall mean the percentage obtained by dividing the rentable square footage of the Leased Premises at the time of calculation by the rentable square footage of the Building and the Other Buildings at the time of calculation. Such percentage is currently 26.53%. In the event that any portion of the Project is sold by Landlord, or additional buildings are constructed, or the rentable square footage of the Leased Premises, the Building, or the Other Buildings is otherwise changed, Tenant's Project Share shall be recalculated to equal the percentage described in the first sentence of this paragraph, so that the aggregate Tenant's Project Share of all tenants of the Project shall equal 100%. Tenant's Project Share is subject to adjustment as set forth in Paragraphs 13.12(b) and 13.12 (c).

Tenant's Amortization Payment:

As used herein, the term "Tenant's Amortization Payment" shall mean the amount (as such amount may vary from time to time as new items are amortized and amortization periods expire) of the monthly amortization payments being paid by Tenant to Landlord pursuant to this Lease.

Standard Interest Rate:

The term "Standard Interest Rate" shall mean the greater of (a) 6%, or (b) the sum of that rate quoted by Wells Fargo Bank, N.T. & S. A., from time to time as its prime rate, plus two percent (2%), but in no event more than the maximum rate of interest not prohibited or made usurious.

Default Interest Rate:

The term "Default Interest Rate" shall mean the Standard Interest Rate, plus five percent (5%), but in no event more than the maximum rate of interest not prohibited or made usurious.

Base Monthly Rent:

The term "Base Monthly Rent" shall mean the following:

<u>Period</u>	<u>Base Monthly Rent</u>
Months 1-12	\$359,761.35
Months 13-24	\$368,755.38
Months 25-36	\$377,974.27
Months 37-48	\$387,423.63
Months 49-60	\$397,109.22

Permitted Use:	General office, research and development, electronics laboratories, and other legal uses ancillary thereto, to the extent all such uses are in compliance with all Laws and Restrictions.
GAAP:	The term “GAAP” shall mean United States generally accepted accounting principles.
Exhibits:	The term “Exhibits” shall mean the Exhibits of this Lease which are described as follows: <ul style="list-style-type: none"> Exhibit A - Site Plan showing the Project and delineating the Building in which the Leased Premises are located. Exhibit A-1 – Measurement Method Illustration. Exhibit B – Floor Plan Exhibit C – Plans and Specifications for Landlord’s Work Exhibit D – Lease Commencement Date Certificate Exhibit E – Building Signage Exhibit Exhibit F – Available Rooftop Space Exhibit G – Subordination, Non-Disturbance and Attornment Provisions Exhibit H – Form of Tenant Estoppel Certificate Exhibit I— Landlord’s Signage Exhibit J—Rules and Regulations Exhibit K—Amortization Periods

ARTICLE 2
LEASED PREMISES, TERM AND POSSESSION

2.1 Demise Of Leased Premises. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, for the Lease Term and upon the terms and subject to the conditions of this Lease, that certain interior space described in Article 1 as the Leased Premises.

2.2 Right To Use Common Areas, Fitness Center, and Cafeteria.

(a) As an appurtenant right to Tenant’s lease of the Leased Premises, Tenant shall have the right to use the Common Areas in conjunction with its use of the Leased Premises solely for the purposes for which they were designed and intended and for no other purposes whatsoever. Tenant’s right to so use the Common Areas shall be subject to the limitations on such use as set forth in Article 1 and shall terminate concurrently with any termination of this Lease. Further, Landlord shall have the right, from time to time, to reconfigure the Common Areas or modify the size of the Common Areas in connection with new construction on the Project or sales or subdivisions of portions of the Project, provided that: (i) Tenant’s access to the Leased Premises is not materially adversely affected thereby, (ii) Tenant’s parking allocation under Article 1 hereof is not reduced thereby, and (iii) Tenant shall have access to the cafeteria and fitness center contemplated by Section 2.2(b) below.

(b) Additionally, on the Lease Commencement Date, Tenant shall have the right to use the cafeteria and fitness center on the first floor of the Other Building located at 3355 Scott Boulevard, as well as the bicycle storage area adjacent to the Building, solely for the purposes for which they were designed and intended and for no other purposes whatsoever. Tenant’s right to use the bicycle storage area and cafeteria and fitness center shall be subject to such reasonable rules and regulations as Landlord or its vendors may issue from time to time, and use of the cafeteria and fitness center shall be subject to such fees or charges as may be in effect from time to time for use by occupants of the Project. No rent shall be payable with respect to the bicycle storage. Tenant’s right to use the cafeteria and fitness center shall terminate concurrently with any termination of this Lease. Landlord retains the right to relocate the cafeteria and fitness center to another location on the Project. The size and configuration of the cafeteria and fitness center may change if they are relocated. If Landlord exercises this option, the rentable area of the Leased Premises, Base Monthly Rent, and Tenant’s Building Share and Tenant’s Property Share shall be adjusted accordingly, based on the Building Owners and Managers Association International Single Tenant Full Building Standard Method for Measuring Floor Area in Office Buildings ANSI Z65.1-1996, page 10&11.

2.3 Lease Commencement Date And Lease Term. (a) Subject to Paragraph 2.4 below, the term of this Lease shall begin, and the Lease Commencement Date shall be deemed to have occurred,

on the later of (a) Landlord's delivery of possession of the Leased Premises to Tenant with the Landlord's Work complete and (b) earlier of (i) the Intended Commencement Date, as set forth in Article 1, and (ii) the date Tenant occupies the Leased Premises for the purpose of conducting business (such as earlier date, the "Lease Commencement Date"). The term of this Lease shall in all events end on the Lease Expiration Date (as set forth in Article 1). The Lease Term shall be that period of time commencing on the Lease Commencement Date and ending on the Lease Expiration Date (the "Lease Term"). Provided that such occupancy does not interfere with Landlord's Work (as hereinafter defined), Tenant may occupy the Leased Premises in advance of the Intended Commencement Date, on such date as Landlord has determined that Landlord's Work (as hereinafter defined) is sufficiently complete to allow entry by Tenant without interfering with the completion of Landlord's Work, for the purposes of performing the Improvement Work and installing furniture, fixtures and equipment, provided that Tenant shall be responsible for all utilities consumed within the Leased Premises by Tenant, janitorial expenses related to Tenant's improvement work or occupancy, payment of those Property Operating Expenses for the Leased Premises that are variable based on Tenant's occupancy (which variable expenses shall exclude Real Property Taxes), and other actual out of pocket expenses related to maintenance and operation of the Leased Premises during such period and Tenant shall comply with all other provisions of this Lease (other than the payment of Base Monthly Rent and Property Operating Expenses, except as set forth above). By no later than three (3) months before the Intended Commencement Date, Landlord shall complete so much of Landlord's Work as is required to enable such early occupancy. There shall be no additional charge for parking before the Lease Commencement Date. Tenant's occupancy of the Premises before the Lease Commencement Date shall be upon all of the terms and conditions of this Lease, other than the obligation to pay Base Monthly Rent, or, except as set forth in this paragraph, Additional Rent. Promptly after the Lease Commencement date has been determined, Landlord and Tenant shall execute and deliver to each other, a Lease Commencement Date Certificate in the form of Exhibit D attached hereto.

(b) Notwithstanding anything to the contrary contained in this Lease, Tenant shall have the right to terminate the Lease by irrevocable written notice to Landlord given at any time within nine (9) months of the "Lease Commencement Date" of the Building F Lease, which termination shall be effective six (6) months following delivery of Tenant's termination notice to Landlord.

2.4 Delivery Of Possession. Except as otherwise expressly provided herein, Landlord shall deliver to Tenant, and Tenant shall accept, possession of the Leased Premises in its AS IS condition, WITH ALL FAULTS on the Intended Commencement Date. On or before the Intended Commencement Date, Landlord shall, using Building standard materials, deliver the Leased Premises with generic open plan office improvements, four conference rooms per floor, with HVAC, power and sprinklers distributed, walls furred out and painted, carpet, drop ceiling and lighting installed, and with the Leased Premises being Title 24 and ADA compliance as configured upon delivery to Tenant, all as further described in the plans and specifications described in Exhibit C attached hereto ("Landlord's Work"). Landlord shall transfer to the Tenant on a non-exclusive basis, to the extent transferable and in Landlord's possession, any warranties or service contracts on systems located entirely within and exclusively serving the Leased Premises that Tenant is responsible to maintain during the Lease Term.

2.5 Acceptance Of Possession. It is agreed that by accepting possession of the Leased Premises, Tenant formally accepts same and acknowledges that the Leased Premises are in the condition called for hereunder.

2.6 Surrender Of Possession. Immediately prior to the expiration or upon the sooner termination of this Lease, Tenant shall remove all of Tenant's signs from the exterior of the Building and shall remove all of Tenant's Property (defined in Article 6 below) from within the Leased Premises and the Building, and shall vacate and surrender the Leased Premises, the Building, the Common Areas and the Property to Landlord in the same condition, broom clean, as existed following completion of the tenant improvements, if any, in accordance with this Lease, reasonable wear and tear, damage caused by Landlord or Landlord's employees, agents, contractors, or subcontractors (collectively with Landlord, the "Landlord Parties"), casualty, condemnation, alterations that Tenant is expressly permitted to surrender and repairs and replacements that are not Tenant's responsibility, excepted. Tenant shall repair all damage to the Leased Premises, the exterior of the Buildings and the Common Areas caused by Tenant's removal of Tenant's Property. If the Leased Premises, the Building, the Common Areas, the Property, and the Project are not surrendered to Landlord in the condition required by this paragraph at the expiration or sooner termination of this Lease, Landlord may, at Tenant's expense, so remove Tenant's signs and property not so removed and make such repairs and replacements not so made or hire, at Tenant's expense, independent contractors to perform such work. Tenant shall be liable to Landlord for all costs incurred by Landlord in returning the Leased Premises, the Building and the Common Areas to the required condition, together with interest on all costs so incurred from the date paid by Landlord at the Default Interest Rate until paid. Tenant shall pay to Landlord the amount of all costs so incurred plus such interest thereon, within thirty (30) days of Landlord's billing Tenant for same. Notwithstanding the foregoing, Landlord may consent (in its sole and absolute discretion, which consent may be withheld for any reason or no reason) to accept a cash payment from Tenant in lieu of Tenant completing all or any

portion of the work required pursuant to this paragraph, such consent to be in a written notice specifying the work from which Tenant shall be excused.

2.7 Accessibility. In accordance with California Civil Code section 1938, Landlord hereby informs Tenant that as of the Effective Date of this Lease, neither the Leased Premises nor the Building have been inspected by a Certified Access Specialist (as defined in California Civil Code section 55.52(3)).

ARTICLE 3 RENT

3.1 Base Monthly Rent.

(a) Commencing on the Lease Commencement Date (as determined pursuant to Paragraph 2.3 above) and continuing throughout the Lease Term, Tenant shall pay to Landlord, without prior demand therefor, in advance on the first day of each calendar month, cash or other immediately available good funds in the amount set forth as Base Monthly Rent in Article 1.

3.2 Additional Rent. Commencing on the Lease Commencement Date (as determined pursuant to Paragraph 2.3 above) and continuing throughout the Lease Term, in addition to the Base Monthly Rent and to the extent not required by Landlord to be contracted for and paid directly by Tenant, Tenant shall pay to Landlord as additional rent (the "Additional Rent"), cash or other immediately available good funds in the following amounts:

(a) An amount equal to all Property Operating Expenses (as defined in Article 13) incurred or to be incurred by Landlord. Landlord shall deliver to Tenant Landlord's reasonable estimate of any given expense (such as Landlord's Insurance Costs or Real Property Taxes), or group of expenses, which it anticipates will be paid or incurred for the ensuing calendar or fiscal year, as Landlord may determine, and Tenant shall pay to Landlord an amount equal to the estimated amount of such expenses for such year in equal monthly installments during such year with the installments of Base Monthly Rent. Landlord reserves the right to revise such estimate from time to time.

(b) Landlord's share of the consideration received by Tenant upon certain assignments and sublettings as required by Article 7.

(c) Any legal fees and costs that Tenant is obligated to pay or reimburse to Landlord pursuant to Article 13; and

(d) Any other charges or reimbursements due Landlord from Tenant pursuant to the terms of this Lease.

3.3 Year-End Adjustments. Landlord shall furnish to Tenant within four months following the end of the applicable calendar or fiscal year, as the case may be, a statement setting forth (i) the amount of such expenses paid or incurred during the just ended calendar or fiscal year, as appropriate, and (ii) the amount that Tenant has paid to Landlord for credit against such expenses for such period. If Tenant shall have paid more than its obligation for such expenses for the stated period, Landlord shall, at its election, either (i) credit the amount of such overpayment toward the next ensuing payment or payments of Rent that would otherwise be due or (ii) refund in cash to Tenant the amount of such overpayment within thirty (30) days after discovery of such surplus; provided, however, that if this Lease shall have terminated, Landlord shall be deemed to have chosen option (ii) above. If such year-end statement shall show that Tenant did not pay its obligation for such expenses in full, then Tenant shall pay to Landlord the amount of such underpayment within thirty (30) days from Landlord's billing of same to Tenant. Tenant may, at Tenant's sole cost and expense, cause an audit of Landlord's books and records to determine the accuracy of Landlord's billings for Property Operating Expenses under this Lease, provided Tenant completes (and delivers to Landlord the written results of) such audit within two hundred seventy (270) days after Tenant's receipt of the year-end statement described above setting forth the annual reconciliation of the Property Operating Expenses, and provided further that the person or entity performing such audit is not compensated on any type of contingent basis. If such audit reveals that the actual Property Operating Expenses for any given year were less than the amount that Tenant paid for Property Operating Expenses for any such year, then unless Landlord contests such audit results as provided below, Landlord shall credit the excess to Tenant's next payment of Additional Rent. If such audit reveals that the actual Property Operating Expenses for any given year were more than the amount that Tenant paid for Property Operating Expenses for any such year, Tenant shall pay such amount to Landlord within thirty (30) days after completion of the audit. Landlord shall have the right to contest the results of Tenant's audit and thereafter promptly have an audit performed ("Landlord's Audit") by a

certified public accounting firm acceptable to Landlord and Tenant in their reasonable discretion. In such case, the results of Landlord's Audit shall be binding and conclusive on Landlord and Tenant, and any resulting overpayment or underpayment shall be handled as provided above. If Landlord's Audit, or Tenant's audit in the event Landlord does not elect to have Landlord's Audit performed, confirms that Tenant was overcharged by more than five percent (5%), then Landlord shall pay the cost of Tenant's audit (up to a maximum of \$7,500) and Landlord's Audit. If Tenant's audit confirms that Tenant was not overcharged, then Tenant shall pay the cost of Landlord's Audit (up to a maximum of \$7,500) and Tenant's audit. In all other cases, each party shall pay for its own audit. The provisions of this Paragraph shall survive the expiration or sooner termination of this Lease.

3.4 Late Charge, And Interest On Rent In Default. Tenant acknowledges that the late payment by Tenant of any monthly installment of Base Monthly Rent or any Additional Rent will cause Landlord to incur certain costs and expenses not contemplated under this Lease, the exact amounts of which are extremely difficult or impractical to fix. Such costs and expenses will include without limitation, administration and collection costs and processing and accounting expenses. Therefore, if any installment of Base Monthly Rent is not received by Landlord from Tenant within five (5) calendar days after the same becomes due, Tenant shall immediately pay to Landlord a late charge in an amount equal to the amount set forth in Article 1 as the "Late Charge Amount," and if any Additional Rent is not received by Landlord when the same becomes due, Tenant shall immediately pay to Landlord a late charge in an amount equal to 4% of the Additional Rent not so paid; provided, however, that twice but only twice in any twelve (12) month period during the Lease Term, Tenant shall be entitled to written notice of non-receipt of Base Monthly Rent or Additional Rent from Landlord, and Tenant shall not be liable for any Late Charge Amount or other late charge hereunder with respect thereto if such installment of Base Monthly Rent or Additional Rent is received by Landlord within three (3) business days after Tenant's receipt of such written notice from Landlord. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for the anticipated loss Landlord would suffer by reason of Tenant's failure to make timely payment. In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any rental installment or prevent Landlord from exercising any right or remedy available to Landlord upon Tenant's failure to pay each rental installment due under this Lease when due, including the right to terminate this Lease. If any rent remains delinquent for a period in excess of five (5) calendar days, then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not so paid from said fifth (5th) day at the Default Interest Rate until paid.

3.5 Payment Of Rent. Except as specifically provided otherwise in this Lease, all rent shall be paid in lawful money of the United States, without any abatement, reduction or offset for any reason whatsoever, to Landlord at such address as Landlord may designate from time to time. Tenant's obligation to pay Base Monthly Rent and all Additional Rent shall be appropriately prorated at the commencement and expiration of the Lease Term. The failure by Tenant to pay any Additional Rent as required pursuant to this Lease when due shall be treated the same as a failure by Tenant to pay Base Monthly Rent when due, and Landlord shall have the same rights and remedies against Tenant as Landlord would have had, had Tenant failed to pay the Base Monthly Rent when due.

ARTICLE 4 USE OF LEASED PREMISES AND COMMON AREA

4.1 Permitted Use. Tenant shall be entitled to use the Leased Premises on a 24/7/365 basis solely for the Permitted Use as set forth in Article 1 and for no other purpose whatsoever. Tenant shall have the right to vacate the Leased Premises at any time during the Term of this Lease, provided Tenant maintains the Leased Premises in the condition required by the terms of this Lease. Tenant shall have the right to use the Common Areas in accordance with paragraph 2.2 above.

4.2 General Limitations On Use. Tenant shall not do or permit anything to be done in or about the Leased Premises, the Building, the Common Areas, the Property, or the Project which does or could (i) jeopardize the structural integrity of the Building or (ii) cause damage to any part of the Leased Premises, the Building, the Common Areas, the Property, or the Project. Tenant shall not operate any equipment within the Leased Premises which does or could (A) injure, vibrate or shake the Leased Premises or the Building, (B) damage, overload any electrical, plumbing, and HVAC systems within or servicing the Leased Premises or the Building, or (C) damage or impair the efficient operation of the sprinkler system (if any) within or servicing the Leased Premises or the Building. Except as expressly provided in Paragraph 4.14 below, Tenant shall not install any equipment or antennas on or make any penetrations of the exterior walls or roof of the Building. Tenant shall not affix any equipment to or make any penetrations or cuts in the floor, ceiling, walls or, except as otherwise provided in Paragraph 4.14 hereof, the roof of the Leased Premises, except for standard office/r&d/lab attachments and penetrations (e.g., furniture/cubicle bracketing to walls and floors). Tenant shall not place any loads upon the floors, walls, ceiling or roof systems which could endanger the structural integrity of the Building or damage its floors (other than floor coverings), foundations or supporting structural components. Tenant shall not

place any explosive, flammable or harmful fluids or other waste materials in the drainage systems of the Leased Premises, the Building, the Common Areas, the Property, or the Project. Tenant shall not drain or discharge any fluids in the landscaped areas or across the paved areas of the Property or the Project. Tenant shall not use any of the Common Areas for the storage of its materials, supplies, inventory or equipment and all such materials, supplies, inventory or equipment shall at all times be stored within the Leased Premises. Tenant shall not commit nor permit to be committed by any of its employees, agents, vendors, invitees, guests, permittees, assignees, sublessees, contractors, or subcontractors (the "Tenant Parties"), any waste in or about the Leased Premises, the Building, the Common Areas, the Property, or the Project.

4.3 Noise And Emissions. All noise generated by Tenant in its use of the Leased Premises shall be confined or muffled so that it does not interfere with the businesses of the occupants and/or users of adjacent properties. All dust, fumes, odors and other emissions generated by Tenant's use of the Leased Premises shall be sufficiently dissipated in accordance with sound environmental practice and exhausted from the Leased Premises in such a manner so as not to interfere with the businesses of or annoy the occupants and/or users of adjacent properties, or cause any damage to the Leased Premises, the Building, the Common Areas, the Property, or the Project or any component part thereof or the property of adjacent property owners.

4.4 Trash Disposal. Landlord shall provide trash bins or other adequate garbage disposal facilities within the trash enclosure areas provided or permitted by Landlord outside the Leased Premises sufficient for the interim disposal of all of its trash, garbage and waste. All such trash, garbage and waste temporarily stored in such areas by Tenant or any of the Tenant Parties shall be stored in such a manner so that it is not visible from outside of such areas. Landlord shall cause such trash, garbage and waste to be regularly removed from the trash bins/garbage disposal facilities and the Property. Subject to the foregoing removal obligation of Landlord, Tenant shall keep the interior of the Leased Premises in a clean, safe and neat condition and shall keep the Common Areas free and clear of all of Tenant's trash, garbage, waste and/or boxes, pallets and containers containing same at all times.

4.5 Parking. Tenant shall not, at any time, park or permit to be parked any recreational vehicles, inoperative vehicles or equipment in the Common Areas or on any portion of the Project. Tenant agrees to assume responsibility for compliance by the Tenant Parties with the parking provisions contained herein. If Tenant or its employees park any vehicle within the Property or the Project in violation of these provisions, then Landlord may, upon prior written notice to Tenant giving Tenant one (1) business day (or any applicable statutory notice period, if longer than one (1) business day) to remove such vehicle(s), as Landlord's sole remedy for such violation, charge Tenant, as Additional Rent, and Tenant agrees to pay, as Additional Rent, One Hundred Dollars (\$100) per day for each day or partial day that each such vehicle is so parked within the Property. Landlord reserves the right to grant easements and access rights to others for use of the parking areas on the Property and/or Project, , provided that such grants do not reduce the number of parking spaces allocated to Tenant in Article 1.

4.6 Signs. Subject to the other terms and conditions of this Paragraph 4.6, Tenant, at Tenant's sole cost and expense, shall: (i) have the right to install its name on the lobby directory sign, (ii) be entitled to install signage on the door to Tenant's suite, and (iii) be entitled to place its name on the Building and Building monument sign generally as depicted on Exhibit E in accordance with Landlord's Building signage program, to the extent approved by the City of Santa Clara. The size, location, and configuration of all signage shall be subject to Landlord's building standards and its prior written approval, which shall not be unreasonably withheld, and shall be governed by and subject to the rules, regulations and permit requirements of the City of Santa Clara. All of the foregoing rights set forth in this paragraph shall be personal to Palo Alto Networks, Inc. , and no other party shall have any such right, except to the extent that Landlord consents in writing to the transfer of Tenant's signage rights to an approved assignee or sublessee pursuant to Article 7 hereof. Tenant shall not place or install on or within any portion of the Leased Premises, the exterior of the Building, the Common Areas, the Property, or the Project any sign, advertisement, banner, placard, or picture which is visible from the exterior of the Leased Premises, except as expressly allowed pursuant to this Paragraph 4.6. Tenant shall not place or install on or within any portion of the Leased Premises, the exterior of the Building, the Common Areas, the Property, or the Project any business identification sign which is visible from the exterior of the Leased Premises until Landlord shall have approved in writing and in its sole discretion the location, size, content, design, method of attachment and material to be used in the making of such sign; *provided, however*, that so long as such signs are normal and customary business directional or identification signs within the Building, Tenant shall not be required to obtain Landlord's approval. Any sign, once approved by Landlord, shall be installed at Tenant's sole cost and expense and only in strict compliance with Landlord's approval and any applicable Laws, using a person approved by Landlord to install same, which approval shall not be unreasonably withheld, conditioned or delayed. Landlord may remove any signs, advertisements, banners, placards or pictures placed by Tenant in violation of this Paragraph and charge to Tenant the cost of such removal, together with any costs incurred by Landlord to repair any damage caused thereby, including any cost incurred to restore the surface (upon which such sign was so

affixed) to its original condition. Tenant shall remove all of Tenant's signs, repair any damage caused thereby, and restore the surface upon which the sign was affixed to its original condition, all to Landlord's reasonable satisfaction, upon the termination of this Lease. Notwithstanding the signage rights granted to Tenant pursuant to this Paragraph 4.6, Landlord reserves and retains the right to place modest signage (signage stenciled or equivalent, as depicted on Exhibit I attached hereto) bearing Landlord's name and/or ownership affiliation, in or on the Leased Premises, the Buildings, the Common Areas, the Property, or the Project, or on any of the signs located thereon, as determined in Landlord's sole discretion.

4.7 Compliance With Laws And Restrictions. Subject to Paragraph 6.3 below, Tenant shall abide by and shall promptly observe and comply with, at its sole cost and expense, all Laws and Restrictions respecting the use and occupancy of the Leased Premises, the Building, the Common Areas, the Property, or the Project including, without limitation, Title 24, building codes, the Americans with Disabilities Act and the rules and regulations promulgated thereunder, and all Laws governing the use and/or disposal of hazardous materials, and shall defend with competent counsel, indemnify and hold Landlord harmless from any claims, damages or liability resulting from Tenant's failure to so abide, observe, or comply. Tenant's obligations hereunder shall survive the expiration or sooner termination of this Lease.

4.8 Compliance With Insurance Requirements. With respect to any insurance policies required or permitted to be carried by Landlord in accordance with the provisions of this Lease, Tenant shall not conduct nor permit the Tenant Parties to conduct any activities nor keep, store or use (or allow any other person to keep, store or use) any item or thing within the Leased Premises, the Buildings, the Common Areas, the Property, or the Project which (i) is prohibited under the terms of any such policies, (ii) could result in the termination of the coverage afforded under any of such policies, (iii) could give to the insurance carrier the right to cancel any of such policies, or (iv) could cause an increase in the rates (over standard rates) charged for the coverage afforded under any of such policies; provided, however, that Landlord shall modify such policies as may be reasonably required by Tenant to avoid such conflicts provided that Tenant pays the incremental cost of any such modifications. Tenant shall comply with all requirements of any insurance company, insurance underwriter, or Board of Fire Underwriters which are necessary to maintain, at standard rates, the insurance coverages carried by either Landlord pursuant to this Lease, unless Tenant elects to pay such increased rates necessary to avoid compliance with such requirements.

4.9 Landlord's Right To Enter. Landlord and its agents shall have the right to enter the Leased Premises during normal business hours after giving Tenant reasonable notice (which shall be prior written notice except in the event of a circumstance which Landlord in good faith believes to be an emergency) and subject to Tenant's reasonable security measures for the purpose of (i) inspecting the same; (ii) showing the Leased Premises to prospective purchasers, mortgagees or tenants, during (A) the last nine (9) months of the Lease Term, if Tenant's termination option pursuant to Paragraph 2.3(b) has expired or has been waived, (B) at any time, if Tenant's termination option pursuant to Paragraph 2.3(b) has not expired or been waived, or (C) during any period that Tenant is in monetary or material non-monetary default beyond the applicable notice and cure period, if any, expressly set forth in this Lease; (iii) making necessary alterations, additions or repairs; and (iv) performing any of Tenant's obligations when Tenant has failed to do so after the expiration of any applicable notice and cure period expressly set forth in this Lease. Landlord shall have the right to enter the Leased Premises during normal business hours (or as otherwise agreed), subject to Tenant's reasonable security measures, for purposes of supplying any maintenance or services agreed to be supplied by Landlord. Landlord shall have the right to enter the Common Areas during normal business hours for purposes of (i) inspecting the exterior of the Building and the Common Areas; (ii) posting notices of nonresponsibility (and for such purposes Tenant shall provide Landlord at least ten (10) days' prior written notice of any work to be performed on the Leased Premises, as well as notice within one (1) day after the commencement of such work); and (iii) supplying any services to be provided by Landlord. Any entry into the Leased Premises or the Common Areas obtained by Landlord in accordance with this paragraph shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Leased Premises, or an eviction, actual or constructive of Tenant from the Leased Premises or any portion thereof. Landlord shall have the right, upon reasonable advance notice to Tenant, to access interstitial space above Tenant's acoustical ceiling (excluding areas above the Server Area) to connect new utility lines from upper floors to the base Building utility lines; all of such work shall be done after hours or on weekends. Landlord shall conduct all of Landlord's activities on the Leased Premises during such period of entry in a manner designed to cause minimal interference to Tenant and Tenant's use of the Leased Premises. Tenant shall be permitted to maintain "Secured Areas" (defined herein to mean certain secure compartmentalized facilities, special access areas and limited access areas as designated by Tenant to Landlord from time to time in advance) within the Leased Premises, comprising no more than ten percent (10%) of the rentable square footage of the Leased Premises, in which case Landlord shall follow Tenant's access protocols as to such Secured Areas and shall not enter such Secured Areas without being accompanied by a representative of Tenant.

4.10 Use Of Common Areas. Tenant, in its use of the Common Areas, shall at all times keep the Common Areas free and clear of all of Tenant's and Tenant's Parties' materials, equipment, debris, trash (except within existing enclosed trash areas), inoperable vehicles, and other items which are prohibited by this Lease to be stored or located thereon by Tenant. If, in the opinion of Landlord, unauthorized persons are using any of the Common Areas by reason of, or under claim of, the express or implied authority or consent of Tenant, then Tenant, upon demand of Landlord, shall restrain, to the fullest extent then allowed by Law, such unauthorized use, and shall initiate such appropriate proceedings as may be required to so restrain such use. Landlord reserves the right to grant easements and access rights to others for use of the Common Areas, and Landlord shall not be liable to Tenant for any diminution in Tenant's right to use the Common Areas as a result.

4.11 Environmental Protection. Tenant's obligations under this Paragraph 4.11 shall survive the expiration or termination of this Lease.

(a) As used herein, the term "Hazardous Materials" shall mean any toxic or hazardous substance, material or waste or any pollutant or infectious or radioactive material, including but not limited to those substances, materials or wastes regulated now or in the future under any of the following statutes or regulations and any and all of those substances included within the definitions of "hazardous substances," "hazardous materials," "hazardous waste," "hazardous chemical substance or mixture," "imminently hazardous chemical substance or mixture," "toxic substances," "hazardous air pollutant," "toxic pollutant," or "solid waste" in the (a) Comprehensive Environmental Response, Compensation and Liability Act of 1990 ("CERCLA" or "Superfund"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), 42 U.S.C. § 9601 *et seq.*, (b) Resource Conservation and Recovery Act of 1976 ("RCRA"), 42 U.S.C. § 6901 *et seq.*, (c) Federal Water Pollution Control Act ("FSPCA"), 33 U.S.C. § 1251 *et seq.*, (d) Clean Air Act ("CAA"), 42 U.S.C. § 7401 *et seq.*, (e) Toxic Substances Control Act ("TSCA"), 14 U.S.C. § 2601 *et seq.*, (f) Hazardous Materials Transportation Act, 49 U.S.C. § 1801, *et seq.*, (g) Carpenter-Presley-Tanner Hazardous Substance Account Act ("California Superfund"), Cal. Health & Safety Code § 25300 *et seq.*, (h) California Hazardous Waste Control Act, Cal. Health & Safety code § 25100 *et seq.*, (i) Porter-Cologne Water Quality Control Act ("Porter-Cologne Act"), Cal. Water Code § 13000 *et seq.*, (j) Hazardous Waste Disposal Land Use Law, Cal. Health & Safety codes § 25220 *et seq.*, (k) Safe Drinking Water and Toxic Enforcement Act of 1986 ("Proposition 65"), Cal. Health & Safety code § 25249.5 *et seq.*, (l) Hazardous Substances Underground Storage Tank Law, Cal. Health & Safety code § 25280 *et seq.*, (m) Air Resources Law, Cal. Health & Safety Code § 39000 *et seq.*, and (n) regulations promulgated pursuant to said laws or any replacement thereof, or as similar terms are defined in the federal, state and local laws, statutes, regulations, orders or rules. Hazardous Materials shall also mean any and all other biohazardous wastes and substances, materials and wastes which are, or in the future become, regulated under applicable Laws for the protection of health or the environment, or which are classified as hazardous or toxic substances, materials or wastes, pollutants or contaminants, as defined, listed or regulated by any federal, state or local law, regulation or order or by common law decision, including, without limitation, (i) trichloroethylene, tetrachloroethylene, perchloroethylene and other chlorinated solvents, (ii) any petroleum products or fractions thereof, (iii) asbestos, (iv) polychlorinated biphenyls, (v) flammable explosives, (vi) urea formaldehyde, (vii) radioactive materials and waste, and (viii) materials and wastes that are harmful to or may threaten human health, ecology or the environment.

(b) Notwithstanding anything to the contrary in this Lease, Tenant, at its sole cost, shall comply with, and shall cause the Tenant Parties to comply with, all Laws relating to the storage, use and disposal of Hazardous Materials at the Property by Tenant or any Tenant Parties; *provided, however*, that Tenant shall not be responsible for contamination of the Leased Premises and/or the Building, the Property, or the Project (including the parking garage) by Hazardous Materials existing as of the date the Leased Premises are delivered to Tenant (whether before or after the Lease Commencement Date) excepting only Hazardous Materials used and released by Tenant or the Tenant Parties. Tenant shall not store, use or dispose of any Hazardous Materials except for ordinary office and cleaning supplies and building maintenance supplies used in compliance with all Laws and Restrictions ("Office & Cleaning Supplies"). In no event shall Tenant discharge or permit any Tenant Parties to discharge into the plumbing or sewage system of the Building or onto the land underlying or adjacent to the Building, any Hazardous Materials. Tenant shall be solely responsible for and shall defend, indemnify, and hold Landlord and its agents harmless from and against all claims, costs and liabilities, including reasonable attorneys' fees and costs, arising out of or in connection with Tenant's storage, use and/or disposal of Hazardous Materials at the Project. If the presence of Hazardous Materials on the Leased Premises caused by Tenant or any of the Tenant Parties results in contamination or deterioration of water or soil, then Tenant shall promptly take any and all action necessary to clean up such contamination (or, with respect to Office & Cleaning Supplies only, such lesser action as is required by Law, if applicable) but the foregoing shall in no event be deemed to constitute permission by Landlord to allow the presence of such Hazardous Materials. At any time prior to the expiration of the Lease Term if Tenant has a reasonable basis to suspect that there has been any release or the presence of Hazardous Materials in the ground or

ground water on the Leased Premises which did not exist upon commencement of the Lease Term, Tenant shall have the right to conduct appropriate tests of water and soil and to deliver to Landlord the results of such tests to demonstrate that no contamination in excess of permitted levels has occurred as a result of Tenant's use of Hazardous Materials in the Leased Premises. Tenant shall further be solely responsible for, and shall defend, indemnify, and hold Landlord and its agents harmless from and against all claims, costs and liabilities, including attorneys' fees and costs, arising out of or in connection with any removal, cleanup and restoration work and materials required hereunder to return the Leased Premises and any other property of whatever nature to their condition existing prior to the appearance of the Hazardous Materials, to the extent such Hazardous Materials were introduced to the Property or the Project by Tenant or any of the Tenant Parties.

(c) Upon termination or expiration of the Lease Term, Tenant at its sole expense shall cause all Hazardous Materials placed in or about the Leased Premises, the Building and/or the Property by Tenant or any of the Tenant Parties, and all installations (whether interior or exterior) made by or on behalf of Tenant or any of the Tenant Parties relating to the storage, use, disposal or transportation of Hazardous Materials to be removed from the property and transported for use, storage or disposal in accordance and compliance with all Laws. If Tenant uses any Hazardous Materials other than Office & Cleaning Supplies, then Tenant shall apply for and shall obtain from all appropriate regulatory authorities (including any applicable fire department or regional water quality control board) all permits, approvals and clearances necessary for the closure of the Property and the Project in accordance with applicable Law.

(d) At any time prior to expiration of the Lease Term, subject to the provisions of Paragraph 4.9, Landlord shall have the right to enter in and upon the Property, Building and Leased Premises in order to conduct appropriate tests of water and soil to determine whether levels of any Hazardous Materials in excess of legally permissible levels has occurred as a result of Tenant's use thereof. Landlord shall furnish copies of all such test results and reports to Tenant and, at Tenant's option and cost, shall permit split sampling for testing and analysis by Tenant. Such testing shall be at Tenant's expense if Landlord determines that Tenant or Tenant's agents have caused the presence of Hazardous Materials in the soil or surface or ground water in, on, under, or about the Property, the Buildings or the Leased Premises.

(e) Landlord may voluntarily cooperate in a reasonable manner with the efforts of all governmental agencies in reducing actual or potential environmental damage. Tenant shall not be entitled to terminate this Lease or to any reduction in or abatement of rent by reason of such voluntary cooperation, nor for any required compliance. Tenant agrees at all times to cooperate fully with the requirements and recommendations of governmental agencies regulating, or otherwise involved in, the protection of the environment.

(f) To the knowledge of Landlord, except to the extent disclosed by the reports provided to Tenant prior to the Effective Date of this Lease, no Hazardous Material is present on the Property, or the soil, surface water or groundwater thereof. Notwithstanding anything to the contrary in this Lease, under no circumstance shall Tenant be liable for any Hazardous Material present at any time in, on or about the Project or the soil, air, improvements, groundwater or surface water thereof, except to the extent due to the release of Hazardous Material by Tenant or any Tenant Parties.

4.12 Rules And Regulations. Landlord has established rules and regulations respecting the use of the Building and the Common Areas for the care and orderly management of the Property, a copy of which is attached hereto as Exhibit J (as the same may be amended or supplemented, the "Rules and Regulations"). Tenant shall comply with such Rules and Regulations provided the same do not materially increase the obligations or decrease the rights of Tenant under this Lease. Landlord shall have the right from time to time to establish or adopt reasonable amendments or additions thereto, provided the same do not materially increase the obligations or decrease the rights of Tenant under this Lease. Upon delivery to Tenant of a copy of such amendments or additions thereto, Tenant shall comply with such Rules and Regulations as amended or supplemented. A violation by Tenant of any of such Rules and Regulations shall constitute a default by Tenant under this Lease, which shall be governed by Article 12 below. If there is a conflict between the Rules and Regulations and any of the provisions of this Lease, the provisions of this Lease shall prevail. Landlord shall not be responsible or liable to Tenant for the violation of such Rules and Regulations by any other tenant of the Property provided that Landlord enforces such Rules and Regulations in a non-discriminatory manner.

4.13 Reservations. Landlord reserves the right from time to time to grant, without the consent or joinder of Tenant, such easements, rights of way and dedications that Landlord deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights of way and dedications do not unreasonably interfere with the use of the Leased Premises or the Common Areas by Tenant or Tenant's parking rights, and do not increase Tenant's obligation or decrease Tenant's rights

under this Lease. Tenant agrees to execute any documents reasonably requested by Landlord to effectuate any such easement rights, dedications, maps or restrictions.

4.14 Roof. Notwithstanding any provision of this Lease to the contrary, Landlord hereby reserves to itself and its designees all rights of access, use and occupancy of the Building roof, and Tenant shall have no right of access, use or occupancy of the Building roof except (if at all) to the extent provided in this Paragraph 4.14. Exhibit F shows the portion of the roof which Landlord has reserved for rooftop installations by tenants of the Building (the "Available Rooftop Space"). Subject to Tenant's restoration and repair obligations under Paragraph 2.6, Tenant at its sole cost and expense shall have the right to install on the roof of the Building, in a pro rata section of the area designated by Landlord for use by Building tenants, satellite dishes, television antennas, and related cable connections, as well as supplemental HVAC equipment (collectively, "Rooftop Equipment") required in connection with Tenant's communications and data transmission network and Tenant's servers, in an area to be designated by Landlord in the Available Rooftop Space, provided such installation does not impact the structural integrity of the Building nor void or negatively impact any applicable warranties. Tenant shall supply Landlord with detailed plans and specifications of the Rooftop Equipment prior to the installation thereof for Landlord's review and approval, which approval shall not be unreasonably withheld, conditioned, or delayed. Furthermore, Tenant shall have secured Landlord's approval and the approval of all governmental authorities and all permits required by governmental authorities having jurisdiction over such approvals and permits for the Rooftop Equipment, and shall provide copies of such approvals and permits to Landlord prior to commencing any work with respect to such Rooftop Equipment. Tenant shall pay for any and all costs and expenses in connection with, and shall repair all damage to the roof resulting from, the installation, maintenance, use and removal of the Rooftop Equipment. The area to be provided to Tenant by Landlord for the installation of the Rooftop Equipment shall be no larger than Tenant's Building Share of the Available Rooftop Space.

4.15 Back-Up Generators and Energy Servers. Subject to complying with Paragraphs 2.6 and 6.1, Tenant shall have the right to install (i) energy servers or similar fuel cells and (ii) energy storage systems in the Available Rooftop Space or in another location in the Common Areas mutually agreed to by the parties, (iii) backup generators (and related equipment and storage tanks) in a location in the Common Areas mutually agreed to by the parties, and (iv) UPS systems (and related) within the interior of the Leased Premises, in all cases subject to Landlord's approval, which shall not be unreasonably withheld, of the design (including aesthetic screening) and construction, and of any connections between the Leased Premises and such equipment and any penetrations to the Building walls, roof, or structure required in connection therewith. If such equipment is located on any parking areas on the Project, then such lost parking spaces shall be counted towards satisfying Tenant's parking allocation under Article 1 hereof.

ARTICLE 5 REPAIRS, MAINTENANCE, SERVICES AND UTILITIES

5.1 Repair And Maintenance. Except in the case of damage to or destruction of the Leased Premises, the Building, the Common Areas, the Property, or the Project caused by an act of God or other peril, in which case the provisions of Article 10 shall control, the parties shall have the following obligations and responsibilities with respect to the repair and maintenance of the Leased Premises, the Building, the Common Areas, the Property, and the Project.

(a) Tenant's Obligations. Tenant shall, at all times during the Lease Term and at its sole cost and expense, regularly clean and continuously keep and maintain in good order, condition and repair the Leased Premises and every part thereof including, without limiting the generality of the foregoing, (i) all interior walls, floors and ceilings, (ii) all windows, doors and skylights, (iii) all electrical wiring, conduits, connectors and fixtures within the Leased Premises, (iv) all interior sinks, toilets, and faucets and, to the extent located in and serving just the Leased Premises, plumbing, pipes, and drains, (v) all interior lighting fixtures, bulbs and lamps, (vi) any HVAC equipment installed by or at the request of Tenant or exclusively serving the Leased Premises, and (vii) all entranceways to the Leased Premises. Tenant shall, at Tenant's sole cost and expense, provide for its own janitorial service for the Leased Premises. Tenant shall, at its sole cost and expense, repair all damage to the Leased Premises, the Building, the Common Areas, the Property, or the Project caused by the activities of Tenant or any of the Tenant Parties promptly following written notice from Landlord to so repair such damages. If Tenant shall fail to perform the required maintenance or fail to make repairs required of it pursuant to this paragraph within the applicable notice and cure period set forth in Paragraph 12.1 below, then Landlord may, at its election and without waiving any other remedy it may otherwise have under this Lease or at law, perform such maintenance or make such repairs and charge to Tenant, as Additional Rent, the costs so incurred by Landlord for same. All glass within or a part of the Leased Premises, both interior and exterior, is at the sole risk of Tenant and any broken glass shall promptly be replaced by Tenant at Tenant's expense with glass of the same kind, size and quality. With respect to the items for which Tenant

is responsible described in this Paragraph 5.1(a), Landlord agrees to assign to Tenant on a non-exclusive basis (it being the intent that Landlord and Tenant be benefitted by such warranties) and to the extent assignable, any applicable warranties in favor of Landlord or its affiliates. To the extent any such warranties are not assignable, Landlord agrees to enforce such warranties for Tenant's benefit. Notwithstanding the foregoing or anything to the contrary herein, Landlord shall perform and construct, and Tenant shall have no responsibility (1) to perform or construct, any repair, maintenance or improvements necessitated by the acts or omissions of Landlord or its agents, employees or contractors or (2) to pay for the same the extent Landlord has a right to and obtains reimbursement from others (and Landlord shall exercise commercially reasonable efforts to obtain such reimbursement).

(b) Landlord's Obligation.

(1) Landlord shall, at all times during the Lease Term, maintain in good condition and repair the Common Areas, the foundation, slabs, roof structure and membrane, load-bearing and exterior walls of the Building, and (i) HVAC equipment, and (ii) plumbing, pipes, and drains, to the extent the items described in clauses (i) and (ii), serve both the Leased Premises and other portions of the Property or are located outside the Leased Premises. Landlord may hire a licensed HVAC contractor to regularly and periodically inspect and perform required maintenance on the HVAC equipment and systems serving the Leased Premises and/or the Building. Landlord may also hire a licensed roofing contractor to regularly and periodically inspect and perform required maintenance on the roof of the Building. Landlord shall keep the Common Areas in a clean condition. Landlord shall regularly and periodically sweep and clean the driveways and parking areas. Unless necessitated by the acts or omissions of Tenant or any of the Tenant Parties, Landlord shall make any necessary (x) structural repairs or structural replacements to the Leased Premises and (y) repairs or replacements to (i) any fire alarm and communication system in the Leased Premises installed by Landlord, and (ii) any sprinkler system installed by Landlord in the Leased Premises; if any of the foregoing are necessitated by the acts or omissions of Tenant or any of the Tenant Parties, Tenant shall reimburse to Landlord, promptly upon receipt of the applicable invoices, the cost incurred by Landlord in connection therewith. The provisions of this subparagraph (b) shall in no way limit the right of Landlord to charge to Tenant, as Additional Rent pursuant to Article 3, the costs incurred by Landlord in performing such maintenance and/or inspections, and/or in making such repairs or replacements provided, however, that with respect to capital repairs and replacements, the cost incurred by Landlord, including interest at a rate equal to the Standard Interest Rate, shall be amortized by Landlord over the useful life of such capital repairs or replacements, as determined in accordance with GAAP, and the monthly amortized cost of such capital repairs or replacements as so amortized shall be considered a Property Maintenance Cost (as defined in Paragraph 13.12(c) below). Notwithstanding the foregoing, if repairs or replacements of any of the foregoing are necessitated by the negligence or willful misconduct of Tenant or any of the Tenant Parties, or Tenant's breach of this Lease, Tenant shall reimburse to Landlord, promptly upon receipt of the applicable invoices, the cost incurred by Landlord in connection therewith. Landlord will ensure that Tenant has the benefit, on a non-exclusive basis with Landlord, of all applicable construction warranties in favor of Landlord.

(2) Notwithstanding any provision in this Lease to the contrary, if Landlord shall fail to commence any repair obligations required under Paragraphs 5.1(b)(1) above within ten (10) business days following Tenant's written request for such repairs and thereafter complete such repairs with commercially reasonable due diligence, or if Palo Alto Networks, Inc. (or a Permitted Assignee) is the Tenant hereunder and leases 100% of the Leased Premises and Landlord shall fail to commence any emergency repairs (i.e., repairs required to avoid imminent injury or damage or cessation of business) within five (5) business days following written notice from Tenant and thereafter complete such repairs with commercially reasonable due diligence, and in either case the required repairs affect only Building elements or systems serving the Leased Premises exclusively and no other space, then Tenant may elect to make such repairs at Landlord's expense by complying with the following provisions of this Paragraph 5.1(b)(2). Before making any such repair, and following the expiration of the applicable period set forth above, Tenant shall deliver to Landlord a notice for the need for such repair ("Self-Help Notice"), which notice shall specifically advise Landlord that Tenant intends to exercise its self-help right hereunder. Should Landlord fail, within five (5) business days following receipt of the Self-Help Notice (or within two (2) business days following written notice in the event of necessary emergency repairs), to commence the necessary repair (or to make other reasonable arrangements), then Tenant shall have the right to make such repair on behalf of Landlord so long as such repair is performed in strict compliance with all Laws and Restrictions. In the event Tenant properly takes such action in accordance with this Paragraph 5.1(b)(2), and such work will affect the Building structure and/or materially affect the major Building systems or any Building systems serving other tenants' premises, Tenant shall use only those contractors used or reasonably approved by Landlord in the Building for work on such structure or systems unless such contractors are unwilling or unable to perform, or to timely and competitively perform, such work, in which event Tenant may utilize the services of any other licensed and qualified contractor which normally and regularly performs similar work in comparable buildings in the area of the Property. Tenant shall provide Landlord with a reasonably detailed invoice together with reasonable supporting evidence of the

costs reasonably and actually incurred in performing such repairs. Landlord shall either reimburse Tenant for the reasonable costs of such repairs within thirty (30) days following receipt of Tenant's invoice for such costs or deliver a written objection stating with specificity the reasons Landlord disputes Tenant's actions or the costs incurred. If Landlord fails to either pay Tenant's invoice within such thirty (30) day period or deliver a written objection, Tenant shall have the right to offset such costs against Base Monthly Rent next coming due under this Lease, in an amount each month not to exceed 40% of each payment of Base Monthly Rent, until fully paid. If Landlord delivers to Tenant, within thirty (30) days, a written objection to the payment of such invoice, setting forth Landlord's reasons for its claim that such action did not have to be taken by Landlord pursuant to the terms of this Lease or that the charges are excessive (in which case Landlord shall pay the amount it contends would not have been excessive if the only objection is to the costs incurred), then Tenant shall not be entitled to offset any amount from rent, but as Tenant's sole remedy, the dispute shall be resolved by arbitration pursuant to Paragraph 5.1(b)(iii) below. If Tenant prevails in the arbitration, the amount of the award shall include interest at the Default Interest Rate (from the time of each expenditure by Tenant until the date Tenant receives such amount by payment or offset) and reasonable attorneys' fees and related costs. If Landlord fails to pay the amount of the award within thirty (30) days from the date of the award, the amount of the award, plus interest at the Default Interest Rate commencing on the 31st day after the award, may be deducted by Tenant from the Base Monthly Rent payments next due and owing under the Lease, in an amount each month not to exceed 40% of each payment of Base Monthly Rent, until fully paid. Tenant shall be responsible for obtaining any and all necessary governmental permits before commencing the repair work. Tenant shall be liable for any damage, loss or injury resulting from said work. If Landlord prevails in the arbitration, the amount of the award shall include reasonable attorneys' fees and related costs and shall be deemed Additional Rent hereunder due and owing no later than thirty (30) days after the date of the award.

(3) Any dispute or claim under Paragraph 5.1(b)(2) will be finally settled by binding arbitration in San Francisco, California, in accordance with the rules of the JAMS by one arbitrator appointed in accordance with said rules. The arbitrator shall apply California law, without reference to rules of conflicts of law or rules of statutory arbitration, to the resolution of any dispute. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Notwithstanding the foregoing, the parties may apply to any court of competent jurisdiction for preliminary or interim equitable relief, or to compel arbitration in accordance with this paragraph, without breach of this arbitration provision.

5.2 Utilities.

(a) Landlord has arranged at its sole cost and expense and in its own name, for the supply of gas, water, and electricity to the Leased Premises from 8:00 a.m. and 6:00 p.m. Monday through Friday and on Saturdays from 8:00 a.m. to noon, excluding Sundays and New Year's Day, Presidents Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, Christmas and such other holidays as are generally recognized in the vicinity of the Property (hereafter, "Building Standard Hours"). Landlord shall, at its sole expense, install sub-meters to monitor Tenant's electric use. Upon Tenant's request either (x) via the energy management system serving the Leased Premises, or (y) during Building Standard Hours, by 10:00 a.m. on any day for after-hours usage on that same day, and by 10:00 a.m. on Friday for after-hours usage on weekends or holidays, and subject to the payment obligations described below, Landlord agrees to make HVAC available to Tenant outside of Building Standard Hours.

(b) Tenant shall pay: (i) for all of its consumption of electric, gas and water within the Leased Premises as reasonably determined by Landlord, based on the data from the sub-meter for electricity and on a pro rata basis for gas and water service; and (ii) subject to Paragraph 5.2(c) below, (A) Tenant's Building Share of all Building utilities relating to HVAC, elevators, and Common Areas within the Building consumed during Building Standard Hours, and (B) Landlord's reasonable estimate of the actual cost (including depreciation) for all of such utilities described in clause (ii)(A) consumed by Tenant outside of Building Standard Hours as reasonably determined by Landlord based on the number of tenants utilizing such utilities, the relative square footages of their respective leased premises, and the duration of their use. Costs of utilities shall be paid by Tenant to Landlord within twenty (20) days after invoice therefor from time to time, or, at Landlord's option, with respect to utility costs other than after hours HVAC and submetered electricity, shall be included in Property Maintenance Costs or, with respect to the portion of electricity use that is submetered, shall be paid in estimated monthly installments subject to annual reconciliation in like fashion as for Property Maintenance Costs.

(c) The costs to be paid by Tenant pursuant to Paragraph 5.2(b) above are based on Tenant's HVAC use being what is currently typical of office users for heating and cooling of generic office space, and on such use specifically excluding continuous, near continuous, or heavy use ("Above-Standard Use") of the HVAC. Any Above-Standard Use (e.g., uses such as network operations centers, server rooms, and data centers) will require dedicated HVAC and separately metered utilities.

Notwithstanding any other provision of this Lease, Tenant, at its sole cost and expense, and in accordance with Article 6 below, will contract for directly and cause to be installed any such dedicated HVAC equipment (including separate meters), and shall be solely responsible for all ongoing maintenance, service, repairs, replacements, and utility charges related to such dedicated HVAC.

(d) Tenant shall be responsible for determining if the local supplier of water, gas and electricity can supply the needs of Tenant and whether or not the existing water, gas and electrical distribution systems within the Building and the Leased Premises are adequate for Tenant's needs. Tenant shall be responsible for determining if the existing sanitary and storm sewer systems now servicing the Leased Premises and the Property are adequate for Tenant's needs. Tenant shall pay all charges for water, gas, electricity and storm and sanitary sewer services as so supplied to the Leased Premises, irrespective of whether or not the services are maintained in Landlord's or Tenant's name.

5.3 Security. Tenant acknowledges that Landlord has not undertaken any duty whatsoever to provide security for the Leased Premises, the Building, the Common Areas, the Property, or the Project and, accordingly, Landlord is not responsible for the security of same or the protection of Tenant's property or any of the Tenant Parties from any cause whatsoever, including but not limited to criminal and/or terrorist acts. To the extent Tenant determines that such security or protection services are advisable or necessary, Tenant shall arrange for and pay the costs of providing same. Landlord shall provide a card access system for the Building. Tenant shall have the right to install a key card security system for the exterior doors to the Premises and in the elevator cabs, subject to Landlord's approval, not to be unreasonably withheld, conditioned, or delayed. In the event Landlord in its sole and absolute discretion agrees to provide any security services, whether it be guard service or access systems or otherwise, Landlord shall do so strictly as an accommodation to Tenant and Landlord shall have no liability whatsoever in connection therewith, whether it be for failure to maintain the secure access system, or for failure of the guard service to provide adequate security, or otherwise. Without limitation, Paragraph 8.1 below is intended by Tenant and Landlord to apply to this Paragraph 5.3.

5.4 Energy And Resource Consumption.

(a) Energy Consumption Reduction Efforts. Landlord may voluntarily cooperate in a reasonable manner with the efforts of governmental agencies and/or utility suppliers in reducing energy or other resource consumption within the Property. Tenant shall not be entitled to terminate this Lease or to any reduction in or abatement of rent by reason of such cooperation. Tenant agrees at all times to cooperate fully with Landlord and to abide by all reasonable rules established by Landlord (i) in order to maximize the efficient operation of the electrical, and HVAC systems and all other energy or other resource consumption systems with the Property and the Project and/or (ii) in order to comply with the recommendations of utility suppliers and governmental agencies regulating the consumption of energy and/or other resources. Except to the extent required by Law, Landlord's rights and Tenant's obligations hereunder shall not apply to the extent the same would unreasonably interfere with Tenant's use of the Leased Premises or materially increase Tenant's costs.

(b) Tenant Utility Usage Data Reporting. If Tenant is billed directly by a utility company with respect to Tenant's electricity and natural gas/propane usage data at the Leased Premises, then, promptly following Landlord's written request, Tenant shall provide its monthly electricity and natural gas/propane usage data for the Leased Premises to Landlord for the period of time requested by Landlord (in electronic or paper format) or, at Landlord's option, provide any written authorization or other documentation required for Landlord to request information regarding Tenant's electricity and natural gas/propane usage data with respect to the Leased Premises directly from the utility company.

5.5 Limitation Of Landlord's Liability. Landlord shall not be liable to Tenant for injury to Tenant or any of the Tenant Parties, or damage to property of Tenant or any Tenant Parties (except to the extent of Landlord's gross negligence, willful misconduct or knowing violation of this Lease), or loss of Tenant's or any Tenant Parties' business or profits, nor shall Tenant be entitled to terminate this Lease or to any reduction in or abatement of rent by reason of (i) Landlord's failure to provide security services or systems within the Property or the Project for the protection of the Leased Premises, the Building or the Common Areas, or the protection of Tenant's property or any of the Tenant Parties, or (ii) Landlord's failure to perform any maintenance or repairs to the Leased Premises, the Building, the Common Areas, the Property, or the Project until Tenant shall have first notified Landlord, in writing, of the need for such maintenance or repairs, and then only after Landlord shall have had a reasonable period of time following its receipt of such notice within which to perform such maintenance or repairs, or (iii) any failure, interruption, rationing or other curtailment in the supply of water, electric current, gas or other utility service to the Leased Premises, the Building, the Common Areas, the Property, or the Project from whatever cause (other than Landlord's active gross negligence or willful misconduct or knowing violation of this Lease), or (iv) the unauthorized intrusion or entry into the Leased Premises by third parties (other than Landlord).

Notwithstanding the foregoing, in the event that Tenant is prevented from using, and does not use, the Leased Premises or any portion thereof as a result of a Trigger Event (as defined below), then Tenant shall give Landlord written notice thereof and if such Trigger Event continues for five (5) consecutive business days (such period herein called the "Eligibility Period"), then Tenant's Base Monthly Rent and Tenant's obligation to pay Project Operating Expenses shall be abated or reduced, as the case may be, after expiration of the Eligibility Period for such period of time that Tenant continues to be so prevented from using, and does not actually use, the Leased Premises or a portion thereof, in the proportion that the rentable area of the portion of the Leased Premises that Tenant is prevented from using bears to the total rentable area of the Leased Premises. As used herein, the term "Trigger Event" means any of the following events: (1) any failure by Landlord to provide Tenant with access to the Leased Premises or the Project that materially impacts or interrupts Tenant's use of the Leased Premises, unless such failure is a result of any Laws or Restrictions, (2) Landlord's failure to perform Landlord's repair and maintenance obligations hereunder if such failure continues beyond the applicable notice and cure period, if any, expressly set forth in this Lease, and (3) a disruption of utilities to the Leased Premises, and such disruption is caused solely by the intentional acts, negligence or willful misconduct of Landlord or any of Landlord's Parties.

ARTICLE 6 ALTERATIONS AND IMPROVEMENTS

6.1 By Tenant. Tenant shall not make any alterations to or modifications of the Leased Premises or construct any improvements within the Leased Premises until Landlord shall have first approved, in writing, the plans and specifications therefor, which approval may be withheld in Landlord's sole discretion as to alterations, modifications, and improvements which affect the Building façade, structure, or systems, or are specialized in nature or inconsistent with general office/research and development uses, and otherwise such approval may be withheld in Landlord's reasonable discretion. All such modifications, alterations or improvements, once so approved, shall be made, constructed or installed by Tenant at Tenant's expense (including all permit fees and governmental charges related thereto), using a licensed contractor first approved by Landlord, which approval shall not be unreasonably withheld or delayed, in substantial compliance with the Landlord-approved plans and specifications therefor. All work undertaken by Tenant shall be done in accordance with all Laws and Restrictions and in a good and workmanlike manner using new (or reclaimed or recycled) materials of good quality. Tenant shall not commence the making of any such modifications or alterations or the construction of any such improvements until (i) any and all required governmental approvals and permits shall have been obtained, (ii) all requirements regarding insurance imposed by this Lease have been satisfied, (iii) Tenant shall have given Landlord at least five (5) business days prior written notice of its intention to commence such work so that Landlord may post and file notices of non-responsibility, and (iv) if requested by Landlord, Tenant shall have obtained contingent liability and broad form builder's risk insurance in an amount satisfactory to Landlord in its reasonable discretion to cover any perils relating to the proposed work not covered by insurance carried by Tenant pursuant to Article 9. In no event shall Tenant make any modification, alterations or improvements whatsoever to the Common Areas or the exterior or structural components of the Building including, without limitation, any cuts or penetrations in the floor, roof, or exterior or load-bearing walls of the Leased Premises. As used in this Article, the term "modifications, alterations and/or improvements" shall include, without limitation, the installation of additional electrical outlets, overhead lighting fixtures, drains, sinks, partitions, doorways, or the like.

6.2 Ownership Of Improvements.

All modifications, alterations and improvements made or added to the Leased Premises by Tenant (other than Tenant's inventory, equipment, movable furniture, decorations, personal property, trade fixtures ("Tenant's Property")) shall be deemed real property and a part of the Leased Premises, but shall remain the property of Tenant during the Lease Term. Any such modifications, alterations or improvements, once completed, shall not be altered or removed from the Leased Premises during the Lease Term without Landlord's written approval first obtained in accordance with the provisions of Paragraph 6.1 above. At the expiration or sooner termination of this Lease, all such modifications, alterations and improvements other than Tenant's Property shall automatically become the property of Landlord and shall be surrendered to Landlord as part of the Leased Premises as required pursuant to Article 2. Landlord shall have no obligations to reimburse Tenant for all or any portion of the cost or value of any such modifications, alterations or improvements so surrendered to Landlord. All modifications, alterations or improvements which are installed or constructed on or attached to the Leased Premises by Landlord and/or at Landlord's expense shall be deemed real property and a part of the Leased Premises and shall be property of Landlord. All lighting, plumbing, electrical, HVAC fixtures, wall coverings and floor coverings installed by Tenant shall be deemed improvements to the Leased Premises and not trade fixtures of Tenant.

6.3 Alterations Required By Law.

(a) Landlord at its sole cost shall make all modifications, alterations and improvements to the Building, the Property, or the Project, that are required by any governmental authority at any time due to the Landlord's Work constructed by Landlord not having been in compliance with the Laws then applicable governing its construction.

(b) From and after the Lease Commencement Date, but in no event prior to substantial completion of Landlord's Work, Tenant at its sole cost shall make all modifications, alterations and improvements to the Leased Premises, the Building, the Common Areas, the Property, or the Project that are required by any Law because of (i) Tenant's particular use or occupancy of the Leased Premises, the Building, the Common Areas, the Property, or the Project (as opposed to the Permitted Use generally), (ii) Tenant's application for any permit or governmental approval, or (iii) Tenant's making of any modifications, alterations or improvements to or within the Leased Premises.

(c) If Landlord shall, at any time during the Lease Term, be required by any governmental authority or Law to make any modifications, alterations or improvements to the Building, the Property, or the Project and the same is not Tenant's responsibility under Paragraph 6.3(b) above, then Landlord shall do so and the cost incurred by Landlord in making such modifications, alterations or improvements, including interest at a rate equal to the Standard Interest Rate shall be amortized by Landlord over the useful life of such modifications, alterations or improvements, as determined in accordance with GAAP, and the monthly amortized cost of such modifications, alterations and improvements as so amortized shall be considered a Property Maintenance Cost (subject, if applicable, to Paragraph 13.12 below).

6.4 Liens. Tenant shall keep the Property and the Project and every part thereof free from any lien, and shall pay when due all bills arising out of any work performed, materials furnished, or obligations incurred by Tenant, its agents, employees or contractors relating to the Property. If any such claim of lien is recorded against Tenant's interest in this Lease, the Property or any part thereof, Tenant shall bond against, discharge or otherwise cause such lien to be entirely released within thirty (30) days after the same has been recorded. Tenant's failure to do so shall be conclusively deemed a material default under the terms of this Lease.

ARTICLE 7 ASSIGNMENT AND SUBLETTING BY TENANT

7.1 By Tenant. Tenant shall not sublet the Leased Premises or any portion thereof or assign its interest in this Lease, or permit the occupancy of the Premises by other than Tenant, whether voluntarily or by operation of Law, without Landlord's prior written consent which shall not be unreasonably withheld and shall be given within the time periods set forth in Paragraph 7.3 below. Any attempted subletting or assignment, or occupancy of the Leased Premises by other than Tenant, without Landlord's prior written consent, at Landlord's election, shall constitute a default by Tenant under the terms of this Lease. The acceptance of rent by Landlord from any person or entity other than Tenant, or the acceptance of rent by Landlord from Tenant with knowledge of a violation of the provisions of this paragraph, shall not be deemed to be a waiver by Landlord of any provision of this Article or this Lease or to be a consent to any subletting by Tenant or any assignment of Tenant's interest in this Lease. Without limiting the circumstances in which it may be reasonable for Landlord to withhold its consent to an assignment or subletting, Landlord and Tenant acknowledge that it shall be reasonable for Landlord to withhold its consent in the following instances:

(a) the proposed assignee or sublessee is a governmental agency;

(b) in Landlord's reasonable judgment, the use of the Leased Premises by the proposed assignee or sublessee would involve occupancy other than for a Permitted Use;

(c) the proposed assignee or sublessee (or any of its affiliates) has filed for bankruptcy protection, has been the subject of an involuntary bankruptcy, or has been adjudged insolvent;

(d) Landlord (or any of its affiliates) is in litigation with the proposed assignee or sublessee (or any of their affiliates);

(e) in Landlord's reasonable judgment, the Leased Premises, or the relevant part thereof, will be used in a manner that will violate any negative covenant as to use contained in this Lease;

(f) the use of the Leased Premises by the proposed assignee or sublessee will violate any Law or Restriction;

(g) the proposed assignment or sublease fails to include all of the terms and provisions required to be included therein pursuant to this Article 7; or

(h) Tenant is in monetary or material non-monetary default of any obligation of Tenant under this Lease with respect to which it has received written notice from Landlord.

7.2 Merger, Reorganization, or Sale of Assets.

(a) Subject to Paragraphs 7.2(b) and 7.8 below: Any dissolution, merger, consolidation or other reorganization of Tenant, or the sale or other transfer in the aggregate over the Lease Term of a controlling percentage of the capital stock of or other equity interests in Tenant, or the sale or transfer of all or a substantial portion of the assets of Tenant, shall be deemed a voluntary assignment of Tenant's interest in this Lease, and any transferee of this Lease as a result thereof shall be an assignee of this Lease (any sale of all or substantially all of the assets of Tenant where the transferee or purchaser assumes all of Tenant's obligations under this Lease, and any other transaction described in this sentence, other than a dissolution or reorganization in bankruptcy shall be a "Permitted Transaction"). The phrase "controlling percentage" means the direct or indirect ownership of or right to vote stock or membership interests possessing more than fifty percent of the total combined voting power of all classes of Tenant's capital stock or membership interests issued, outstanding and entitled to vote for the election of directors or as applicable, LLC managers. If Tenant is a partnership, a withdrawal or change, voluntary, involuntary or by operation of Law, of any general partner, or the dissolution of the partnership, shall be deemed a voluntary assignment of Tenant's interest in this Lease.

(b) Notwithstanding anything in this Lease to the contrary, Tenant may, without Landlord's prior written consent, (x) engage in a Permitted Transaction or (y) sublet the Leased Premises or assign this Lease to a "Permitted Transferee," defined herein as (i) a subsidiary, affiliate, division, corporation or joint venture controlling, controlled by or under common control with Tenant, (ii) a successor entity resulting from a merger, consolidation, or nonbankruptcy reorganization by Tenant, or (iii) a purchaser of substantially all of Tenant's assets. Paragraphs 7.4 and 7.5 shall not be applicable to a Permitted Transferee or a Permitted Transaction. A Permitted Transferee who is an assignee is sometimes defined herein as a "Permitted Assignee." In all events, Tenant shall remain fully liable under this Lease.

7.3 Landlord's Election. Except as provided for in Paragraph 7.2 above, if Tenant shall desire to assign its interest under the Lease or to sublet the Leased Premises, Tenant must notify Landlord, in writing, of such sublease or assignment and provide an executed copy thereof to Landlord at least 20 days in advance of the commencement date of such sublease or assignment but not sooner than one hundred eighty (180) days in advance of such date, specifying in detail the terms of such proposed assignment or subletting, including the name of the proposed assignee or sublessee, the proposed assignee's or sublessee's intended use of the Leased Premises, current financial statements (including a balance sheet, income statement and statement of cash flow, all prepared in accordance with GAAP; provided, however, that, if applicable with respect to a proposed sublessee, during any period that the proposed sublessee actually does not prepare its financial statements in accordance with GAAP, then financial statements prepared and reviewed by a reputable, third-party, independent certified public accountant shall suffice) of such proposed assignee or sublessee, and such other information as Landlord may reasonably request. Such executed sublease or assignment shall be conditioned upon any required Landlord consent. Landlord shall have a period of ten (10) business days following receipt of such notice and the required information within which to do one of the following: (i) consent to such requested assignment or subletting subject to Tenant's compliance with the conditions set forth in Paragraph 7.4 below, or (ii) refuse to so consent to such requested assignment or subletting, provided that such consent shall not be unreasonably refused. During such ten (10) business day period, Tenant covenants and agrees to supply to Landlord, upon request, all necessary or relevant information which Landlord may reasonably request respecting such proposed assignment or subletting and/or the proposed assignee or sublessee. If Landlord fails to respond by the end of such ten (10) business day period to Tenant's request for consent to any proposed Transfer, Tenant may send a second (2nd) request to Landlord, which request must contain the following inscription, in 14 point font and bold faced lettering: "SECOND NOTICE DELIVERED PURSUANT TO PARAGRAPH 7.3 OF LEASE—FAILURE TO TIMELY RESPOND WITHIN FIVE (5) BUSINESS DAYS SHALL RESULT IN DEEMED APPROVAL OF ASSIGNMENT OR SUBLEASE." If Tenant sends such a second request, and Landlord fails to respond within five (5) business days after its receipt of same, the proposed assignment or subletting shall be deemed approved.

7.4 Conditions To Landlord's Consent. If Landlord elects to consent, or shall have been ordered to so consent by a court of competent jurisdiction, to such requested assignment or subletting, such consent shall be expressly conditioned upon the occurrence of each of the conditions below set forth, and any purported assignment or subletting made or ordered prior to the full and complete satisfaction of each of the following conditions shall be void and, at the election of Landlord, which election may be exercised at any time following such a purported assignment or subletting but prior to the satisfaction of each of the stated conditions, shall constitute a material default by Tenant under this Lease until cured by satisfying in full each such condition by the assignee or sublessee. The conditions are as follows:

(a) Landlord having approved in form and substance the assignment or sublease agreement and any ancillary documents, which approval shall not be unreasonably withheld by Landlord if the requirements of this Article 7 are otherwise complied with.

(b) Each such sublessee or assignee having agreed, in writing satisfactory to Landlord and its counsel and for the benefit of Landlord, to assume, to be bound by, and to perform the obligations of this Lease to be performed by Tenant which relate to space being subleased (excluding those obligations that Tenant has agreed to retain in the applicable assignment or sublease).

(c) Tenant not being in monetary or material non-monetary default of its obligations under the terms of this Lease (with respect to which it has received a written notice from Landlord) through and including the date of such assignment or subletting.

(d) Tenant having reimbursed to Landlord all reasonable costs and reasonable attorneys' fees incurred by Landlord in conjunction with the processing and documentation of any such requested subletting or assignment (not to exceed \$2,000 per request for sublease consent). Tenant shall be obligated to so reimburse Landlord whether or not such subletting or assignment is completed.

(e) Tenant having delivered to Landlord a complete and fully-executed duplicate original of such sublease agreement or assignment agreement (as applicable) and all related agreements.

(f) Tenant having paid, or having agreed in writing to pay as to future payments, to Landlord fifty percent (50%) of all assignment consideration or excess rentals paid to Tenant or to any other on Tenant's behalf or for Tenant's benefit for such assignment or subletting as follows:

(i) If Tenant assigns its interest under this Lease, that Tenant shall have paid to Landlord and Landlord shall have received an amount equal to fifty percent (50%) of the assignment consideration so paid; or

(ii) If Tenant assigns its interest under this Lease and if Tenant is to receive all or a portion of the consideration for such assignment in future installments, that Tenant and Tenant's assignee shall have entered into a written agreement with and for the benefit of Landlord satisfactory to Landlord and its counsel whereby Tenant and Tenant's assignee jointly agree to pay to Landlord an amount equal to fifty percent (50%) of all such future assignment consideration installments paid by such assignee as and when such assignment consideration is so paid; or

(iii) If Tenant subleases the Leased Premises, that Tenant and Tenant's sublessee shall have entered into a written agreement with and for the benefit of Landlord satisfactory to Landlord and its counsel whereby Tenant and Tenant's sublessee jointly agree to pay to Landlord fifty percent (50%) of all excess rentals paid by such sublessee.

7.5 Assignment Consideration And Excess Rentals Defined. For purposes of this Article, including any amendment to this Article by way of addendum or other writing: (i) the term "assignment consideration" shall mean all consideration paid by the assignee to Tenant or to any other party on Tenant's behalf or for Tenant's benefit as consideration for such assignment, without deduction for any costs or expenses incurred by Tenant in connection with such assignment, except that Tenant may deduct third party, market rate leasing commissions and legal fees paid, and tenant improvement costs incurred, in connection with the assignment, in which case the amount thereof may be deducted with the balance to be paid to Landlord, and (ii) the term "excess rentals" shall mean all consideration paid by the sublessee to Tenant or to any other party on Tenant's behalf or for Tenant's benefit for the sublease of all or any part of the Leased Premises in excess of the rent due to Landlord under the terms of this Lease for the portion subleased for the same period, without deduction for any costs or expenses incurred by Tenant in connection with such sublease, except that Tenant may deduct third party, market rate leasing commissions and legal fees paid, and tenant improvement costs incurred, in connection with the sublease, in which case the amount thereof may be deducted with the balance to be paid to Landlord. Tenant agrees that the portion of any assignment consideration and/or excess rentals arising from any assignment or subletting by Tenant which is to be paid to Landlord pursuant to this Article now is and shall then be the property of Landlord and not the property of Tenant.

7.6 Payments. All payments required by this Article to be made to Landlord shall be made in cash or other good funds in full as and when they become due. At the time Tenant, Tenant's assignee or sublessee makes each such payment to Landlord, Tenant or Tenant's assignee or sublessee, as the case may be, shall deliver to Landlord an itemized statement in reasonable detail showing the method by which the amount due Landlord was calculated and certified by the party making such payment as true and correct.

7.7 Good Faith. The rights granted to Tenant by this Article are granted in consideration of Tenant's express covenant, which Tenant hereby makes, that all pertinent allocations which are made by Tenant between the rental value of the Leased Premises and the value of any of Tenant's personal property which may be conveyed or leased (or services provided) generally concurrently with and which may reasonably be considered a part of the same transaction as the permitted assignment or subletting shall be made fairly, honestly and in good faith.

7.8 Effect Of Landlord's Consent. No subletting or assignment, even with the consent of Landlord, shall relieve Tenant of its personal and primary obligation to pay rent and to perform all of the other obligations to be performed by Tenant hereunder, and Tenant hereby agrees as follows in connection with any assignment of this Lease:

The liability of the "Assigning Tenant" under this Lease (defined herein as Palo Alto Networks, Inc. and any assignee(s) who further assign(s) this Lease) shall be primary, and in any right of action which shall accrue to Landlord under this Lease, Landlord may, at its option, proceed against the Assigning Tenant without having commenced any action or obtained any judgment against an assignee. The Assigning Tenant further agrees that it may be joined in any action against an assignee in connection with the said obligations of assignee and recovery may be had against the Assigning Tenant in any such action. The Assigning Tenant hereby expressly waives the benefits and defenses under California Civil Code Sections 2821, 2839, 2847, 2848, 2849 and 2855 to the fullest extent permitted by applicable law.

If an assignee is in default of its obligations under this Lease, Landlord may proceed against the Assigning Tenant, the assignee, or both, or any prior Assigning Tenants (it being agreed that no Assigning Tenant shall be relieved of liability, and that the liability of all Assigning Tenants shall be joint and several), or Landlord may enforce against the Assigning Tenant(s) or the assignee any rights that Landlord has under the Lease, in equity or under applicable law. If the Lease terminates due to an assignee's default or bankruptcy or similar debtor protection law, Landlord may enforce this Lease against the Assigning Tenant(s), even if Landlord would be unable to enforce it against the assignee. The Assigning Tenant specifically agrees and understands that Landlord may proceed forthwith and immediately against an assignee or against the Assigning Tenant(s) following any default by an assignee. The Assigning Tenant(s) hereby waives all benefits and defenses under California Civil Code Sections 2845, 2848, 2849 and 2850, including without limitation: (i) the right to require Landlord to proceed against an assignee, proceed against or exhaust any security that Landlord holds from an assignee or pursue any other remedy in Landlord's power; (ii) any defense to its obligations hereunder based on the termination or limitation of an assignee's liability; and (iii) all notices of the existence, creation, or incurring of new or additional obligations. Landlord shall have the right to enforce this Lease regardless of the release or discharge of an assignee by Landlord or by operation of any law relating to protection of debtors, bankruptcy, assignments for the benefit of creditors, or insolvency.

The obligations of the Assigning Tenant(s) under this Lease shall remain in full force and effect and the Assigning Tenant(s) shall not be discharged or limited by any of the following events with respect to an assignee or the Assigning Tenant(s): (i) insolvency, bankruptcy, reorganization arrangement, adjustment, composition, assignment for the benefits of creditors, liquidation, winding up or dissolution (each a "Financial Proceeding"); of (ii) any merger, acquisition, consolidation or change in entity structure, or any sale, lease, transfer, or other disposition of any entity's assets, or any sale or other transfer of interests in the entity (each an "Event of Reorganization"); or (iii) any sale, exchange, assignment, hypothecation or other transfer, in whole or in part, of Landlord's interest in the Leased Premises or the Lease. Without limiting the foregoing, the Assigning Tenant(s) hereby expressly waives the benefits and defenses under any statute or judicial decision (including but not limited to the case styled *In Re Arden*, 176 F. 3d 1226 (9th Cir. 1999)) that would otherwise (i.e., were it not for such waiver) permit the Assigning Tenant(s) to claim or obtain the benefit of any so called "capped claim" available to an assignee in any Financial Proceeding. If all or any portion of the obligations guaranteed hereunder are paid or performed and all or any part of such payment or performance is avoided or recovered, directly or indirectly, from Landlord as a preference, fraudulent transfer or otherwise, then the Assigning Tenant(s)' obligations hereunder shall continue and remain in full force and effect as to any such avoided or recovered payment or performance.

The provisions of this Lease may be changed by agreement between Landlord and an assignee without the consent of or notice to the Assigning Tenant(s). This Lease may be assigned by Landlord or an assignee, and the Leased Premises, or a portion thereof, may be sublet by an assignee, all in accordance with the provisions of this Lease, without the consent of or notice to the Assigning Tenant(s). The Assigning Tenant(s) shall remain primarily liable for the performance of the Lease so assigned. Without limiting the generality of the foregoing, the Assigning Tenant(s) waives the rights and benefits of California Civil Code Sections 2819 and 2820 with respect to any change to the Lease between Landlord and an assignee, and agrees that by doing so the Assigning Tenant(s)'s liability shall continue even if (i) Landlord and an assignee alter any Lease obligations, or (ii) the Assigning Tenant(s)'s remedies or rights

against an assignee are impaired or suspended without the Assigning Tenant(s)'s consent by such alteration of Lease obligations.

Consent by Landlord to one or more assignments of Tenant's interest in this Lease or to one or more sublettings of the Leased Premises shall not be deemed to be a consent to any subsequent assignment or subletting. No subtenant shall have any right to assign its sublease or to further sublet any portion of the sublet premises or to permit any portion of the sublet premises to be used or occupied by any other party. No sublease may be terminated or modified during any period that Tenant is in monetary or material non-monetary default under this Lease, without Landlord's prior written consent. If Landlord shall have been ordered by a court of competent jurisdiction to consent to a requested assignment or subletting, or such an assignment or subletting shall have been ordered by a court of competent jurisdiction over the objection of Landlord, such assignment or subletting shall not be binding between the assignee (or sublessee) and Landlord until such time as all conditions set forth in Paragraph 7.4 above have been fully satisfied (to the extent not then satisfied) by the assignee or sublessee, including, without limitation, the payment to Landlord of all agreed assignment considerations and/or excess rentals then due Landlord. Upon a default while a sublease is in effect, Landlord may collect directly from the sublessee all sums becoming due to Tenant under the sublease and apply this amount against any sums due Landlord by Tenant, and Tenant authorizes and directs any sublessee to make payments directly to Landlord upon notice from Landlord. No direct collection by Landlord from any sublessee shall constitute a novation or release of Tenant or any guarantor, a consent to the sublease or a waiver of the covenant prohibiting subleases.

ARTICLE 8 LIMITATION ON LANDLORD'S LIABILITY AND INDEMNITY

8.1 Limitation On Landlord's Liability And Release. Landlord shall not be liable to Tenant for, and Tenant hereby releases and waives all claims and rights of recovery against Landlord and its partners, principals, members, managers, officers, agents, employees, lenders, attorneys, contractors, invitees, consultants, predecessors, successors and assigns (including without limitation prior and subsequent owners of the Property or the Project or portions thereof) (collectively, the "Landlord Indemnitees") from, any and all liability, whether in contract, tort or on any other basis, for any injury to or any damage sustained by Tenant or any of the Tenant Parties, any damage to property of Tenant or any of the Tenant Parties, or any loss to business, loss of profits or other financial loss of Tenant or any of the Tenant Parties resulting from or attributable to the condition of, the management of, the repair or maintenance of, the protection of, the supply of services or utilities to, the damage in or destruction of the Leased Premises, the Building, the Property, the Project, or the Common Areas, including without limitation (i) the failure, interruption, rationing or other curtailment or cessation in the supply of electricity, water, gas or other utility service to the Property, the Building or the Leased Premises; (ii) the vandalism or forcible entry into the Building or the Leased Premises; (iii) the penetration of water into or onto any portion of the Leased Premises; (iv) the failure to provide security and/or adequate lighting in or about the Property, the Building or the Leased Premises, (v) the existence of any design or construction defects within the Property, the Building or the Leased Premises; (vi) the failure of any mechanical systems to function properly (such as the HVAC systems); (vii) the blockage of access to any portion of the Property, the Building or the Leased Premises, except that Tenant does not so release Landlord from such liability to the extent such damage was caused by the gross negligence or willful misconduct of Landlord or any of Landlord's Parties, or Landlord's failure to perform an obligation expressly undertaken by Landlord pursuant to this Lease after a reasonable period of time shall have lapsed following receipt of written notice from Tenant to so perform such obligation. In this regard, Tenant acknowledges that it is fully apprised of the provisions of Law relating to releases, and particularly to those provisions contained in Section 1542 of the California Civil Code which reads as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

Notwithstanding such statutory provision, and for the purpose of implementing a full and complete release and discharge, Tenant hereby (i) waives the benefit of such statutory provision and (ii) acknowledges that, subject to the exceptions specifically set forth herein, the release and discharge set forth in this paragraph is a full and complete settlement and release and discharge of all claims and is intended to include in its effect, without limitation, all claims which Tenant, as of the date hereof, does not know of or suspect to exist in its favor.

8.2 Tenant's Indemnification Of Landlord. Tenant shall defend with competent counsel satisfactory to Landlord any claims made or legal actions filed or threatened against the Landlord Indemnitees with respect to the violation of any Law, or the death, bodily injury, personal injury, property damage, or interference with contractual or property rights suffered by any third party occurring within

the Leased Premises or resulting from the use or occupancy by Tenant or any of the Tenant Parties of the Leased Premises, the Building or the Common Areas, or resulting from the activities of Tenant or any of the Tenant Parties in or about the Leased Premises, the Building, the Common Areas, the Property, or the Project, and Tenant shall indemnify and hold the Landlord Indemnitees harmless from any loss liability, penalties, or expense whatsoever (including any loss attributable to vacant space which otherwise would have been leased, but for such activities) resulting therefrom, except to the extent caused by the negligence or willful misconduct of Landlord, its agents or contractors or Landlord's violation of its obligations under this Lease. This indemnity agreement shall survive the expiration or sooner termination of this Lease.

8.3 Landlord's Indemnification Of Tenant. Landlord shall indemnify and hold Tenant harmless from any loss liability, penalties, or expense whatsoever (including but not limited to reasonable attorneys' fees) resulting from the gross negligence or willful misconduct of Landlord at or with respect to the Property or Landlord's knowing breach of this Lease, except to the extent caused by the negligence or willful misconduct of Tenant. This indemnity agreement shall survive the expiration or sooner termination of this Lease.

ARTICLE 9 INSURANCE

9.1 Tenant's Insurance. Tenant shall maintain insurance complying with all of the following:

(a) Tenant shall procure, pay for and keep in full force and effect, at all times during the Lease Term, the following:

(i) Commercial general liability insurance insuring Tenant against liability for personal injury, bodily injury, death and damage to property occurring within the Leased Premises, or resulting from Tenant's use or occupancy of the Leased Premises, the Building, the Common Areas, the Property, or the Project, or resulting from Tenant's activities in or about the Leased Premises, the Property, or the Project, with coverage in an amount equal to Tenant's Required Liability Coverage (as set forth in Article 1), which insurance shall contain "blanket contractual liability" and "broad form property damage" endorsements insuring Tenant's performance of Tenant's obligations to indemnify Landlord as contained in this Lease.

(ii) Fire and property damage insurance in "special form" coverage insuring Tenant against loss from physical damage to Tenant's personal property, inventory, trade fixtures and improvements within the Leased Premises with coverage for the full actual replacement cost thereof;

(iii) Business income/extra expense insurance sufficient to pay Base Monthly Rent and Additional Rent for a period of not less than twelve (12) months;

(iv) Plate glass insurance, at actual replacement cost;

(v) [Reserved]

(vi) Product liability insurance (including, without limitation, if food and/or beverages are distributed, sold and/or consumed within the Leased Premises, to the extent obtainable, coverage for liability arising out of the distribution, sale, use or consumption of food and/or beverages (including alcoholic beverages, if applicable) at the Leased Premises for not less than Tenant's Required Liability Coverage (as set forth in Article 1);

(vii) Workers' compensation insurance (statutory coverage) with employer's liability in amounts not less than \$1,000,000 insurance sufficient to comply with all laws; and

(viii) With respect to making of any alterations or modifications or the construction of improvements or the like undertaken by Tenant, course of construction, commercial general liability, automobile liability and workers' compensation (to be carried by Tenant's contractor), in an amount and with coverage reasonably satisfactory to Landlord and appropriate to the scope of the alterations, modifications, and improvements.

(b) Each policy of liability insurance required to be carried by Tenant pursuant to this paragraph or actually carried by Tenant with respect to the Leased Premises, the Property, or the Project: (i) shall with respect to insurance required by subparagraph (a) above, name Landlord, and such others as are designated by Landlord, as additional insureds; (ii) [reserved]; (iii) shall be primary insurance providing that the insurer shall be liable for the full amount of the loss, up to and including the total amount of liability set forth in the declaration of coverage, without the right of contribution from or prior

payment by any other insurance coverage of Landlord; (iv) [reserved]; (v) shall be carried with companies with Best's ratings of at least A and VII; and (vi) shall contain a so-called "severability" or "cross liability" endorsement. Each policy of property insurance maintained by Tenant with respect to the Leased Premises, the Property, or the Project or any property therein shall contain a waiver and/or a permission to waive by the insurer of any right of subrogation against Landlord, its partners, principals, members, managers, officers, employees, agents and contractors, which might arise by reason of any payment under such policy or by reason of any act or omission of Landlord, its partners, principals, members, managers, officers, employees, agents and contractors.

(c) Prior to the time Tenant or any of its contractors enters the Leased Premises, Tenant shall deliver to Landlord, with respect to each policy of insurance required to be carried by Tenant pursuant to this Article, a certificate of the insurer certifying in form satisfactory to Landlord that a policy has been issued, premium paid, providing the coverage required by this Paragraph and containing the provisions specified herein. Landlord may, at any time and from time to time, inspect and/or copy any and all insurance policies required to be carried by Tenant pursuant to this Article. If Landlord's Lender or insurance consultant reasonably determines at any time that the amount of coverage set forth in Paragraph 9.1(a) for any policy of insurance Tenant is required to carry pursuant to this Article is not adequate, then Tenant shall increase the amount of coverage for such insurance to such greater amount as Landlord's Lender or insurance consultant reasonably deems adequate; provided, however, that with respect to increases determined by Landlord's insurance consultant, such coverage need not be increased (i) during the first five (5) years of the Lease Term, or (ii) at any time above levels then generally being required in new leases of comparable buildings in the cities of Santa Clara or Sunnyvale. In the event Tenant does not maintain said insurance, Landlord may, in its sole discretion and without waiving any other remedies hereunder, procure said insurance and Tenant shall pay to Landlord as additional rent the cost of said insurance plus a ten percent (10%) administrative fee.

9.2 Landlord's Insurance. With respect to insurance maintained by Landlord:

(a) Landlord shall maintain, as the minimum coverage required of it by this Lease, fire and property damage insurance in so-called special form coverage insuring Landlord (and such others as Landlord may designate) against loss from physical damage to the Building with coverage of not less than one hundred percent (100%) of the full actual replacement cost thereof and against loss of rents for a period of not less than six months. Such fire and property damage insurance shall be written in so-called "all risk" form, excluding only those perils commonly excluded from such coverage by Landlord's then property damage insurer; (ii) shall provide coverage for physical damage to the improvements so insured for up to the entire full actual replacement cost thereof; (iii) may be endorsed to cover loss or damage caused by any additional perils against which Landlord may elect to insure, including earthquake and/or flood; and/or (iv) may provide coverage for loss of rents for a period of up to twelve months. Landlord shall not be required to cause such insurance to cover any of Tenant's Property, or any modifications, alterations or improvements made or constructed by Tenant to or within the Leased Premises. Landlord shall use commercially reasonable efforts to obtain such insurance at competitive rates.

(b) Landlord shall maintain commercial general liability insurance insuring Landlord (and such others as are designated by Landlord) against liability for personal injury, bodily injury, death, and damage to property occurring in, on or about, or resulting from the use or occupancy of the Property, or any portion thereof, with combined single limit coverage of at least Ten Million Dollars (\$10,000,000). Landlord may carry such greater coverage as Landlord or Landlord's Lender, insurance broker, advisor or counsel may from time to time determine is reasonably necessary for the adequate protection of Landlord, the Property, and the Project.

(c) Landlord may maintain boiler and machinery insurance to limits sufficient to restore the Building.

(d) Landlord may maintain any other insurance which in the opinion of its insurance broker, advisor or legal counsel is prudent to carry under the given circumstances, provided such insurance is commonly carried by owners of property similarly situated and operating under similar circumstances.

9.3 Mutual Waiver Of Subrogation. Notwithstanding anything to the contrary in this Lease, Landlord hereby releases Tenant, and Tenant hereby releases Landlord and its respective partners, principals, members, managers, shareholders, directors, officers, agents, employees, servants, and subtenants from any and all liability for loss, damage or injury to the property of the other in or about the Leased Premises, the Property, or the Project which is caused by or results from a peril or event or happening which is covered by insurance actually carried and in force at the time of the loss by the party sustaining such loss, or which is required to be insured against under this Lease, without regard to the

negligence of the entities so released. All of Landlord's and Tenant's repair and indemnity obligations under this Lease shall be subject to the mutual releases contained in this Paragraph 9.3.

ARTICLE 10 DAMAGE TO LEASED PREMISES

10.1 Landlord's Duty To Restore. If the Leased Premises, the Building or the Common Area are damaged by any peril after the Effective Date of this Lease, Landlord shall restore the same, as and when required by this paragraph, unless this Lease is terminated by Landlord pursuant to Paragraph 10.3 or by Tenant pursuant to Paragraph 10.4. If this Lease is not so terminated, then upon the issuance of all necessary governmental permits, Landlord shall commence and diligently prosecute to completion the restoration of the Leased Premises, the Building or the Common Area, as the case may be, to the extent then allowed by law, to substantially the same condition in which it existed as of the Lease Commencement Date. Landlord's obligation to restore shall be limited to the improvements constructed by Landlord. Landlord shall have no obligation to restore any alterations, modifications or improvements made by Tenant to the Leased Premises or any of Tenant's personal property, inventory or trade fixtures. Upon completion of the restoration by Landlord, Tenant may replace or fully repair all of Tenant's Property.

10.2 Insurance Proceeds. All insurance proceeds available from the fire and property damage insurance carried by Landlord shall be paid to and become the property of Landlord. If this Lease is terminated pursuant to either Paragraph 10.3 or 10.4, all insurance proceeds available from insurance carried by Tenant which cover loss of property that is Landlord's property or would become Landlord's property on termination of this Lease shall be paid to and become the property of Landlord, and the remainder of such proceeds shall be paid to and become the property of Tenant. If this Lease is not terminated pursuant to either Paragraph 10.3 or 10.4, all insurance proceeds available from insurance carried by Tenant which cover loss to property that is Landlord's property shall be paid to and become the property of Landlord, and all proceeds available from such insurance which cover loss to property which would only become the property of Landlord upon the termination of this Lease shall be paid to and remain the property of Tenant. The determination of Landlord's property and Tenant's property shall be made pursuant to Paragraph 6.2.

10.3 Landlord's Right To Terminate. Landlord shall have the option to terminate this Lease in the event any of the following occurs, which option may be exercised only by delivery to Tenant of a written notice of election to terminate within thirty (30) days after the date of such damage or destruction:

(a) The Building is damaged by any peril covered by valid and collectible insurance actually carried by Landlord and in force at the time of such damage or destruction (or any insurance Landlord was required to carry pursuant to the terms of this Lease) to such an extent that either (i) the estimated cost to restore the Building exceeds fifty percent of the then actual replacement cost thereof; or (ii) any shortfall in insurance proceeds exceed ten percent (10%) of the then actual replacement cost of the Building (the "Shortfall Cap"). Notwithstanding the foregoing, Tenant may override Landlord's election to terminate the Lease pursuant to clause (ii) above if Tenant shall agree in writing within ten (10) days after receipt of Landlord's notice electing to terminate this Lease to pay any costs of restoration to the extent such costs exceed the Shortfall Cap (the "Casualty Shortfall Amount"), in which event Landlord cannot terminate this Lease and must rebuild the areas affected by the casualty; *provided, however*, that if Tenant exercises such election, Tenant shall enter into an agreement with Landlord pursuant to which Tenant will covenant to deposit into an escrow or, to the extent required by any lender with a lien on the Leased Premises, with such lender the Casualty Shortfall Amount on terms and conditions reasonably acceptable to Landlord. In addition, if Tenant elects to override Landlord's election to terminate this Lease as provided above, Tenant shall execute and deliver to any such lender any documents reasonably required by such lender to evidence Tenant's intention to keep this Lease in full force and effect.

(b) The Building is damaged by an uninsured peril, which peril Landlord was not required to, and did not, insure against pursuant to the provisions of Article 9 of this Lease and the cost to restore exceeds the Shortfall Cap. Notwithstanding the foregoing, Tenant may override Landlord's election to terminate the Lease pursuant to this Section if Tenant shall agree in writing within ten (10) days after receipt of Landlord's notice electing to terminate this Lease to pay any Casualty Shortfall Amount, in which event Landlord cannot terminate this Lease and must rebuild the areas affected by the casualty; *provided, however*, that if Tenant exercises such election, Tenant shall enter into an agreement with Landlord pursuant to which Tenant will covenant to deposit into an escrow or, to the extent required by any lender with a lien on the Leased Premises, with such lender the Casualty Shortfall Amount on terms and conditions reasonably acceptable to Landlord. In addition, if Tenant elects to override Landlord's election to terminate this Lease as provided above, Tenant shall execute and deliver to any such lender any documents reasonably required by such lender to evidence Tenant's intention to keep this Lease in full force and effect.

(c) The Building is damaged by any peril and, because of the Laws or Restrictions then in force, such Building (i) cannot be restored at reasonable cost or (ii) if restored, cannot be used for substantially the same use being made thereof before such damage.

10.4 Tenant's Right To Terminate. If the Leased Premises, the Building or the Common Area are damaged by any peril and Landlord does not elect to terminate this Lease or is not entitled to terminate this Lease pursuant to this Article, then as soon as reasonably practicable, Landlord shall furnish Tenant with the written opinion of Landlord's architect or construction consultant as to when the restoration work required of Landlord may be complete. Tenant shall have the option to terminate this Lease (if Tenant is not then in monetary or material non-monetary default with respect to which it has received a written notice from Landlord) in the event any of the following occurs, which option may be exercised only by delivery to Landlord of a written notice of election to terminate within seven days (7) after Tenant receives from Landlord the estimate of the time needed to complete such restoration:

(a) If the time estimated to substantially complete the restoration exceeds twelve months from and after the date the architect's or construction consultant's written opinion is delivered; or

(b) If the damage occurred within eighteen months of the last day of the Lease Term and the time estimated to substantially complete the restoration exceeds ninety (90) days from and after the date of the casualty.

10.5 Tenant's Waiver. Landlord and Tenant agree that the provisions of Paragraph 10.4 above, captioned "Tenant's Right To Terminate", are intended to supersede and replace the provisions contained in California Civil Code, Section 1932, Subdivision 2, and California Civil Code, Section 1933, and accordingly, Tenant hereby waives the provisions of such Civil Code Sections and the provisions of any successor Civil Code Sections or similar laws hereinafter enacted.

10.6 Abatement Of Rent. In the event of damage to the Leased Premises which does not result in the termination of this Lease, the Base Monthly Rent (and any Additional Rent) shall be temporarily abated during the period of restoration in proportion to the degree to which Tenant's use of the Leased Premises is impaired by such damage.

ARTICLE 11 CONDEMNATION

11.1 Tenant's Right To Terminate. Except as otherwise provided in Paragraph 11.4 below regarding temporary takings, Tenant shall have the option to terminate this Lease if, as a result of any taking, (i) all of the Leased Premises is taken, or (ii) twenty-five percent (25%) or more of the Leased Premises is taken and the part of the Leased Premises that remains cannot, within a reasonable period of time, be made reasonably suitable for the continued operation of Tenant's business, or (iii) Tenant's parking allocation is reduced below 2.97 parking spaces per 1,000 rentable square feet. Tenant must exercise such option within a reasonable period of time, to be effective on the later to occur of (i) the date that possession of that portion of the Leased Premises that is condemned is taken by the condemnor or (ii) the date Tenant vacated the Leased Premises.

11.2 Landlord's Right To Terminate. Except as otherwise provided in Paragraph 11.4 below regarding temporary takings, Landlord shall have the option to terminate this Lease if, as a result of any taking, (i) all of the Leased Premises is taken, (ii) twenty-five percent (25%) or more of the Leased Premises is taken and the part of the Leased Premises that remains cannot, within a reasonable period of time, be made reasonably suitable for the continued operation of Tenant's business, or (iii) because of the Laws or Restrictions then in force, the Leased Premises may not be used for the same use being made before such taking, whether or not restored as required by Paragraph 11.3 below. Any such option to terminate by Landlord must be exercised within a reasonable period of time, to be effective as of the date possession is taken by the condemnor.

11.3 Restoration. If any part of the Leased Premises or the Building is taken and this Lease is not terminated, then Landlord shall, to the extent not prohibited by Laws or Restrictions then in force, repair any damage occasioned thereby to the remainder thereof to a condition reasonably suitable for Tenant's continued operations and otherwise, to the extent practicable, in the manner and to the extent provided in Paragraph 10.1.

11.4 Temporary Taking. If a material portion of the Leased Premises is temporarily taken for a period of one year or less and such period does not extend beyond the Lease Expiration Date, this Lease shall remain in effect. If any material portion of the Leased Premises is temporarily taken for a period which exceeds one year or which extends beyond the Lease Expiration Date, then the rights of Landlord and Tenant shall be determined in accordance with Paragraphs 11.1 and 11.2 above.

11.5 Division Of Condemnation Award. Any award made for any taking of the Property, the Building, or the Leased Premises, or any portion thereof, shall belong to and be paid to Landlord, and Tenant hereby assigns to Landlord all of its right, title and interest in any such award; provided, however, that Tenant shall be entitled to receive any portion of the award that is made specifically (i) for the taking of personal property, inventory or trade fixtures belonging to Tenant, (ii) for the interruption of Tenant's business or its moving costs, or (iii) for the value of any leasehold improvements installed and paid for by Tenant. The rights of Landlord and Tenant regarding any condemnation shall be determined as provided in this Article, and each party hereby waives the provisions of Section 1265.130 of the California Code of Civil Procedure, and the provisions of any similar law hereinafter enacted, allowing either party to petition the Supreme Court to terminate this Lease and/or otherwise allocate condemnation awards between Landlord and Tenant in the event of a taking of the Leased Premises.

11.6 Abatement Of Rent. In the event of a taking of the Leased Premises which does not result in a termination of this Lease (other than a temporary taking), then, as of the date possession is taken by the condemning authority, the Base Monthly Rent shall be reduced in the same proportion that the area of that part of the Leased Premises so taken (less any addition to the area of the Leased Premises by reason of any reconstruction) bears to the area of the Leased Premises immediately prior to such taking.

11.7 Taking Defined. The term "taking" or "taken" as used in this Article 11 shall mean any transfer or conveyance of all or any portion of the Property or the Project to a public or quasi-public agency or other entity having the power of eminent domain pursuant to or as a result of the exercise of such power by such an agency, including any inverse condemnation and/or any sale or transfer by Landlord of all or any portion of the Property or the Project to such an agency under threat of condemnation or the exercise of such power.

ARTICLE 12 DEFAULT AND REMEDIES

12.1 Events Of Tenant's Default. Tenant shall be in default of its obligations under this Lease if any of the following events occur:

(a) Tenant shall have failed to pay Base Monthly Rent or any Additional Rent when due, provided that Tenant shall be entitled to receive written notice of late payment twice during each year of the Lease Term, and with respect to those two (2) late payments, Tenant shall not be in default under this Paragraph 12.1(a) unless Tenant has failed to make the required payment within three (3) business days after such notice from Landlord. After both notices have been given in any year of the Lease Term, Landlord shall not be required to provide any further notices to Tenant relating to such year; or;

(b) Tenant shall have done or permitted to be done any act, use or thing in its use, occupancy or possession of the Leased Premises or the Building or Common Areas which is prohibited by the terms of this Lease or Tenant shall have failed to perform any term, covenant, or condition of this Lease (except those requiring the payment of Base Monthly Rent or Additional Rent, which failures shall be governed by subparagraph (a) above) and such default is not cured within the shorter of (i) any specific time period expressly provided under this Lease for the performance of such term, covenant or condition, or (ii) thirty (30) days after written notice from Landlord to Tenant specifying the nature of such default and requesting Tenant to cure the same, or within such longer period as is reasonably required in the event such default is curable but not within such thirty (30) day period, provided such cure is promptly commenced within such thirty (30) day period and is thereafter diligently prosecuted to completion; or

(c) Tenant shall have sublet the Leased Premises or assigned its interest in this Lease in violation of the provisions contained in Article 7, whether voluntarily or by operation of law; or

(d) Tenant shall have abandoned the Leased Premises (as defined in California Civil Code section 1951.3); or

(e) Tenant shall have permitted or suffered the sequestration or attachment of, or execution on, or the appointment of a custodian or receiver with respect to, all or any substantial part of the property or assets of Tenant or any property or asset essential to the conduct of Tenant's business, and Tenant shall have failed to obtain a return or release of the same within thirty (30) days thereafter, or prior to sale pursuant to such sequestration, attachment or levy, whichever is earlier; or

(f) Tenant or any guarantor of this Lease shall have permitted or suffered the sequestration or attachment of, or execution on, or the appointment of a custodian or receiver with respect to, all or any substantial part of the property or assets of Tenant (or such guarantor) or any property or asset essential to the conduct of Tenant's (or such guarantor's) business, and Tenant (or such guarantor)

shall have failed to obtain a return or release of the same within thirty (30) days thereafter, or prior to sale pursuant to such sequestration, attachment or levy, whichever is earlier; or

(g) Tenant or any guarantor of this Lease shall have made a general assignment of all or a substantial part of its assets for the benefit of its creditors; or

(h) Tenant or any guarantor of this Lease shall have allowed (or sought) to have entered against it a decree or order which: (i) grants or constitutes an order for relief, appointment of a trustee, or condemnation or a reorganization plan under the bankruptcy laws of the United States; (ii) approves as properly filed a petition seeking liquidation or reorganization under said bankruptcy laws or any other debtor's relief law or similar statute of the United States or any state thereof; or (iii) otherwise directs the winding up or liquidation of Tenant; provided, however, if any decree or order was entered without Tenant's consent or over Tenant's objection, Landlord may not terminate this Lease pursuant to this Subparagraph if such decree or order is rescinded or reversed within thirty (30) days after its original entry; or

(i) Tenant or any guarantor of this Lease shall have availed itself of the protection of any debtor's relief law, moratorium law or other similar law which does not require the prior entry of a decree or order.

(j) Tenant (or its affiliate) shall be in default of its obligations under the Building E Lease, the Building F Lease, or the Building G Lease (to the extent applicable) beyond any express notice and cure periods set forth in such Lease, or any guarantor of this Lease shall be in default of its obligations under its guaranty. Landlord shall have the right, acting alone, to elect from time to time to limit this Paragraph 12.1(j) to fewer than all of such other leases and/or to reverse such limitation, or to delete and/or reinstate, as applicable, this Paragraph 12.1(j), by notice to Tenant delivered in accordance with this Lease. If at any time Landlord makes such election, then Tenant agrees: (1) at Landlord's request, to execute an amendment to this Lease the effect of which is to so limit this Paragraph 12.1(j) or if applicable, to reverse such limitation, or to delete or reinstate, as applicable, this Paragraph 12.1(j), and (2) that in the event of a limitation or deletion, such amendment shall retain for Landlord the right to reverse the limitation or to reinstate this Paragraph 12.1(j), as applicable.

12.2 Landlord's Remedies. In the event of any default by Tenant, and without limiting Landlord's right to indemnification as provided in Article 8.2, Landlord shall have the following remedies, in addition to all other rights and remedies provided by law or otherwise provided in this Lease, to which Landlord may resort cumulatively, or in the alternative:

(a) Landlord may, at Landlord's election, keep this Lease in effect and enforce, by an action at law or in equity, all of its rights and remedies under this Lease including, without limitation, (i) the right to recover the rent and other sums as they become due by appropriate legal action, (ii) the right to make payments required by Tenant, or perform Tenant's obligations and be reimbursed by Tenant for the cost thereof with interest at a rate equal to the Default Interest Rate from the date the sum is paid by Landlord until Landlord is reimbursed by Tenant, and (iii) the remedies of injunctive relief and specific performance to prevent Tenant from violating the terms of this Lease and/or to compel Tenant to perform its obligations under this Lease, as the case may be.

(b) Landlord may, at Landlord's election, terminate this Lease by giving Tenant written notice of termination, in which event this Lease shall terminate on the date set forth for termination in such notice, in which event Tenant shall immediately surrender the Leased Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, in accordance with applicable laws, enter upon and take possession of the Leased Premises and expel or remove Tenant and any other person who may be occupying the Leased Premises or any part thereof, without being liable for prosecution or any claim for damages therefor. Any termination under this subparagraph shall not relieve Tenant from its obligation to pay to Landlord all Base Monthly Rent and Additional Rent then or thereafter due, or any other sums due or thereafter accruing to Landlord, or from any claim against Tenant for damages previously accrued or then or thereafter accruing. In no event shall any one or more of the following actions by Landlord, in the absence of a written election by Landlord to terminate this Lease constitute a termination of this Lease:

(i) Appointment of a receiver or keeper in order to protect Landlord's interest hereunder;

(ii) Consent to any subletting of the Leased Premises or assignment of this Lease by Tenant, whether pursuant to the provisions hereof or otherwise; or

(iii) Any action taken by Landlord or its partners, principals, members, officers, agents, employees, or servants, which is intended to mitigate the adverse effects of any breach of this Lease by Tenant, including, without limitation, any action taken to maintain and preserve the Leased Premises on any action taken to relet the Leased Premises or any portion thereof for the account at Tenant and in the name of Tenant.

(c) In the event Tenant breaches this Lease and abandons the Leased Premises, Landlord may terminate this Lease, but this Lease shall not terminate unless Landlord gives Tenant written notice of termination. If Landlord does not terminate this Lease by giving written notice of termination, Landlord may enforce all its rights and remedies under this Lease, including the right and remedies provided by California Civil Code Section 1951.4 (“lessor may continue lease in effect after lessee’s breach and abandonment and recover rent as it becomes due, if lessee has right to sublet or assign, subject only to reasonable limitations”), as in effect on the Effective Date of this Lease.

(d) In the event Landlord terminates this Lease, Landlord shall be entitled, at Landlord’s election, to the rights and remedies provided in California Civil Code Section 1951.2, as in effect on the Effective Date of this Lease. For purposes of computing damages pursuant to Section 1951.2, an interest rate equal to the Default Interest Rate shall be used. Such damages shall include, without limitation:

- (i) The worth at the time of the award of the unpaid rent which had been earned at the time of termination; plus
- (ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus
- (iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided, computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco, at the time of award plus one percent; plus

(iv) Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant’s failure to perform Tenant’s obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom, including without limitation, the following: (i) expenses for cleaning, repairing or restoring the Leased Premises, (ii) to the extent allocable to the remainder of the Lease Term, expenses for altering, remodeling or otherwise improving the Leased Premises for the purpose of reletting, including removal of existing leasehold improvements and/or installation of additional leasehold improvements (regardless of how the same is funded, including reduction of rent, a direct payment or allowance to a new tenant, or otherwise), advertising costs and other expenses of reletting the Leased Premises; (iii) expenses incurred in removing, disposing of and/or storing any of Tenant’s personal property, inventory or trade fixtures remaining therein; (iv) reasonable attorney’s fees, expert witness fees, court costs and other reasonable expenses incurred by Landlord (but not limited to taxable costs) in retaking possession of the Leased Premises, establishing damages hereunder, and releasing the Leased Premises; and (v) any other expenses, costs or damages otherwise incurred or suffered as a result of Tenant’s default.

(e) Landlord may recover its reasonable attorney’s fees and costs incurred in enforcing Tenant’s obligations under this Lease, curing any Tenant default, terminating the Lease, and recovering possession of the Leased Premises.

(f) Pursuant to California Code of Civil Procedure Section 1161.1, Landlord may accept a partial payment of Rent after serving a notice pursuant to California Code of Civil Procedure Section 1161, and may without further notice to the Tenant, commence and pursue an action to recover the difference between the amount demanded in that notice and the payment actually received. This acceptance of such a partial payment of Rent does not constitute a waiver of any rights, including any right the Landlord may have to recover possession of the Leased Premises. Further, Landlord and Tenant agree that any notice given by Landlord pursuant to Paragraph 12.1 of this Lease shall not satisfy the requirements for notice under California Code of Civil Procedure Section 1161, and Landlord shall also be required to give the notice required by Law in order to commence an unlawful detainer proceeding.

12.3 Landlord’s Default And Tenant’s Remedies. In the event Landlord fails to perform its obligations under this Lease, Landlord shall nevertheless not be in default under the terms of this Lease until such time as Tenant shall have first given Landlord written notice specifying the nature of such failure to perform its obligations, and then only after Landlord shall have had thirty (30) days following its receipt of such notice within which to perform such obligations; provided that, if longer than thirty

(30) days is reasonably required in order to perform such obligations, Landlord shall have such longer period. In the event of Landlord's default as above set forth, then, and only then, Tenant may then proceed in equity or at law to compel Landlord to perform its obligations and/or to recover damages proximately caused by such failure to perform (except as and to the extent Tenant has waived its right to damages as provided in this Lease).

12.4 Limitation Of Tenant's Recourse. Tenant's sole recourse against Landlord shall be to Landlord's interest in the Project and the revenues, insurance proceeds and condemnation awards therefrom; provided, however, that in no event shall Tenant have recourse to any sums distributed to Landlord's members or manager(s) in the ordinary course of business (including but not limited to sale or refinancing proceeds distributed upon a sale or refinancing, as applicable). If Landlord is a corporation, trust, partnership, joint venture, limited liability company, unincorporated association, or other form of business entity, Tenant agrees that (i) the obligations of Landlord under this Lease shall not constitute personal obligations of the officers, directors, trustees, partners, joint venturers, members, managers, owners, stockholders, or other principals of such business entity, and (ii) Tenant shall have recourse only to the interest of such corporation, trust, partnership, joint venture, limited liability company, unincorporated association, or other form of business entity in Landlord's interest in the Project and the revenues, insurance proceeds and condemnation awards therefrom; provided, however, that in no event shall Tenant have recourse to any sums distributed to Landlord's members or manager(s) in the ordinary course of business (including but not limited to sale or refinancing proceeds distributed upon a sale or refinancing, as applicable) for the satisfaction of such obligations and not against the assets of such officers, directors, trustees, partners, joint venturers, members, managers, owners, stockholders or principals. Additionally, if Landlord is a partnership or limited liability company, then Tenant covenants and agrees:

(a) No partner, manager, or member of Landlord shall be sued or named as a party in any suit or action brought by Tenant with respect to any alleged breach of this Lease (except to the extent necessary to secure jurisdiction over the partnership or limited liability company and then only for that sole purpose);

(b) No service of process shall be made against any partner, manager, or member of Landlord except for the sole purpose of securing jurisdiction over the partnership or limited liability company; and

(c) No writ of execution will ever be levied against the assets of any partner, manager, or member of Landlord other than to the extent of his or her interest in the assets of the partnership or limited liability company constituting Landlord.

Tenant further agrees that each of the foregoing covenants and agreements shall be enforceable by Landlord and by any partner or manager or member of Landlord and shall be applicable to any actual or alleged misrepresentation or nondisclosure made regarding this Lease or the Leased Premises or any actual or alleged failure, default or breach of any covenant or agreement either expressly or implicitly contained in this Lease or imposed by statute or at common law.

12.5 Tenant's Waiver. Landlord and Tenant agree that the provisions of Paragraph 12.3 above are intended to supersede and replace the provisions of California Civil Code Sections 1932(1), 1941 and 1942, and accordingly, Tenant hereby waives the provisions of California Civil Code Sections 1932(1), 1941 and 1942 and/or any similar or successor law regarding Tenant's right to terminate this Lease or to make repairs and deduct the expenses of such repairs from the rent due under this Lease.

ARTICLE 13 GENERAL PROVISIONS

13.1 Taxes On Tenant's Property. Tenant shall pay before delinquency any and all taxes, assessments, license fees, use fees, permit fees and public charges of whatever nature or description levied, assessed or imposed against Tenant or Landlord by a governmental agency arising out of, caused by reason of or based upon Tenant's estate in this Lease, Tenant's ownership of property, improvements made by Tenant to the Leased Premises or the Common Areas, improvements made by Landlord for Tenant's use within the Leased Premises or the Common Areas, Tenant's use (or estimated use) of public facilities or services or Tenant's consumption (or estimated consumption) of public utilities, energy, water or other resources (collectively, "Tenant's Interest"). Upon demand by Landlord, Tenant shall furnish Landlord with satisfactory evidence of these payments. If any such taxes, assessments, fees or public charges are levied against Landlord, Landlord's property, the Building, the Property, or the Project, or if the assessed value of the Building, the Property, or the Project is increased by the inclusion therein of a value placed upon Tenant's Interest, regardless of the validity thereof, Landlord shall have the right to require Tenant to pay such taxes, and if not paid and satisfactory evidence of payment delivered to Landlord at least ten (10) days prior to delinquency, then Landlord shall have the right to pay such taxes

on Tenant's behalf and to invoice Tenant for the same, in either case whether before or after the expiration or earlier termination of the Lease Term. Tenant shall, within the earlier to occur of (a) thirty (30) days of the date it receives an invoice from Landlord setting forth the amount of such taxes, assessments, fees, or public charge so levied, or (b) the due date of such invoice, pay to Landlord, as Additional Rent, the amount set forth in such invoice. Tenant shall have the right to bring suit in any court of competent jurisdiction to recover from the taxing authority the amount of any such taxes, assessments, fees or public charges so paid.

13.2 Holding Over. This Lease shall terminate without further notice on the Lease Expiration Date (as set forth in Article 1). Any holding over by Tenant after expiration of the Lease Term shall neither constitute a renewal nor extension of this Lease nor give Tenant any rights in or to the Leased Premises except as expressly provided in this Paragraph. Any such holding over shall be construed to be a tenancy from month to month, on the same terms and conditions herein specified insofar as applicable, except that the Base Monthly Rent shall be increased to an amount equal to one hundred twenty-five percent (125%) of the Monthly Base Rent for the last month immediately preceding such holding over for the first ninety (90) days of any such holding over, and thereafter one hundred fifty percent (150%) of the Base Monthly Rent payable during the last full month immediately preceding such holding over. Without limiting the foregoing, in the event of a holding over to which Landlord has consented, any rights of Landlord or obligations of Tenant set forth in this Lease and purporting to apply during the term of this Lease, shall nonetheless also be deemed to apply during any such hold over period. Tenant acknowledges that if Tenant holds over without Landlord's consent, such holding over may compromise or otherwise affect Landlord's ability to enter into new leases with prospective tenants regarding the Leased Premises.

Therefore, in the event Tenant does not vacate the Leased Premises in accordance with the terms of this Paragraph 13.2 on or before the expiration of the Lease Term (or the expiration of a holdover term, if applicable) after receiving at least ninety (90) days' advance written notice from Landlord, delivered not earlier than the expiration of the Lease Term, demanding that Tenant vacate the Leased Premises and otherwise satisfying the requirements set forth below (a "Vacation Notice"), Tenant shall be liable for all damages (including attorneys' fees and expenses) of whatever type (including consequential damages) incurred by Landlord as a result of such holding over, and Tenant shall protect, defend, indemnify and hold Landlord harmless from and against all claims resulting from such failure to vacate, including, without limiting the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender, and any losses suffered by Landlord, including lost profits, resulting from such failure to surrender. The Vacation Notice shall specifically refer to this Lease and the address of the Building, and shall include (on the first page of the Vacation Notice) the following language in bold, capitalized font: "NOTICE: UNDER PARAGRAPH 13.2 OF THE LEASE, TENANT'S FAILURE TO VACATE THE LEASED PREMISES BY THE DATE SET FORTH HEREIN MAY RESULT IN SIGNIFICANT DAMAGES TO LANDLORD, INCLUDING CONSEQUENTIAL DAMAGES."

13.3 Subordination To Mortgages. This Lease is subject to and subordinate to all ground leases, mortgages and deeds of trust which affect the Building, the Property, or the Project and which are of public record as of the Effective Date of this Lease, and to all renewals, modifications, consolidations, replacements and extensions thereof. Notwithstanding the foregoing, on or about the Effective Date of this Lease, Landlord, Tenant, and Landlord's Lender will enter into a subordination agreement in the form attached to this Lease as Exhibit G. However, if the lessor under any such ground lease or any lender holding any such mortgage or deed of trust shall advise Landlord that it desires or requires this Lease to be made prior and superior thereto, then, upon written request of Landlord to Tenant, Tenant shall promptly execute, acknowledge and deliver any and all customary or reasonable documents or instruments which Landlord and such lessor or lender deems necessary or desirable to make this Lease prior thereto. Tenant hereby consents to Landlord's ground leasing the land underlying the Building, the Property, or the Project and/or encumbering the Building, the Property, or the Project as security for future loans on such terms as Landlord shall desire, all of which future ground leases, mortgages or deeds of trust shall be subject to and subordinate to this Lease. However, if any lessor under any such future ground lease or any lender holding such future mortgage or deed of trust shall desire or require that this Lease be made subject to and subordinate to such future ground lease, mortgage or deed of trust, then Tenant agrees, within ten (10) days after Landlord's written request therefor, to execute, acknowledge and deliver to Landlord any and all documents or instruments reasonably requested by Landlord or by such lessor or lender to assure the subordination of this Lease to such future ground lease, mortgage or deed of trust, but only if such lessor or lender agrees to execute an a subordination, non-disturbance and attornment agreement in the form attached to this Lease as Exhibit G or such other form as any such lessor or lender may reasonably require (an "SNDA") and acceptable to Tenant in its reasonable discretion (and Tenant agrees that any concept included in such alternate form which is substantially similar to a concept included in Exhibit G shall be acceptable). Tenant's failure to execute and deliver such documents or instruments within ten (10) days after Landlord's request therefor shall be a material default by Tenant under this Lease, and no further notice shall be required under Paragraph 12.1(c) or any other provision of this Lease, and Landlord shall have all of the rights and remedies available to Landlord as Landlord would otherwise have in the case of any other material default by Tenant, it being agreed and

understood by Tenant that Tenant's failure to so deliver such documents or instruments in a timely manner could result in Landlord being unable to perform committed obligations to other third parties which were made by Landlord in reliance upon this covenant of Tenant.

Tenant hereby agrees, concurrently with Tenant's execution of this Lease, to execute and deliver to Landlord an SNDA substantially in the form of Exhibit G attached hereto, and Landlord agrees to cause Landlord's existing mortgage lender to execute, have acknowledged, and either (a) have the same recorded in the Official Records of Santa Clara County, or (b) deliver a complete original of the same to Tenant.

13.4 Tenant's Attornment Upon Foreclosure. Tenant shall, upon request, attorn (i) to any purchaser of the Building, the Property, or the Project at any foreclosure sale or private sale conducted pursuant to any security instruments encumbering the Building, the Property, or the Project, (ii) to any grantee or transferee designated in any deed given in lieu of foreclosure of any security interest encumbering the Building, the Property, or the Project, or (iii) to the lessor under an underlying ground lease of the land underlying the Building, the Property, or the Project, should such ground lease be terminated; provided that such purchaser, grantee or lessor recognizes Tenant's rights under this Lease.

13.5 Mortgagee Protection. Tenant will give copies of any written default notice sent to Landlord by registered mail to any Lender or lessor under any underlying ground lease who shall have requested, in writing, to Tenant that it be provided with such notice, and Tenant shall offer such Lender or lessor a reasonable opportunity to cure the default, including time to obtain possession of the Leased Premises by power of sale if reasonably necessary to effect a cure.

13.6 Estoppel Certificate. Tenant will, following any request by Landlord, promptly execute and deliver to Landlord an estoppel certificate substantially in form attached as Exhibit H, (i) certifying that this Lease is unmodified and in full force and effect, or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect, (ii) stating the date to which the rent and other charges are paid in advance, if any, (iii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults if any are claimed, and (iv) certifying such other information about this Lease as may be reasonably requested by Landlord, its Lender or prospective lenders, investors or purchasers of the Building, the Property, or the Project. Tenant's failure to execute and deliver such estoppel certificate within ten (10) days after Landlord's request therefor shall be a material default by Tenant under this Lease, and no further notice shall be required under Paragraph 12.1(c) or any other provision of this Lease, and Landlord shall have all of the rights and remedies available to Landlord as Landlord would otherwise have in the case of any other material default by Tenant, it being agreed and understood by Tenant that Tenant's failure to so deliver such estoppel certificate in a timely manner could result in Landlord being unable to perform committed obligations to other third parties which were made by Landlord in reliance upon this covenant of Tenant. Landlord and Tenant intend that any statement delivered pursuant to this paragraph may be relied upon by any Lender or purchaser or prospective Lender or purchaser of the Building, the Property, or any interest in them.

13.7 Tenant's Financial Information. Tenant shall, within ten (10) days after Landlord's request therefor, deliver to Landlord a copy of Tenant's (and any guarantor's) current audited financial statements (including a balance sheet, income statement and statement of cash flow, all prepared in accordance with GAAP); provided, however, that as long as the common stock of Tenant (or its assigns permitted pursuant to this Lease or otherwise approved by Landlord in writing) is publicly-traded on a United States national stock exchange, and such information is available as part of Tenant's or such Permitted Assignee's 10-K or 10-Q report filings on the SEC's Edgar website, then such requirement shall be fulfilled by such filings. Landlord shall be entitled to disclose such financial statements or other information to its Lender, to any present or prospective principal of or investor in Landlord, or to any prospective Lender or purchaser of the Building, the Property, or any portion thereof or interest therein. Any such financial statement or other information (other than those available on the SEC's Edgar website) shall be confidential and shall not be disclosed by Landlord to any third party except as specifically provided in this paragraph, unless the same becomes a part of the public domain without the fault of Landlord.

13.8 Transfer By Landlord. Landlord and its successors in interest shall have the right to transfer their interest in the Building, the Property, or any portion thereof at any time and to any person or entity. In the event of any such transfer, the Landlord originally named herein (and in the case of any subsequent transfer, the transferor), from the date of such transfer, shall be automatically relieved, without any further act by any person or entity, of all liability for (i) the performance of the obligations of the Landlord hereunder which may accrue after the date of such transfer, and (ii) repayment of any unapplied portion of any security deposit (upon transferring or crediting the same to the transferee), and (iii) the performance of the obligations of the Landlord hereunder which have accrued before the date of transfer if its transferee agrees to assume and perform all such prior obligations of the Landlord hereunder. Tenant

shall attach to any such transferee. After the date of any such transfer, the term "Landlord" as used herein shall mean the transferee of such interest in the Building, the Property, or the Project.

13.9 Force Majeure. Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, acts of war, terrorist acts, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, delay in obtaining approvals, building permits and certificates of occupancy within normal time frames, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations imposed with regard to Rent and other charges to be paid by Tenant pursuant to this Lease (collectively, a "Force Majeure"), notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure.

13.10 Notices. Any notice required or permitted to be given under this Lease other than statutory notices shall be in writing and (i) personally delivered, (ii) sent by United States mail, registered or certified mail, postage prepaid, return receipt requested, or (iii) sent by Federal Express or similar nationally recognized overnight courier service, and in all cases addressed as follows, and such notice shall be deemed to have been given upon the date of actual receipt or delivery (or refusal to accept delivery) at the address specified below (or such other addresses as may be specified by notice in the foregoing manner) as indicated on the return receipt or air bill:

If to Landlord: Santa Clara Campus Property Owner I LLC
490 California Avenue
4th Floor
Palo Alto, California 94306
Attention: Henry Bullock/Richard Holmstrom

with a copy to: Mintz Levin Cohn Ferris Glovsky and Popeo PC
44 Montgomery Street, 36th Floor
San Francisco, California 94104
Attention: Paul Churchill

If to Tenant: Palo Alto Networks, Inc.
4401 Great America Parkway
Santa Clara, California 95054
Attention: General Counsel

Any notice given in accordance with the foregoing shall be deemed received upon actual receipt or refusal to accept delivery. Any notice required by statute and not waived in this Lease shall be given and deemed received in accordance with the applicable statute or as otherwise provided by law.

13.11 Attorneys' Fees and Costs. In the event any party shall bring any action, arbitration, or other proceeding alleging a breach of any provision of this Lease, or a right to recover rent, to terminate this Lease, or to enforce, protect, interpret, determine, or establish any provision of this Lease or the rights or duties hereunder of either party, the prevailing party shall be entitled to recover from the non-prevailing party as a part of such action or proceeding, or in a separate action for that purpose brought within one year from the determination of such proceeding, reasonable attorneys' fees, expert witness fees, court costs and reasonable disbursements, made or incurred by the prevailing party.

13.12 Definitions. Any term that is given a special meaning by any provision in this Lease shall, unless otherwise specifically stated, have such meaning wherever used in this Lease or in any Addenda or amendment hereto. In addition to the terms defined in Article 1, the following terms shall have the following meanings:

(a) Real Property Taxes. The term "Real Property Tax" or "Real Property Taxes" shall each mean Tenant's Building Share of the following (to the extent applicable to any portion of the Lease Term, regardless of when the same are imposed, assessed, levied, or otherwise charged): (i) all taxes, assessments, levies and other charges of any kind or nature whatsoever, general and special, foreseen and unforeseen (including all installments of principal and interest required to pay any general or special assessments for public improvements and any increases resulting from reassessments caused by any change in ownership or new construction), now or hereafter imposed by any governmental or quasi-governmental authority or special district having the direct or indirect power to tax or levy assessments, which are levied or assessed for whatever reason against the Property or any portion thereof, or Landlord's interest herein, or the fixtures, equipment and other property of Landlord that is an integral part of the Property and located thereon, or Landlord's business of owning, leasing or managing the

Property or the gross receipts, income or rentals from the Property, (ii) all charges, levies or fees imposed by any governmental authority against Landlord by reason of or based upon the use of or number of parking spaces within the Property, the amount of public services or public utilities used or consumed (e.g. water, gas, electricity, sewage or waste water disposal) at the Property, the number of persons employed by tenants of the Property, the size (whether measured in area, volume, number of tenants or whatever) or the value of the Property, or the type of use or uses conducted within the Property, and all costs and fees (including attorneys' fees) reasonably incurred by Landlord in contesting any Real Property Tax and in negotiating with public authorities as to any Real Property Tax. In the event the Project is developed in a manner which results in separate legal parcels comprising some or all of the Common Areas, then with respect to those Common Area parcels, Real Property Taxes shall be calculated using Tenant's Project Share (as opposed to Tenant's Building Share). If, at any time during the Lease Term, the taxation or assessment of the Property prevailing as of the Effective Date of this Lease shall be altered so that in lieu of or in addition to any the Real Property Tax described above there shall be levied, awarded or imposed (whether by reason of a change in the method of taxation or assessment, creation of a new tax or charge, or any other cause) an alternate, substitute, or additional use or charge (i) on the value, size, use or occupancy of the Property or Landlord's interest therein or (ii) on or measured by the gross receipts, income or rentals from the Property, or on Landlord's business of owning, leasing or managing the Property or (iii) computed in any manner with respect to the operation of the Property, then any such tax or charge, however designated, shall be included within the meaning of the terms "Real Property Tax" or "Real Property Taxes" for purposes of this Lease. Notwithstanding the foregoing, the terms "Real Property Tax" or "Real Property Taxes" shall not include and Tenant shall not be required to pay any portion of any tax or assessment expense or any increase therein (a) attributable to estate, inheritance, transfer, gift or franchise taxes of Landlord or the federal or state income tax imposed on Landlord's income from all sources; or (c) imposed on land and improvements other than the Project or the Common Areas. In addition, if any Real Property Taxes may be paid in installments at the option of the taxpayer, then Landlord shall include within Real Property Taxes only those installments (including interest, if any) which would become due by exercise of such option. If the cafeteria and fitness center are used only by certain tenants of the Project or Property, then Landlord shall have the right to allocate Real Property Taxes attributable to such cafeteria and fitness center solely to those tenants who have access to the cafeteria and fitness center.

(b) Landlord's Insurance Costs . The term "Landlord's Insurance Costs" shall mean (to the extent applicable to any portion of the Lease Term, regardless of when the same are incurred):

(i) Tenant's Building Share of the costs to Landlord to carry and maintain the policies of fire and property damage insurance for the Building and general liability and any other insurance required or permitted to be carried by Landlord pursuant to Article 9, together with any deductible amounts paid by Landlord upon the occurrence of any insured casualty or loss; plus

(ii) without duplication of amounts payable pursuant to subparagraph (i) above, to the extent any of the insurance policies carried by Landlord are specific to the Project as a whole (as opposed to the Building or the Property), then, Tenant's Project Share of the costs to Landlord to carry and maintain the policies of fire and property damage insurance for the Project (as opposed to just the Building or the Property) and general liability and any other insurance required or permitted to be carried by Landlord pursuant to Article 9 which is applicable to the Project (as opposed to just the Building or the Property), together with any deductible amounts paid by Landlord upon the occurrence of any insured casualty or loss;

provided, however, that to the extent any deductible amounts or any uninsured amounts relate to damage to improvements the repair, replacement, or reconstruction of which would constitute a capital repair or replacement under GAAP, then the amount thereof (including related softs costs) shall be amortized by Landlord over the useful life of the applicable repaired or replaced (or reconstructed) improvements, as such useful life is set forth on Exhibit K attached hereto, including interest at the Standard Interest Rate, and the monthly amortized cost of such repairs or replacements as so amortized shall be considered a Property Maintenance Cost. If Exhibit K does not list the useful life of a particular item of repair, replacement, or reconstruction, then such useful life shall be determined by Landlord and Tenant, or their accountants, in accordance with GAAP.

(c) Property Maintenance Costs. The term "Property Maintenance Costs" shall mean (to the extent applicable to any portion of the Lease Term, regardless of when the same are incurred):

(i) monthly professional management fees equal to 2% of Base Monthly Rent, plus Tenant's Building Share of all other costs and expenses (except Landlord's Insurance Costs and Real Property Taxes) paid or incurred by Landlord in protecting, operating, maintaining, repairing and preserving the Buildings and the Property and all parts thereof, including without limitation, (A) the amortizing portion of any costs incurred by Landlord in the making of any modifications, alterations or

improvements required by any governmental authority as set forth in Article 6, which are so amortized during the Lease Term, and (B) such other costs as may be paid or incurred with respect to operating, maintaining, and preserving the Buildings or the Property, such as repairing and resurfacing the exterior surfaces of the Buildings (including roofs), repairing and replacing structural parts of the Buildings, and repairing and replacing, when necessary, electrical, plumbing, and HVAC systems serving the Buildings; plus

(ii) without limitation or duplication of the foregoing, Tenant's Project Share of all costs and expenses (except Landlord's Insurance Costs and Real Property Taxes) paid or incurred by Landlord in protecting, operating, maintaining, repairing and preserving the Project (as opposed to just the Buildings or the Property) and all parts thereof (excluding the Buildings and the Other Buildings); plus

(iii) costs of maintaining, repairing, and operating the cafeteria and fitness center (whether payable directly by Landlord or as a levy, charge, or reimbursement pursuant to Restrictions) and, notwithstanding any contrary allocation pursuant to Tenant's Project Share, shall be allocated among the Building, Other Buildings, and any additional buildings in the Project that have the use of the cafeteria and fitness center, and any buildings that do not have the use of such cafeteria and fitness center shall be excluded from such allocation; plus

(iv) without limitation or duplication of the foregoing, Tenant's Project Share of all costs and expenses paid or incurred by Landlord for transportation management efforts at the Project.

(d) Property Operating Expenses. The term "Property Operating Expenses" shall mean and include all Real Property Taxes, plus all Landlord's Insurance Costs, plus all Property Maintenance Costs. If the occupancy of the Building or Project, during any calendar year is less than ninety-five percent (95%), Landlord shall make adjustments to the variable components of Property Operating Expenses for that calendar year, as reasonably determined by Landlord to determine the amount of Property Operating Expenses that would have been incurred had the Building and Project been ninety-five percent (95%) occupied. Such adjusted variable components of Property Operating Expenses will be considered to have been the amount of Property Operating Expenses for that calendar year for reimbursement purposes hereunder. For purposes hereunder, the term "variable components" includes only those components of Property Operating Expenses that are affected by variations in occupancy levels as determined by Landlord. Notwithstanding the foregoing provisions of this Paragraph 13.12, the following are specifically excluded from the definition of Property Operating Expenses and Tenant shall have no obligation to pay directly or reimburse Landlord for all or any portion of the following except to the extent any of the following result from the failure of Tenant to comply with the terms of this Lease: (a) costs occasioned by casualties or by the exercise of the power of eminent domain; (b) costs of any renovation, improvement, painting or redecorating of any portion of the Project outside the Property not available for Tenant's use or enjoyment; (d) costs incurred in connection with negotiations or disputes with any other occupant of the Project; (e) costs incurred in connection with the presence of any Hazardous Material, except to the extent caused by the release of the Hazardous Material in question by Tenant or any of the Tenant Parties; (f) interest, charges and fees incurred on debt; (g) expense reserves; (h) costs of any repair, maintenance, construction, replacement or alteration of any Other Buildings, except to the extent such costs relate to the cafeteria and fitness center, (l) operating costs and other charges related to any other amenities buildings located outside the Property and serving the Project, and (m) co-insurance payments resulting from the failure of Landlord to maintain any insurance which it is obligated to maintain pursuant to this Lease.

(e) Law. The term "Law" or "Laws" shall mean any judicial decisions and any statute, constitution, ordinance, resolution, regulation, rule, code, administrative order, condition of approval, or other requirements of any municipal, county, state, federal, or other governmental agency or authority having jurisdiction over the parties to this Lease, the Leased Premises, the Building, the Property, or the Project, or any of them, in effect either at the Effective Date of this Lease or at any time during the Lease Term, including, without limitation, any regulation, order, or policy of any quasi-official entity or body (e.g. a board of fire examiners or a public utility or special district). Except to the extent otherwise expressly provided in this Lease, to the extent any Law or Restriction places limits on the Building or any portion thereof, or on the Property or the Project or any portion thereof, such limits shall be equitably allocated to the Leased Premises pro rata in the same proportion that the rentable square footage of the Leased Premises bears to the rentable square footage of the applicable Building or portion thereof, or the Property or the Project or portion thereof, as applicable.

(f) Lender. The term "Lender" shall mean the holder of any promissory note or other evidence of indebtedness secured by the Property or any portion thereof.

(g) Rent. The term "Rent" shall mean collectively Base Monthly Rent and all Additional Rent.

(h) Restrictions. The term "Restrictions" shall mean (as they may exist from time to time) any and all covenants, conditions and restrictions, private agreements, easements, and any other recorded documents or instruments affecting the use of the Property, the Building, the Leased Premises, or the Common Areas.

13.13 General Waivers. One party's consent to or approval of any act by the other party requiring the first party's consent or approval shall not be deemed to waive or render unnecessary the first party's consent to or approval of any subsequent similar act by the other party. No waiver of any provision hereof, or any waiver of any breach of any provision hereof, shall be effective unless in writing and signed by the waiving party. The receipt by Landlord of any rent or payment with or without knowledge of the breach of any other provision hereof shall not be deemed a waiver of any such breach. No waiver of any provision of this Lease shall be deemed a continuing waiver unless such waiver specifically states so in writing and is signed by both Landlord and Tenant. No delay or omission in the exercise of any right or remedy accruing to either party upon any breach by the other party under this Lease shall impair such right or remedy or be construed as a waiver of any such breach theretofore or thereafter occurring. The waiver by either party of any breach of any provision of this Lease shall not be deemed to be a waiver of any subsequent breach of the same or any other provisions herein contained.

13.14 Miscellaneous. Should any provisions of this Lease prove to be invalid or illegal, such invalidity or illegality shall in no way affect, impair or invalidate any other provisions hereof, and such remaining provisions shall remain in full force and effect. Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor. Any copy of this Lease which is executed by the parties shall be deemed an original for all purposes. This Lease shall, subject to the provisions regarding assignment, apply to and bind the respective heirs, successors, executors, administrators and assigns of Landlord and Tenant. The term "party" shall mean Landlord or Tenant as the context implies. If Tenant consists of more than one person or entity, then all members of Tenant shall be jointly and severally liable hereunder. If this Lease is signed by an individual "doing business as " or "dba" another person or entity or entity name, the individual who signs this Lease will be deemed to be the Tenant hereunder for all purposes. Submission of this Lease for review, examination or signature by Tenant does not constitute an offer to lease, a reservation of or an option for lease, or a binding agreement of any kind, and notwithstanding any inconsistent language contained in any other document, this Lease is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant, and prior to such mutual execution and delivery, neither party shall have any obligation to negotiate and may discontinue discussions and negotiations at any time for any reason or no reason. This Lease shall be construed and enforced in accordance with the Laws of the State in which the Leased Premises are located. The headings and captions in this Lease are for convenience only and shall not be construed in the construction or interpretation of any provision hereof. When the context of this Lease requires, the neuter gender includes the masculine, the feminine, a partnership, corporation, limited liability company, joint venture, or other form of business entity, and the singular includes the plural. The terms "must," "shall," "will," and "agree" are mandatory. The term "may" is permissive. The term "governmental agency" or "governmental authority" or similar terms shall include, without limitation, all federal, state, city, local and other governmental and quasi-governmental agencies, authorities, bodies, boards, etc., and any party or parties having enforcement rights under any Restrictions. When a party is required to do something by this Lease, it shall do so at its sole cost and expense without right of reimbursement from the other party unless specific provision is made therefor. Where Landlord's consent is required hereunder, it shall be reasonable for any such consent to be withheld until Landlord's receipt of the consent of any Lender, if and to the extent Landlord is required to obtain such Lender's consent. Landlord and Tenant shall both be deemed to have drafted this Lease, and the rule of construction that a document is to be construed against the drafting party shall not be employed in the construction or interpretation of this Lease. Where Tenant is obligated not to perform any act or is not permitted to perform any act, Tenant is also obligated to restrain any others reasonably within its control, including agents, invitees, contractors, subcontractors and employees, from performing such act. Landlord shall not become or be deemed a partner or a joint venturer with Tenant by reason of any of the provisions of this Lease. Whenever this Lease requires an approval, consent, selection or judgment by either Landlord or Tenant, unless another standard is expressly set forth, such approval, consent, selection or judgment shall be reasonable and shall not be unreasonably withheld or delayed. Any expenditure by a party permitted or required under this Lease, for which such party demands reimbursement from the other party, shall be limited to the market cost of the goods and services involved, shall be reasonably incurred, and shall be substantiated by documentary evidence available for inspection and review by the other party. At Tenant's request, Landlord shall execute a Memorandum of Lease with respect to this Lease in a form reasonably satisfactory to Landlord and Tenant, and shall cause the same to be recorded in the Official Records of Santa Clara County, California.

13.15 Further Development and Subdivision. Notwithstanding anything to the contrary contained herein, Landlord itself and through its agents, employees and contractors shall be entitled to sell one or more parcels or buildings located on the Project, and to further improve the Project, including by constructing additional buildings and a parking structure, in the event that Landlord or its affiliate has or obtains the legal right to further develop the Project, either alone or in connection with acquiring property adjacent to the Project. Such sale and development efforts by Landlord may include, without limitation, the temporary relocation, restriping, or reconfiguration of the parking areas, application for building permits, use permits, and other development approvals, parcelization, lot combination or merger, or lot line adjustment of the Property or Project, the construction of buildings and parking structures, and the reconfiguration of parking areas (provided that there shall be no decrease in the number of parking spaces to which Tenant is entitled and such relocated exclusive spaces shall be a similar approximate distance or less from the Building as the exclusive parking spaces provided to other occupants of the Building). Tenant agrees to execute such reasonable documents and take such actions as reasonably necessary to assist Landlord with such efforts and actions, provided such documents do not materially increase Tenant's obligations or materially diminish Tenant's rights under the Lease. In no event shall Tenant be required to relocate from the Leased Premises, either permanently or on a temporary basis, to accommodate such development activity. Tenant agrees that such efforts and actions of Landlord shall not constitute constructive eviction of Tenant from the Project, the Property, or the Leased Premises. Following any development, parcelization, lot combination or merger, or lot line adjustment of the Property or the Project, Landlord and Tenant agree to amend this Lease to conform the descriptions of the Property, Project, Site Plan, and Common Areas, and (subject to there being no decrease in the number of parking spaces to which Tenant is entitled) the parking areas contained herein, to the development, parcelization, lot combination or merger, lot line adjustment, or reconfiguration. Landlord agrees to use commercially reasonable efforts to minimize the disruption of Tenant's use of the Leased Premises, the Building, the Common Areas and the Project to the extent reasonable, given Landlord's efforts and actions described herein. In connection with any sale or subdivision of a portion of the Project, Landlord may amend the description of the Common Areas, so long as Tenant's access to the Leased Premises is not materially adversely affected and so long as Tenant's parking allocation under Article 1 hereof is not reduced thereby. In the event of any such sales or further development by Landlord which affect the rentable square footage of the Project, Tenant's Project Share shall be adjusted accordingly to take into account the effect of any such development or sale of the Property or Project.

13.16 Patriot Act Compliance.

(a) Tenant will use its good faith and commercially reasonable efforts to comply with the Patriot Act (as defined below) and all applicable requirements of governmental authorities having jurisdiction over Tenant, the Property, or the Project, including those relating to money laundering and terrorism. Landlord shall have the right to audit Tenant's compliance with the Patriot Act and all applicable requirements of governmental authorities having jurisdiction over Tenant, the Property, or the Project, including those relating to money laundering and terrorism. In the event that Tenant fails to comply with the Patriot Act or any such requirements of governmental authorities, then Landlord may, at its option, cause Tenant to comply therewith and any and all reasonable costs and expenses incurred by Landlord in connection therewith shall be deemed Additional Charges and Rent and shall be immediately due and payable. For purposes hereof, the term "Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as the same may be amended from time to time, and corresponding provisions of future laws.

(b) Neither Tenant nor, to Tenant's actual knowledge, any partner in Tenant (a) is listed on any Government Lists (as defined below), (b) is a person who has been determined by competent authority to be subject to the prohibitions contained in Presidential Executive Order No. 13224 (Sept. 23, 2001) or any other similar prohibitions contained in the rules and regulations of OFAC (as defined below) or in any enabling legislation or other Presidential Executive Orders in respect thereof, (c) has been previously indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any Patriot Act Offense (as defined below), or (d) is currently under investigation by any governmental authority for alleged criminal activity. For purposes hereof, the term "Patriot Act Offense" means any violation of the criminal laws of the United States of America or of any of the several states, or that would be a criminal violation if committed within the jurisdiction of the United States of America or any of the several states, relating to terrorism or the laundering of monetary instruments, including any offense under (a) the criminal laws against terrorism; (b) the criminal laws against money laundering, (c) the Bank Secrecy Act, as amended, (d) the Money Laundering Control Act of 1986, as amended, or the (e) Patriot Act. "Patriot Act Offense" also includes the crimes of conspiracy to commit, or aiding and abetting another to commit, a Patriot Act Offense. For purposes hereof, the term "Government Lists" means (i) the Specially Designated Nationals and Blocked Persons Lists maintained by Office of Foreign Assets Control ("OFAC"), (ii) any other list of terrorists, terrorist organizations or narcotics traffickers

maintained pursuant to any of the Rules and Regulations of OFAC or pursuant to any Executive Order of the President of the United States of America.

ARTICLE 14
LEGAL AUTHORITY
BROKERS AND ENTIRE AGREEMENT

14.1 Legal Authority. If Tenant or any entity constituting Tenant is a corporation, limited partnership, limited liability company, or other legal entity, Tenant represents and warrants that Tenant is validly formed and duly authorized and existing, that Tenant is qualified to do business in the State in which the Leased Premises are located, that Tenant has the full right and legal authority to enter into this Lease, and that each individual executing this Lease on behalf of Tenant is duly authorized to execute and deliver this Lease on behalf of Tenant in accordance with its terms. Tenant shall, within three (3) business days after the later of (i) the execution of this Lease and (ii) the satisfaction of the Adjacent Property Condition Precedent (defined below), deliver to Landlord a certified copy of the resolution of its board of directors (if a corporation), members and manager(s) (if a limited liability company), or partners (if a limited partnership), authorizing or ratifying the execution of this Lease.

14.2 Brokerage Commissions.

(a) Tenant represents, warrants and agrees that it has not had any dealings with any real estate broker(s), leasing agent(s), finder(s) or salesmen, other than the Brokers (as named in Article 1) with respect to the lease by it of the Leased Premises pursuant to this Lease, and that it will indemnify, defend with competent counsel, and hold Landlord harmless from any liability for the payment of any real estate brokerage commissions, leasing commissions or finder's fees claimed by any other real estate broker(s), leasing agent(s), finder(s), or salesmen to be earned or due and payable by reason of Tenant's agreement or promise (implied or otherwise) to pay (or to have Landlord pay) such a commission or finder's fee by reason of its leasing the Leased Premises pursuant to this Lease.

(b) Landlord represents, warrants and agrees that it has not had any dealings with any real estate broker(s), leasing agent(s), finder(s) or salesmen, other than the Brokers (as named in Article 1) with respect to the lease by it of the Leased Premises pursuant to this Lease, and that it will indemnify, defend with competent counsel, and hold Tenant harmless from any liability for the payment of any real estate brokerage commissions, leasing commissions or finder's fees claimed by any other real estate broker(s), leasing agent(s), finder(s), or salesmen to be earned or due and payable by reason of Landlord's agreement or promise (implied or otherwise) to pay (or to have Tenant pay) such a commission or finder's fee by reason of its leasing the Leased Premises pursuant to this Lease.

(c) Landlord shall be responsible for payment to Landlord's Broker of a commission only if, as, and when the same is becomes due and payable pursuant to that Exclusive Leasing Agreement dated January 31, 2013, between Landlord and Landlord's Broker (the "Listing Broker Agreement").

(d) Landlord shall be responsible for payment to Tenant's Broker of a commission only if, as, and when the same becomes due and payable pursuant to that certain letter agreement dated April 3, 2015 between Landlord and Tenant's Broker (the "Procuring Broker Agreement").

(e) Notwithstanding any provision of this Lease to the contrary, Landlord is not obligated to pay any leasing commission or compensation of any kind or type in connection with an extension of the term of this Lease, an expansion of the Leased Premises, a lease or sublease of any other premises leased by Tenant pursuant to any right of first offer or right of first refusal or other similar right granted to Tenant, unless such obligation is set forth in the Listing Broker Agreement or the Procuring Broker Agreement, as applicable.

14.3 Entire Agreement. This Lease and the Exhibits (as described in Article 1), which Exhibits are by this reference incorporated herein, constitute the entire agreement between the parties, and there are no other agreements, understandings or representations between the parties relating to the lease by Landlord of the Leased Premises to Tenant, except as expressed herein. No subsequent changes, modifications or additions to this Lease shall be binding upon the parties unless in writing and signed by both Landlord and Tenant.

14.4 Landlord's Representations. Tenant acknowledges that neither Landlord nor any of its agents made any representations or warranties respecting the Property, the Building or the Leased Premises, upon which Tenant relied in entering into the Lease, which are not expressly set forth in this Lease. Tenant further acknowledges that neither Landlord nor any of its agents made any representations as to (i) whether the Leased Premises may be used for Tenant's intended use under existing Law, or (ii) the suitability of the Leased Premises for the conduct of Tenant's business, or (iii) the exact square

footage of the Leased Premises or the Building, and that Tenant relies solely upon its own investigations with respect to such matters. Tenant expressly waives any and all claims for damage by reason of any statement, representation, warranty, promise or other agreement of Landlord or Landlord's agent(s), if any, not contained in this Lease or in any Exhibit attached hereto.

ARTICLE 15 OPTIONS TO EXTEND

15.1 Options to Extend - Coterminous Term. So long as Tenant is leasing the entirety of the Leased Premises, Building E, Building F, and Amenities Building H, and subject to the condition set forth below in this paragraph, Tenant shall have one option to extend the term of this Lease for a period commencing on the day immediately following the Expiration Date and expiring on the expiration date of the initial term of the Building F Lease (the "Coterminous Extension Period"). Such option to extend must be exercised by written notice to Landlord given within nine (9) months following the "Lease Commencement Date" of the Building F Lease. If Tenant timely exercises the option for the Coterminous Extension Period, then on the first day of the Coterminous Extension Period and on each one (1) year anniversary thereafter during the Coterminous Extension Period, Base Rent shall increase by 2.5%. Anything herein to the contrary notwithstanding, if Tenant is in default under any of the terms, covenants or conditions of this Lease or the Other Leases beyond applicable notice and cure period, if any, expressly set forth in this Lease or such Other Lease(s), at the time Tenant exercises the foregoing extension option, Landlord shall have, in addition to all of Landlord's other rights and remedies provided in this Lease, the right to terminate such option to extend upon notice to Tenant. For the avoidance of confusion, the foregoing shall not be read to prevent Tenant from curing the applicable default and then exercising the applicable option to extend once the default is cured if such cure is completed within the applicable cure period, if any, expressly set forth in this Lease.

15.2 Further Options to Extend.

So long as Tenant is leasing the entirety of the Leased Premises and Building E, Building F, and Amenities Building H, and provided that Tenant has timely exercised its option for the Coterminous Extension Period (without such option being terminated by Landlord as set forth in Paragraph 15.1 above), and subject to the conditions set forth below, Tenant shall have three (3) options to extend the term of this Lease, the first for a period of six (6) years from the expiration of the Coterminous Extension Period (the "First Extension Period"), the second (the "Second Extension Period") for a period of six (6) years from the expiration of the First Extension Period, and the third (the "Third Extension Period") for a period of six (6) years from the expiration of the Second Extension Period, subject to the following conditions:

(b) Each option to extend pursuant to this Paragraph 15.2 shall be exercised, if at all, by notice of exercise given to Landlord by Tenant not more than twelve (12) months nor less than nine (9) months prior to the expiration of the Coterminous Extension Period or the expiration of the First Extension Period or the Second Extension Period, as applicable;

(c) Tenant shall not have the right to extend the term of this Lease without extending the term of the Building E Lease and the Building F Lease.

(d) Anything herein to the contrary notwithstanding, if Tenant is in default under any of the terms, covenants or conditions of this Lease or the Other Leases beyond applicable notice and cure periods, if any, expressly set forth in this Lease or in such Other Lease(s), at the time Tenant exercises any extension option, Landlord shall have, in addition to all of Landlord's other rights and remedies provided in this Lease, the right to terminate such option(s) to extend upon notice to Tenant. For the avoidance of confusion, the foregoing shall not be read to prevent Tenant from curing the applicable default and then exercising the applicable option to extend once the default is cured if such cure is completed within the applicable cure period, if any, expressly set forth in this Lease.

15.3 Fair Market Rent. In the event the applicable option is exercised in a timely fashion, the Lease shall be extended for the term of the applicable extension period upon all of the terms and conditions of this Lease, provided that the Base Monthly Rent applicable to each extension period shall be the sum of (a) Tenant's Amortization Payment, plus (b) 95% of the "Fair Market Rent" for the Leased Premises. For purposes hereof, "Fair Market Rent" shall mean the initial Base Monthly Rent for each extension period and any escalations thereto, as determined with reference to the then-prevailing rates for recently negotiated direct leases (i.e., not subleases) in comparable buildings in the cities of Santa Clara or Sunnyvale and taking into account that this will be a lease renewal rather than a lease origination (but not taking into account Tenant's furniture, fixtures, or equipment, or any tenant improvements made by Tenant at its sole cost), pursuant to the process described below. No leasing commissions shall be due or payable to any broker retained by Tenant with regard to this Lease for any extension period except (if at all) to the extent set forth in a separate written agreement with Tenant's broker.

15.4 Tenant's Election. Within thirty (30) days after receipt of Tenant's notice of exercise, Landlord shall notify Tenant in writing of Landlord's estimate of the Base Monthly Rent for the applicable extension period, based on the provisions of Paragraph 15.3 above. Within thirty (30) days after receipt of such notice from Landlord, Tenant shall have the right to (i) accept Landlord's statement of Base Monthly Rent as the Base Monthly Rent for the applicable extension period; or (ii) elect to arbitrate Landlord's estimate of Fair Market Rent, such arbitration to be conducted pursuant to the provisions hereof or (iii) withdraw its exercise of the extension option. Failure on the part of Tenant to require arbitration of Fair Market Rent or withdraw its exercise of the extension option within such thirty (30) day period shall constitute acceptance of the Base Monthly Rent for the applicable extension period as calculated by Landlord. If Tenant elects arbitration, the arbitration shall be concluded within ninety (90) days after the date of Tenant's election, subject to extension for an additional thirty (30) day period if a third arbitrator is required and does not act in a timely manner. To the extent that arbitration has not been completed prior to the expiration of any preceding period for which Base Monthly Rent has been determined, Tenant shall pay Base Monthly Rent at the rate calculated by Landlord, with the potential for an adjustment to be made once Fair Market Rent is ultimately determined by arbitration.

15.5 Rent Arbitration. In the event of arbitration, the judgment or the award rendered in any such arbitration may be entered in any court having jurisdiction and shall be final and binding between the parties. The arbitration shall be conducted and determined in the City and County of Santa Clara in accordance with the then prevailing rules of JAMS or its successor for arbitration of commercial disputes except to the extent that the procedures mandated by such rules shall be modified as follows:

(a) Tenant shall make demand for arbitration in writing within thirty (30) days after service of Landlord's determination of Fair Market Rent given under Paragraph 15.4 above, specifying therein the name and address of the person to act as the arbitrator on its behalf. The arbitrator shall be qualified as a real estate appraiser familiar with the Fair Market Rent of comparable buildings in the Santa Clara area who would qualify as an expert witness over objection to give opinion testimony addressed to the issue in a court of competent jurisdiction. Failure on the part of Tenant to make a proper demand in a timely manner for such arbitration shall constitute a waiver of the right thereto. Within fifteen (15) days after the service of the demand for arbitration, Landlord shall give notice to Tenant, specifying the name and address of the person designated by Landlord to act as arbitrator on its behalf who shall be similarly qualified. If Landlord fails to notify Tenant of the appointment of its arbitrator, within or by the time above specified, then the arbitrator appointed by Tenant shall be the arbitrator to determine the issue.

(b) In the event that two arbitrators are chosen pursuant to Paragraph 15.5(a) above, the arbitrators so chosen shall, within fifteen (15) days after the second arbitrator is appointed determine the Fair Market Rent. If the two arbitrators shall be unable to agree upon a determination of Fair Market Rent within such fifteen (15) day period, they, themselves, shall appoint a third arbitrator, who shall be a competent and impartial person with qualifications similar to those required of the first two arbitrators pursuant to Paragraph 15.5(a). In the event they are unable to agree upon such appointment within seven (7) days after expiration of such fifteen (15) day period, the third arbitrator shall be selected by the parties themselves, if they can agree thereon, within a further period of fifteen (15) days. If the parties do not so agree, then either party, on behalf of both, may request appointment of such a qualified person by the then Presiding Judge of the California Superior Court having jurisdiction over the County of Santa Clara, and the other party shall not raise any question as to such Judge's full power and jurisdiction to entertain the application for and make the appointment. The three arbitrators shall decide the dispute if it has not previously been resolved by following the procedure set forth below.

(c) Where an issue cannot be resolved by agreement between the two arbitrators selected by Landlord and Tenant or settlement between the parties during the course of arbitration, the issue shall be resolved by the three arbitrators within fifteen (15) days of the appointment of the third arbitrator in accordance with the following procedure. The arbitrator selected by each of the parties shall state in writing his determination of the Fair Market Rent supported by the reasons therefor with counterpart copies to each party. The arbitrators shall arrange for a simultaneous exchange of such proposed resolutions. The role of the third arbitrator shall be to select which of the two proposed resolutions most closely approximates his determination of Fair Market Rent. The third arbitrator shall have no right to propose a middle ground or any modification of either of the two proposed resolutions. The resolution he chooses as most closely approximating his determination shall constitute the decision of the arbitrators and be final and binding upon the parties.

(d) In the event of a failure, refusal or inability of any arbitrator to act, his successor shall be appointed by him, but in the case of the third arbitrator, his successor shall be appointed in the same manner as provided for appointment of the third arbitrator. The arbitrators shall decide the issue within fifteen (15) days after the appointment of the third arbitrator. Any decision in which the arbitrator appointed by Landlord and the arbitrator appointed by Tenant concur shall be binding and conclusive upon the parties. Each party shall pay the fee and expenses of its respective arbitrator and both shall share

the fee and expenses of the third arbitrator, if any, and the attorneys' fees and expenses of counsel for the respective parties and of witnesses shall be paid by the respective party engaging such counsel or calling such witnesses.

(e) The arbitrators shall have the right to consult experts and competent authorities to obtain factual information or evidence pertaining to a determination of Fair Market Rent, but any such consultation shall be made in the presence of both parties with full right on their part to cross examine. The arbitrators shall render their decision and award in writing with counterpart copies to each party. The arbitrators shall have no power to modify the provisions of this Lease.

ARTICLE 16 TELEPHONE SERVICE

Notwithstanding any other provision of this Lease to the contrary:

(i) Landlord shall have no responsibility for providing to Tenant any telephone equipment, including wiring, within the Leased Premises or for providing telephone service or connections from the utility to the Leased Premises; and

(ii) Landlord makes no warranty as to the quality, continuity or availability of the telecommunications services in the Building, and Tenant hereby waives any claim against Landlord for any actual or consequential damages (including damages for loss of business) in the event Tenant's telecommunications services in any way are interrupted, damaged or rendered less effective, except to the extent caused by the active gross negligence or willful misconduct of Landlord, its agents or employees. Tenant accepts the telephone equipment (including, without limitation, the intra-building network cable ("INC")) in its AS-IS condition, and Tenant shall be solely responsible for contracting with a reliable third party vendor to assume responsibility for the maintenance and repair thereof (which contract shall contain provisions requiring such vendor to inspect the INC periodically (the frequency of such inspections to be determined by such vendor based on its experience and professional judgment), and requiring such vendor to meet local and federal requirements for telecommunications material and workmanship). Landlord shall not be liable to Tenant and Tenant waives all claims against Landlord whatsoever, whether for personal injury, property damage, loss of use of the Leased Premises, or otherwise, due to the interruption or failure of telephone services to the Leased Premises. Tenant hereby holds Landlord harmless and agrees to indemnify, protect and defend Landlord from and against any liability for any damage, loss or expense due to any failure or interruption of telephone service to the Leased Premises for any reason. Tenant agrees to obtain loss of rental insurance adequate to cover any damage, loss or expense occasioned by the interruption of telephone service.

(iii) All costs incurred by Landlord for the installation, maintenance, repair and replacement of telephone wiring in the Building, if Landlord in its sole discretion elects to do so, shall be a Property Maintenance Cost.

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IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the respective dates below set forth with the intent to be legally bound thereby as of the Effective Date of this Lease first above set forth.

TENANT:

PALO ALTO NETWORKS, INC. , a Delaware corporation

Dated: May 28, 2015

By: /s/ MARK D. MCLAUGHLIN

Printed Name: President and CEO

Title: President

By: /s/ STEFFAN C. TOMLINSON

Printed Name: Chief Financial Officer

Title: Chief Financial Officer

LANDLORD:

SANTA CLARA CAMPUS PROPERTY OWNER I LLC, a Delaware limited liability company

By: Santa Clara Campus Partners LLC,
a Delaware limited liability company,
its Sole Member

By: Menlo Equities Development Company IX LLC,
a California limited liability company,
its Manager

By: Menlo Equities V LLC,
a California limited liability company,
its Manager

By: Menlo Legacy Holdings L.P.,
a California limited partnership,
its Managing Member

Dated: May 28, 2015

By: /s/ HENRY D. BULLOCK
President

Henry D. Bullock,

EXHIBIT A
SITE PLAN

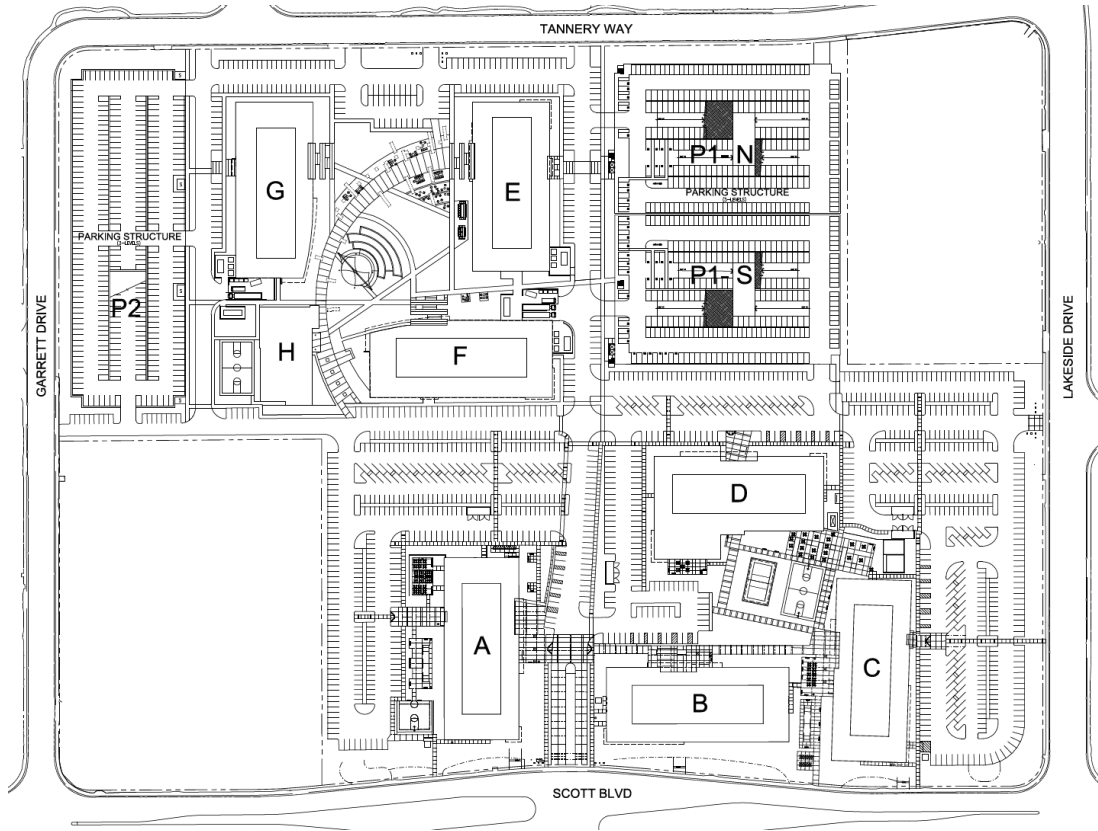


EXHIBIT A-1

MEASUREMENT METHOD

Building B Common Area Allocations

	1st Floor	2nd Floor	3rd Floor	4th Floor	Total
Building B Common Area Square Footage					
Lobby	2,190	735	n/a	n/a	2,925
Elevator Equipment Rm	228	n/a	n/a	n/a	228
Women's Shower	175	n/a	n/a	n/a	175
Men's Shower	175	n/a	n/a	n/a	175
Stair #1 Corridor	203	n/a	n/a	n/a	203
Stair #2 Corridor	381	n/a	n/a	n/a	381
Shared Main Electrical	123	n/a	n/a	n/a	123
Fire Riser	35	n/a	n/a	n/a	35
MPOE	89	n/a	n/a	n/a	89
Building B Common Area SF	3,599	735	0	0	4,334

Fitness	n/a	n/a	n/a	n/a	0
Cafeteria	n/a	n/a	n/a	n/a	0
Phase I Campus Common Area SF	0	0	0	0	0
Total Common Area SF	3,599	735	0	0	4,334

Usable Square Footage

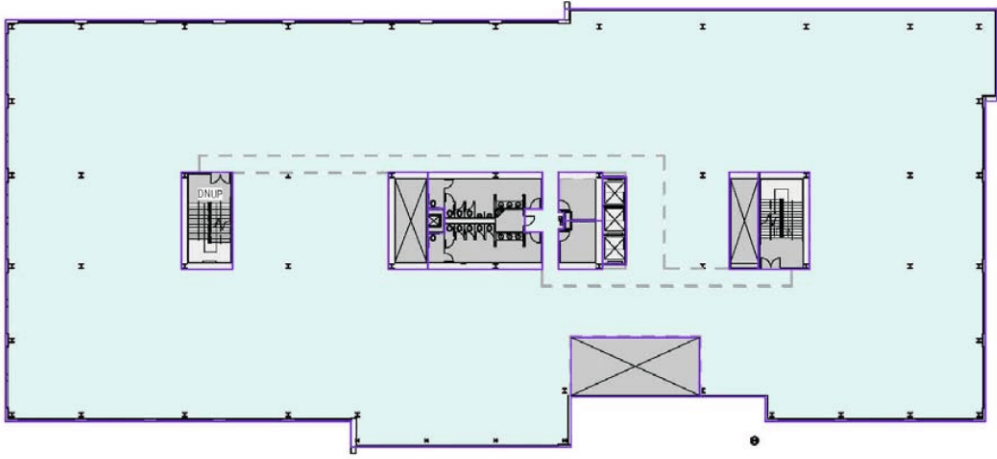
	1st Floor	2nd Floor	3rd Floor	4th Floor	Total
Tenant	31,378	34,244	35,905	35,905	137,432
Elevator	199	199	199	199	796
Restroom & Janitor	1,037	984	984	984	3,989
Stair #1	475	473	473	473	1,894
Stair #2	475	475	475	475	1,900
Tenant Electrical	199	199	199	199	796
IDF	169	199	199	199	766
Mechanical Shaft #1	n/a	271	271	271	813
Mechanical Shaft #2	n/a	364	364	364	1,092
Mechanical Shaft	n/a	40	40	40	120
Building B Usable SF	33,932	37,448	39,109	39,109	149,598

Building B Single Tenant Gross SF	37,531	38,183	39,109	39,109	153,932
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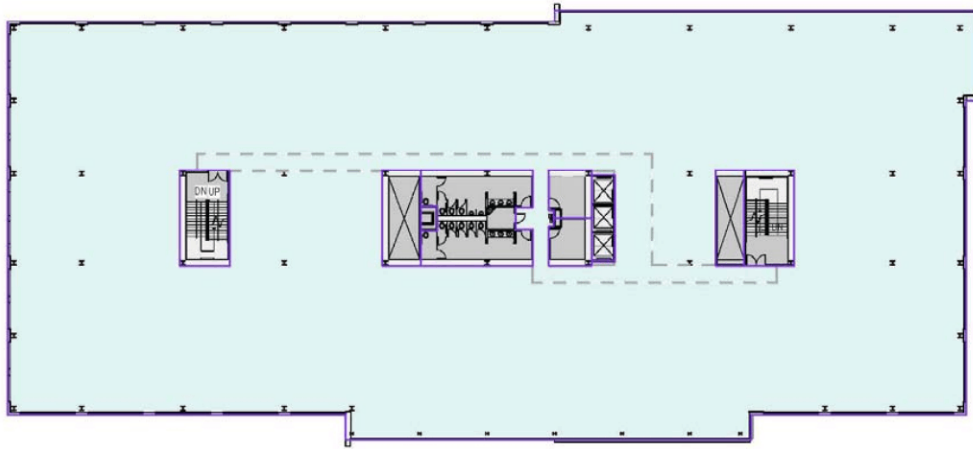
	1st Floor	2nd Floor	3rd Floor	4th Floor	Total
Building B Usable SF	33,932	37,448	39,109	39,109	149,598
Building B Common Area SF Allocation	983	1,085	1,133	1,133	4,334
Building B Cafeteria & Fitness SF Allocation	861	950	993	993	3,797
Building B Rentable SF based upon Single Tenant Gross SF	35,776	39,483	41,235	41,235	157,729

EXHIBIT B
FLOOR PLAN

Building B - 3325 Scott Boulevard - Floorplates



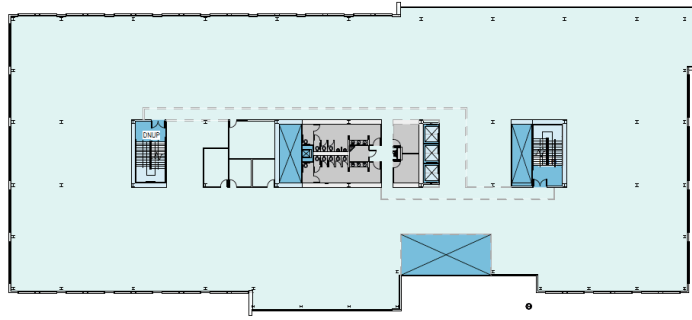
Second Floor



Third and Fourth Floors

EXHIBIT C

PLANS AND SPECIFICATIONS FOR LANDLORD'S WORK



MENLO EQUITIES

BUILDING B, 2ND FLOOR - AREA DIAGRAM

BUILDINGS A, B & C
3315, 3325, 3355 SCOTT BLVD, SANTA CLARA, CA

DATE 05-13-15
PROJECT NUMBER 11204.00
SCALE 1" = 30'-0"

PROJECT
FUNCTION
OWNER
CLIENT
ARCHITECT
DATE
41 South Victoria Street, 4th Floor
San Jose, CA 95128
Tel: 408.261.8200
www.rmw.com



MENLO EQUITIES

BUILDING B, 3RD FLOOR (4TH SIM) - AREA DIAGRAM

BUILDINGS A, B & C
 3315, 3325, 3355 SCOTT BLVD, SANTA CLARA, CA

DATE: 05-13-15
 PROJECT NUMBER: 11204-00
 SCALE: 1" = 30'-0"

ARCHITECT: **RW**
 ARCHITECTS
 45 South Second Street, 4th Floor
 San Jose, CA 95113
 Tel: 408.281.8222
 www.rwaa.com

Building B at 3325 Scott Boulevard Buildout Specifications for Floors 2-4

- Open office with 4 conference rooms with glass sidelights and building standard doors.
- Elevator lobby with overhead elevator smoke doors per code.
- Open ceiling except conference rooms (2x2 Dunne Second Look).
- HVAC: Overhead distribution, IDF room split system with 5 tons cooling capacity, new zones for conference rooms, T-stats as required with rigid duct for open ceiling. Tie controls to BMS.
- Electrical: Power distribution, fire alarm and new lighting, all per new Title 24. Switching, convenience outlets, floor boxes in new conference rooms, junction boxes in the ceiling at 20' for future furniture in the open office area. Standard linear pendant light fixtures which meet Title 24 requirements.
- Fire Sprinklers: Dropped heads at conference rooms.
- Drywall (Level 4 finish) all exterior precast walls; core walls and 4 conference room walls.
- Painting: Painting of all new partitions, existing core partitions, metal deck and fire sprinklers.
- Carpet: Carpet and rubber base in all new conference rooms, open office area and lobby.
- Levelor Mark 1 Blinds at exterior windows.

EXHIBIT D

LEASE COMMENCEMENT DATE CERTIFICATE

This LEASE COMMENCEMENT CERTIFICATE ("Certificate") is made this _____ day of _____, 201_, by and between _____ ("Landlord"), and _____, a _____ ("Tenant"), and is attached to and made a part of that certain Lease dated as of _____, 201_, by and between Landlord and Tenant (the "Lease").

Landlord and Tenant hereby acknowledge and agree for all purposes of the Lease that the Lease Commencement Date as defined in Paragraph 2.3 of the Lease is _____, 201_.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Certificate on the date first above written.

LANDLORD: a _____

By: _____
Its: _____

TENANT: _____,
a _____

By: _____
Its: _____

EXHIBIT E

BUILDING SIGNAGE



EXHIBIT F

AVAILABLE ROOFTOP SPACE



EXHIBIT G

SUBORDINATION, NONDISTURBANCE AND ATTORNMENT PROVISIONS

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Wells Fargo Bank, National Association
CRE – San Francisco - Gold ([Redacted])
420 Montgomery Street, 6th Floor
San Francisco, CA 94104

Attn: Colleen King
Loan No. [Redacted]

(Space Above For Recorder's Use)

SUBORDINATION AGREEMENT, ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ESTOPPEL, ATTORNMENT AND NON-DISTURBANCE AGREEMENT
(Lease to Security Instrument)

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT, ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ESTOPPEL, ATTORNMENT AND NON-DISTURBANCE AGREEMENT ("Agreement") is made DATE by and between PROPERTY OWNER NAME, A(N) ENTITY TYPE, OWNER(S) OF THE REAL PROPERTY HEREINAFTER DESCRIBED ([[collectively,] "Mortgagor"), TENANT NAME ("Tenant") and Wells Fargo Bank, National Association (collectively with its successors or assigns, "Lender").

R E C I T A L S

- A. Pursuant to the terms and provisions of a lease dated DATE OF LEASE ("Lease"), Mortgagor granted to Tenant a leasehold estate in and to [a portion of] the property described on Exhibit A attached hereto and incorporated herein by this reference (which property, together with all improvements now or hereafter located on the property, is defined as the "Property").
- B. Mortgagor has executed, or proposes to execute, that certain Deed Of Trust ("Security Instrument") securing, among other things, that certain Promissory Note dated DATE OF NOTE ("Note") in the principal sum of LOAN AMOUNT (\$NUMBERS), in favor of Lender ("Loan"). The Security Instrument has been or will be recorded concurrently herewith in the real property records where the Property is located.
- C. As a condition to Lender making the Loan secured by the Security Instrument, Lender requires that the Security Instrument be unconditionally and at all times remain a lien on

the Property, prior and superior to all the rights of Tenant under the Lease and that the Tenant specifically and unconditionally subordinate the Lease to the lien of the Security Instrument.

D. Mortgagor and Tenant have agreed to the subordination, attornment and other agreements herein in favor of Lender.

NOW THEREFORE, for valuable consideration and to induce Lender to make the Loan, Mortgagor and Tenant hereby agree for the benefit of Lender as follows:

(1)SUBORDINATION. Mortgagor and Tenant hereby agree that:

1.Prior Lien. The Security Instrument securing the Note in favor of Lender, and any modifications, renewals or extensions thereof (including, without limitation, any modifications, renewals or extensions with respect to any additional advances made subject to the Security Instrument), shall unconditionally be and at all times remain a lien on the Property prior and superior to the Lease;

2.Subordination. Lender would not make the Loan or approve the Lease without this agreement to subordinate; and

3.Whole Agreement. This Agreement shall be the whole agreement and only agreement with regard to the subordination of the Lease to the lien of the Security Instrument and shall supersede and cancel, but only insofar as would affect the priority between the Security Instrument and the Lease, any prior agreements as to such subordination, including, without limitation, those provisions, if any, contained in the Lease which provide for the subordination of the Lease to a deed or deeds of trust or to a mortgage or mortgages.

AND FURTHER, Tenant individually declares, agrees and acknowledges for the benefit of Lender, that:

4.Use of Proceeds. Lender, in making disbursements pursuant to the Note, the Security Instrument or any loan agreements with respect to the Property, is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat this agreement to subordinate in whole or in part; and

5.Waiver, Relinquishment and Subordination. Tenant intentionally and unconditionally subordinates all of Tenant's right, title and interest in and to the Property to the lien of the Security Instrument and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination, specific loans and advances are being and will be made by Lender and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this subordination.

(2)ASSIGNMENT. Tenant acknowledges and consents to the assignment of the Lease by Mortgagor in favor of Lender.

(3)ESTOPPEL. Tenant acknowledges and represents that:

1.Entire Agreement. The Lease constitutes the entire agreement between Mortgagor and Tenant with respect to the Property and Tenant claims no rights with respect to the Property other than as set forth in the Lease;

2.No Prepaid Rent. No deposits or prepayments of rent have been made in connection with the Lease, except as follows (if none, state "None"): _____;

3.No Default. To Tenant's actual knowledge, as of the date hereof: (i) there exists no breach, default, or event or condition which, with the giving of notice or the passage of time or both, would constitute a breach or default under the Lease; and (ii) there are no existing claims, defenses or offsets against rental due or to become due under the Lease;

4.Lease Effective. The Lease has been duly executed and delivered by Tenant and, subject to the terms and conditions thereof, the Lease is in full force and effect, the obligations of Tenant thereunder are valid and binding and there have been no amendments, modifications or additions to the Lease, written or oral; and

5.No Broker Liens. Neither Tenant nor Mortgagor has incurred any fee or commission with any real estate broker which would give rise to any lien right under state or local law, except as follows (if none, state "None"):

_____.

(4)ADDITIONAL AGREEMENTS. Tenant covenants and agrees that, during all such times as Lender is the Beneficiary under the Security Instrument:

1.Modification, Termination and Cancellation. Any modification, amendment, termination or cancellation of the Lease (in whole or in part) and any payment to Mortgagor made in consideration thereof without Lender's prior written consent shall not be binding on Lender and shall be deemed null and void; provided, however, that if the Lease is terminated without Lender's prior written consent (except pursuant to the provisions of Paragraph 2.3(b) thereof), the Lease shall be reinstated regardless of the timing of any foreclosure or other enforcement action under the Security Instrument. Tenant hereby agrees that, from and after the date hereof, in the event of any act or omission by the Landlord under the Lease which would give Tenant the right, either immediately or after the lapse of a period of time, to terminate the Lease, or to claim a partial or total eviction, Tenant will not exercise any such right until it has given Lender the opportunity to cure any such act or omission of Landlord in accordance with Section 4(2) below; provided, however, that, the foregoing shall not prevent Tenant from terminating the Lease pursuant to the provisions of Paragraph 2.3(b) of the Lease or within the time periods set forth in such section (without additional allowance for Lender cure periods, provided that Tenant has delivered to Lender concurrent notice of its intent to terminate). Lender's consent to any modification or amendment of the Lease shall not be unreasonably withheld, conditioned or delayed and shall be deemed given if Lender fails to approve or disapprove the same within 10 business days after receipt of Mortgagor's written request for approval, together with a draft of the proposed modification or amendment and such other information as shall be necessary for Lender's review thereof, and provided that Mortgagor's request for approval contains a prominent statement on the first page notifying Lender of the consequences of Lender's failure to respond within such 10-business day period. For the avoidance of doubt, the foregoing sentence shall not apply to Lender's consent to any termination of the Lease;

2.Notice of Default. Tenant will notify Lender in writing concurrently with any notice given to Mortgagor of any default by Mortgagor under the Lease, and Tenant agrees that Lender has the right (but not the obligation) to cure any breach or default specified in such notice within the time periods set forth below and Tenant will not declare a default of the Lease, as to Lender, if Lender cures such default within fifteen (15) days from and after the expiration of the time period provided in the Lease for the cure thereof by Mortgagor; provided, however, that if such default cannot with diligence be cured by Lender within such fifteen (15) day period, the commencement of action by Lender within such fifteen (15) day period to remedy the same followed by diligent pursuit of such action shall be deemed sufficient so long as Lender pursues such cure with diligence; provided, that such cure period shall not exceed one hundred eighty (180) days.

3.No Advance Rents. No advance payments or prepayments of rent more than one (1) month in advance of the time when the same become due under the Lease shall be binding on Lender unless such rent is actually received by Lender.

4.Assignment of Rents. Upon receipt by Tenant of written notice from Lender that Lender has elected to terminate the license granted to Mortgagor to collect rents, as provided in the Security Instrument, and directing the payment of rents by Tenant to Lender, Tenant shall comply with such direction to pay and shall not be required to determine whether Mortgagor is in default under the Loan and/or the Security Instrument, and Mortgagor agrees that any amount so paid by Tenant shall automatically be credited towards Tenant's obligations under the Lease.

(5)ATTORNMENMENT. In the event of a foreclosure under the Security Instrument, Tenant agrees for the benefit of Lender (including for this purpose any transferee of Lender or any transferee of Mortgagor's title in and to the Property by Lender's exercise of the remedy of sale by foreclosure under the Security Instrument) as follows:

1.Payment of Rent. Tenant shall pay to Lender all rental payments required to be made by Tenant pursuant to the terms of the Lease for the duration of the term of the Lease;

2.Continuation of Performance. Tenant shall be bound to Lender in accordance with all of the provisions of the Lease for the balance of the term thereof, and Tenant hereby attorns to Lender as its landlord, such attornment to be effective and self-operative without the execution of any further instrument immediately upon Lender succeeding to Mortgagor's interest in the Lease and giving written notice thereof to Tenant;

3.No Offset. Lender shall not be liable for, nor subject to, any offsets or defenses which Tenant may have by reason of any act or omission of Mortgagor under the Lease, nor for the return of any sums which Tenant may have paid to Mortgagor under the Lease as and for security deposits, advance rentals or otherwise, except to the extent that such sums are actually delivered by Mortgagor to Lender; provided, however, that Lender or any such transferee shall be required to cure any continuing non-monetary defaults under the Lease; and

4.Subsequent Transfer. If Lender, by succeeding to the interest of Mortgagor under the Lease, should become obligated to perform the covenants of Mortgagor thereunder, then, upon any further transfer of Mortgagor's interest by Lender, all of such obligations shall terminate as to Lender.

(6)NON-DISTURBANCE. In the event of a foreclosure under the Security Instrument, so long as there shall then exist no breach, default, or event of default on the part of Tenant under the Lease, Lender agrees for itself and its successors and assigns that the leasehold interest of Tenant under the Lease shall not be extinguished or terminated by reason of such foreclosure, but rather the Lease shall continue in full force and effect and Lender shall recognize and accept Tenant as tenant under the Lease subject to the terms and provisions of the Lease except as modified by this Agreement

(7)MISCELLANEOUS.

1.Remedies Cumulative. All rights of Lender herein to collect rents on behalf of Mortgagor under the Lease are cumulative and shall be in addition to any and all other rights and remedies provided by law and by other agreements between Lender and Mortgagor or others.

2.NOTICES. All notices, demands, or other communications under this Agreement and the other Loan Documents shall be in writing and shall be delivered to the appropriate party at the address set forth below (subject to change from time to time by written notice to all other parties to this Agreement). All notices, demands or other communications shall be considered as properly given if delivered personally or sent by first class United States Postal Service mail, postage prepaid, or by Overnight Express Mail or by overnight commercial courier service, charges prepaid,

except that notice of Default may be sent by certified mail, return receipt requested, charges prepaid. Notices so sent shall be effective three (3) Business Days after mailing, if mailed by first class mail, and otherwise upon delivery or refusal; provided, however, that non-receipt of any communication as the result of any change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication. For purposes of notice, the address of the parties shall be:

Mortgagor:	OWNER NAME STREE ADDRESS CITY, STATE ZIP Attention: CONTACT NAME
Tenant:	TENANT NAME TENANT ADDRESS 1 TENANT ADDRESS 2 TENANT CITY, STATE ZIP Attention: TENANT CONTACT
Lender:	Wells Fargo Bank, National Association CRE – San Francisco Gold ([Redacted]) 420 Montgomery Street, 6 th Floor San Francisco, CA 94104 Attention: Ivane Tat Loan #: [Redacted]
With a copy to:	Wells Fargo Bank, National Association WLS Minneapolis Loan Center 608 2 nd Avenue South, 11 th Floor Minneapolis, MN 55402 Attention: Jessica Bistodeau

Any party shall have the right to change its address for notice hereunder to any other location within the continental United States by the giving of thirty (30) days notice to the other party in the manner set forth hereinabove.

- 3.Heirs, Successors and Assigns. Except as otherwise expressly provided under the terms and conditions herein, the terms of this Agreement shall bind and inure to the benefit of the heirs, executors, administrators, nominees, successors and assigns of the parties hereto.
- 4.Headings. All article, section or other headings appearing in this Agreement are for convenience of reference only and shall be disregarded in construing this Agreement.
- 5.Counterparts. To facilitate execution, this document may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single document. It shall not be necessary in making proof of this document to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.
- 6.Exhibits, Schedules and Riders. All exhibits, schedules, riders and other items attached hereto are incorporated into this Agreement by such attachment for all purposes.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT HERETO.

"MORTGAGOR"

[[SIGNATURE BLOCK FOR PROPERTY MORTGAGOR(S)]]

"TENANT"

[[SIGNATURE BLOCK FOR TENANT]]

"LENDER"

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: _____
Name: _____
Its: _____

(IF DOCUMENT TO BE RECORDED, ALL SIGNATURES MUST BE ACKNOWLEDGED)

EXHIBIT H

FORM OF ESTOPPEL CERTIFICATE

_____, 20____

Re _____
_____, California

Ladies and Gentlemen:

Reference is made to that certain Lease, dated as of _____, 20____, between _____ LLC, a California limited liability company ("Landlord"), and the undersigned (herein referred to as the "Lease"). A copy of the Lease [and all amendment thereto] is[are] attached hereto as Exhibit A. At the request of Landlord in connection with [_____ State reasons for request for estoppel certificate _____], the undersigned hereby certifies to Landlord and to [state names of other parties requiring certification (*e.g.*, lender, purchaser, investor)] ("Lender"/ "Purchaser"/ "Investor") and each of your respective successors and assigns as follows:

1. The undersigned is the tenant under the Lease.
2. The Lease is in full force and effect and has not been amended, modified, supplemented or superseded except as indicated in Exhibit A.
3. There is no defense, offset, claim or counterclaim by or in favor of the undersigned against Landlord under the Lease or against the obligations of the undersigned under the Lease. The undersigned has no renewal, extension or expansion option, no right of first offer or right of first refusal and no other similar right to renew or extend the term of the Lease or expand the property demised thereunder except as may be expressly set forth in the Lease.
4. All improvements to be constructed in the Leased Premises by Landlord, if any, have been completed and accepted by Tenant, and any tenant construction or other allowances have been paid in full.
5. The undersigned is not aware of any default now existing of the undersigned or of Landlord under the Lease, nor of any event which with notice or the passage of time or both would constitute a default of the undersigned or of Landlord under the Lease.
6. The undersigned has not received notice of a prior transfer, assignment, hypothecation or pledge by Landlord of any of Landlord's interest in the Lease.
7. The monthly rent due under the Lease is \$_____ and has been paid through _____, and all additional rent due and payable under the Lease has been paid through _____.
8. The term of the Lease commenced on _____, and expires on _____, unless sooner terminated pursuant to the provisions of the Lease. Landlord has performed all work required by the Lease for the undersigned's initial occupancy of the demised property.
9. The undersigned has deposited the sum of \$_____ with Landlord as security for the performance of its obligations as tenant under the Lease, and no portion of such deposit has been applied by Landlord to any obligation under the Lease.
10. There is no free rent period pending, nor is Tenant entitled to any Landlord's contribution.

The above certifications are made to Landlord and [Lender/ Purchaser/ Investor] knowing that Landlord and [Lender/ Purchaser/ Investor] will rely thereon in [making a loan secured in part by an assignment of the Lease/ accepting an assignment of the Lease/ investing in Landlord/other].

Very truly yours,

By:
Name:
Title:

Exhibit D

EXHIBIT I

LANDLORD'S SIGNAGE

LANDLORD'S NAME/OWNERSHIP AFFILIATION FOR SIGNAGE

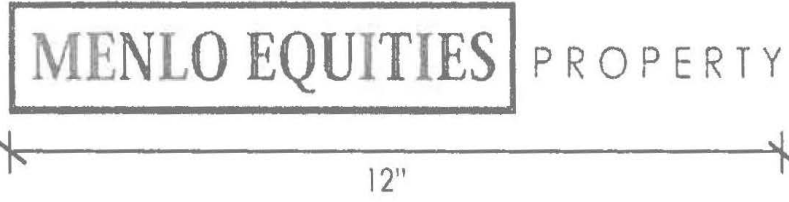


EXHIBIT J

RULES AND REGULATIONS

1. No sign, advertisement, name or notice shall be installed or displayed on any part of the outside, or inside if visible from the outside, of the Building without the prior written consent of Landlord. Landlord shall have the right to remove, at Tenant's expense and without notice, any sign installed or displayed in violation of this rule.

2. Tenant shall not place anything or allow anything to be placed near the glass of any window, door, partition or wall which may appear unsightly from outside the Leased Premises. No awnings or other projection shall be attached to the outside walls of the Building without the prior written consent of Landlord. No curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Leased Premises, other than Building standard materials, without the prior written consent of Landlord.

3. Tenant shall not obstruct any sidewalks, halls, passages, exits, entrances, elevators, escalators or stairways of the Building. The halls, passages, exits, entrances, elevators, escalators, stairways and other common areas (excluding such spaces in the Leased Premises) are not for the general public, and Landlord shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the reasonable judgment of Landlord would be prejudicial to the safety, character, reputation and interests of the Building and its tenants; provided, that nothing herein contained shall be construed to prevent such access to persons with whom any tenant normally deals in the ordinary course of its business, unless such persons are engaged in illegal activities. Except as otherwise set forth in Paragraph 4.14 of the Lease, neither tenant nor any employee, invitee, agent, licensee or contractor of Tenant shall go upon or be entitled to use any portion of the roof of the Building.

4. The directory of the Building will be provided exclusively for the display of the name and location of tenants only, and Landlord reserves the right to exclude any other names therefrom.

5. All cleaning and janitorial services for the Building Common Areas and the Leased Premises shall be provided exclusively through Landlord or Landlord's janitorial contractors in accordance with the provisions of Paragraph 5.1(b) of the Lease. No person or persons other than those approved by Landlord shall be employed by Tenant or permitted to enter the Building for the purpose of cleaning the same. Tenant shall not cause any unnecessary labor by carelessness or indifference to the good order and cleanliness of the Leased Premises. Landlord shall not in any way be responsible to Tenant for loss of property on the Leased Premises, however occurring, or for any damage to Tenant's property by the janitors or any other employee or any other person.

6. Tenant, upon termination of its tenancy, shall deliver to Landlord the keys of all doors which have been furnished to, or otherwise procured by Tenant, and, in the event of loss of any keys, shall pay Landlord the cost of replacing the same or of changing the lock or locks opened by such lost key if Landlord shall deem it necessary to make such change. Landlord may impose a reasonable charge for keys it furnishes to Tenant, if any. Tenant may not make or have made additional keys, and Tenant shall not alter any lock or install a new additional lock or bolt on any door or window of the Leased Premises.

7. Tenant shall not place a load upon any floor of the Leased Premises which exceeds the one hundred (100) pounds per square foot of live load which such floor was designed to carry and which is allowed by law. Business machines and mechanical equipment which cause noise or vibration that may be transmitted to the structure of the Building or to any space therein to such a degree as to be objectionable to Landlord or to any tenants in the Building, shall be placed and maintained by Tenant, at Tenant's expense, on vibration eliminators or other devices sufficient to eliminate noise or vibration. Landlord will not be responsible for loss of, or damage to, any such equipment or other property from any cause, and all damage done to the Building by maintaining or moving such equipment or other property shall be repaired at the expense of Tenant.

8. Tenant shall not use or keep in the Leased Premises any kerosene, gasoline or inflammable or combustible fluid or material other than those limited quantities necessary for the operation or maintenance of office equipment. Tenant shall not use or permit to be used in the Leased Premises any foul or noxious gas or substance, or permit or allow the Leased Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Property or the project of which the Property is a part (the "Project") by reason of noise, odors or vibrations, nor shall Tenant bring into or keep in or about the Leased Premises any birds or animals other than "seeing-eye" or other assistance animals.

9. Tenant shall not use any method of heating or air-conditioning other than that supplied by Landlord or as approved by Landlord pursuant to the Work Letter attached to the Lease.

10. Tenant shall not waste electricity, water or air-conditioning and agrees to cooperate fully with Landlord to assure the most effective operation of the Building's heating and air-conditioning and to comply with any governmental energy-saving rules, laws or regulations of which Tenant has actual notice, and shall not adjust controls other than room thermostats installed for Tenant's use. Tenant shall keep corridor doors closed at the end of each business day.

11. Landlord shall not be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. Tenant shall be responsible for all persons for whom it requests passes and shall be liable to Landlord for all acts of such persons. Landlord reserves the right to prevent access to the Building in case of invasion, mob, riot, public excitement or other commotion by closing the doors or by other appropriate action.

12. Tenant shall close and lock all doors of the Leased Premises and entirely shut off all water faucets or other water apparatus, and, except with regard to Tenant's computers and other equipment which reasonably require electricity on a 24-hour basis, all electricity, gas or air outlets before Tenant and its employees leave the Leased Premises. Tenant shall be responsible for any damage or injuries sustained by other tenants or occupants of the Building or by Landlord for noncompliance with this rule.

13. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substances of any kind whatsoever shall be thrown therein.

14. Tenant shall not sell, or permit the sale at retail, of newspapers, magazines, periodicals, theater tickets, or any other goods or merchandise to the general public in or on the Leased Premises. Tenant shall not make any room-to-room solicitation of business from other tenants of the Property or the Project. Tenant shall not use the Leased Premises for any business or activity other than that specifically provided for in the Lease.

15. Except as otherwise set forth in Paragraph 4.14 of the Lease, Tenant shall not install any radio or television antenna, loudspeaker or other device on the roof or exterior walls of the Building. Tenant shall not interfere with radio or television broadcasting or reception from or in the Building or elsewhere.

16. Except as expressly permitted in the Lease, Tenant shall not mark, drive nails, screw or drill into the partitions, window mullions, woodwork or plaster, or in any way deface the Leased Premises or any part thereof, except to install normal wall hangings. Tenant shall repair any damage resulting from noncompliance under this rule.

17. Tenant shall not install, maintain or operate upon the Leased Premises any vending machines that do not serve solely the occupants of the Leased Premises, without the prior written consent of Landlord, .

18. Canvassing, soliciting and distribution of handbills or any other written material, and peddling in and around the Property or the Project or the Building are expressly prohibited, and each tenant shall cooperate to prevent same.

19. Landlord reserves the right to exclude or expel from the Property or the Project and/or the Building any person who, in Landlord's judgment, is intoxicated or under the

influence of liquor or drugs or who is in violation of any of the Rules and Regulations of the Building, the Property, or the Project.

20. Tenant shall store all its trash and garbage within the Leased Premises or the outdoor trash enclosure/receptacle as described in Paragraph 4.4 of the Lease. Tenant shall not place in any trash box or receptacle any material which cannot be disposed of in the ordinary and customary manner of trash and garbage disposal. All recycling, garbage and refuse disposal shall be made in accordance with directions reasonably issued from time to time by Landlord.

21. The Leased Premises shall not be used for the storage of merchandise held for sale to the general public, or for lodging or for manufacturing of any kind. No cooking shall be done or permitted by Tenant on the Leased Premises, except that use by Tenant of Underwriters' Laboratory-approved equipment for brewing coffee, tea, hot chocolate and similar beverages shall be permitted and the use of a microwave shall be permitted, provided that such equipment and use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations.

22. Tenant shall not use in any space, or in the public halls of the Building, any hand trucks except those equipped with rubber tires and side guards, or such other material-handling equipment as Landlord may approve. Tenant shall not bring any other vehicles of any kind into the Building.

23. Tenant shall not use the name of the Building, the Property, or the Project in connection with, or in promoting or advertising, the business of Tenant, except for Tenant's address.

24. Tenant agrees that it shall comply with all fire and security regulations that may be issued from time to time by Landlord, and Tenant also shall provide Landlord with the name of a designated responsible employee to represent Tenant in all matters pertaining to such fire or security regulations. Tenant shall cooperate fully with Landlord in all matters concerning fire and other emergency procedures.

25. Tenant assumes any and all responsibility for protecting the Leased Premises from theft, robbery and pilferage. Such responsibility shall include keeping doors locked and other means of entry to the Leased Premises closed.

26. Landlord may waive any one or more of these Rules and Regulations for the benefit of Tenant or any other tenant.

27. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of any lease of premises in the Building, the Property, or the Project.

28. Landlord reserves the right to make such other and reasonable Rules and Regulations as, in its judgment, may from time to time be needed for safety, security, care and cleanliness of the Building, the Property, or the Project and for the preservation of good order therein. Tenant agrees to abide by all such Rules and Regulations hereinabove stated and any additional rules and regulations which are adopted.

29. Tenant shall be responsible for the observance of all of the foregoing rules by Tenant's employees, agents, clients, customers, invitees or guests.

30. Except as otherwise provided in Paragraph 6.1 of the Lease, Tenant shall not lay linoleum, tile, carpet or other similar floor covering without the prior written approval of Landlord. The expense of repairing any damage resulting from a violation of this rule shall be borne by Tenant.

PARKING RULES AND REGULATIONS

1. In addition to the parking provisions contained in the Lease to which these Rules and Regulations are attached, the following rules and regulations shall apply with respect to the use of the Building's parking facilities.

2. Every parker is required to park and lock his/her own vehicle. All responsibility for damage to or loss of vehicles is assumed by the parker and Landlord shall not be responsible for any such damage or loss by water, fire, defective brakes, the act or omissions of others, theft, or for any other cause.

3. Tenant shall not park or permit its employees to park in any parking areas designated by Landlord as areas for parking by visitors to the Building, the Property, or the Project. Tenant shall not leave vehicles in the parking areas overnight (except vehicles belonging to Akamai employees who are working overnight or who have legitimate business needs for occasional overnight parking) nor park any vehicles in the parking areas other than automobiles, motorcycles, motor driven or non-motor driven bicycles or four wheeled trucks.

4. No overnight or extended term storage of vehicles shall be permitted.

5. Vehicles must be parked entirely within painted stall lines of a single parking stall.

6. All directional signs and arrows must be observed.

7. The speed limit within all parking areas shall be five (5) miles per hour.

8. Parking is prohibited: (a) in areas not striped for parking; (b) in aisles; (c) where "no parking" signs are posted; (d) on ramps; (e) in cross-hatched areas; and (f) in reserved spaces and in such other areas as may be designated by Landlord or Landlord's parking operator.

9. Landlord may elect in the future to implement a parking system which includes the use of parking identification devices, and if Landlord does so: (a) the loss or theft of parking identification devices must be reported to the Property Manager designated by Landlord immediately, (b) a lost or stolen report must be filed by the Tenant or user of such parking identification device at the time, (c) any parking identification devices reported lost or stolen found on any unauthorized car will be confiscated and the illegal holder will be subject to prosecution, and (d) Landlord will have the right to exclude any vehicle from the parking facilities that does not have an identification device.

10. Washing, waxing, cleaning or servicing of any vehicle in any area not specifically reserved for such purpose is prohibited.

11. The parking operators, managers or attendants, if any, are not authorized to make or allow any exceptions to these rules and regulations.

12. Tenant's continued right to park in the parking facilities is conditioned upon Tenant abiding by these rules and regulations and the applicable terms of the Lease. Further, if the Lease terminates for any reason whatsoever, Tenant's right to park in the parking facilities shall terminate concurrently therewith.

13. Landlord reserves the right to modify and/or adopt such other commercially reasonable and non-discriminatory rules and regulations for the parking facilities as it deems necessary for the operation of the parking facilities. Landlord may refuse to permit any person who violates these rules to park in the parking facilities, and any violation of the rules shall subject the vehicle to removal, at such vehicle owner's expense.

EXHIBIT K

AMORTIZATION PERIODS OF MAJOR BUILDING COMPONENTS

	<u>Useful Life</u>
HVAC Equipment per ASHRAE standards	
1. Split systems	15 years
2. Air Handlers	25 years
3. Heat Pumps	18 years
4. Roof Top Air Conditioners	15 years
5. Boilers	25 years
6. Furnaces, Burners	18 years
7. Ductwork	30 years
8. Dampers	20 years
9. Fans	20 years
10. Coils	18 years
11. Heat Exchangers	20 years
12. Compressors	15 years
13. Cooling Towers	28 years
14. Energy management system	15 years
Single Ply roof overlay 45 mil	15 years
Parking lot seal coat/repairs	4 years
Exterior paint	6 years
Landscaping	20 years
Signage	20 years
Carpeting	8 years
Restrooms	20 years
Lobby redo	20 years
Building structure	39 years

**LIST OF SUBSIDIARIES
OF
PALO ALTO NETWORKS, INC.**

Name of Subsidiary	Jurisdiction of Incorporation
Palo Alto Networks (Australia) Pty Ltd	Australia
Palo Alto Networks (Brasil) Ltda.	Brazil
Palo Alto Networks (Canada) Inc.	Canada
Palo Alto Networks (Germany) GmbH	Germany
Palo Alto Networks (Malaysia), LLC	Delaware
Palo Alto Networks (Mexico) S. de R.L. de C.V.	Mexico
Palo Alto Networks (Netherlands) B.V.	Netherlands
Palo Alto Networks (Norway) AS	Norway
Palo Alto Networks (Singapore) PTE. LTD.	Singapore
Palo Alto Networks (UK) Limited	United Kingdom
Palo Alto Networks Belgium B.V.B.A.	Belgium
Palo Alto Networks FZ LLC	United Arab Emirates
Palo Alto Networks Godo Kaisha	Japan
Palo Alto Networks International, Inc.	Delaware
Palo Alto Networks Korea, Ltd.	South Korea
Palo Alto Networks, L.L.C.	Delaware
PAN C.V.	Netherlands
PAN LLC	Delaware
Cyvera Ltd., d/b/a Palo Alto Networks (Israel) Ltd.	Israel
Palo Alto Networks (Israel Services) Ltd.	Israel
Cyvera, Inc.	Delaware
Morta Security, Inc.	Delaware
Palo Alto Networks (India) Private Limited	India
Palo Alto Networks Holding B.V.	Netherlands
Palo Alto Networks (Singapore) Holding Company Pte. Ltd.	Singapore
Palo Alto Networks (Italy) S.R.L	Italy
PAN II LLC	Delaware
Palo Alto Networks C.V.	Netherlands
Palo Alto Networks (Switzerland) GmbH	Switzerland
Palo Alto Networks (Iberia), S.L.	Spain
Palo Alto Networks (RUS) LLC	Russia
CirroSecure, Inc.	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-196545) of Palo Alto Networks, Inc., and

(2) Registration Statements (Forms S-8 No. 333-191340, 333-182762, and 333-198859) pertaining to the 2005 Equity Incentive Plan, 2012 Equity Incentive Plan and the 2012 Employee Stock Purchase Plan, respectively, of Palo Alto Networks, Inc.;

of our reports dated September 17, 2015, with respect to the consolidated financial statements of Palo Alto Networks, Inc. and the effectiveness of internal control over financial reporting of Palo Alto Networks, Inc. included in this Annual Report (Form 10-K) of Palo Alto Networks, Inc. for the year ended July 31, 2015.

/s/ Ernst & Young LLP

San Jose, California
September 17, 2015

**CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark D. McLaughlin, certify that:

1. I have reviewed this Annual Report on Form 10-K of Palo Alto Networks, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) 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.

/s/ MARK D. MCLAUGHLIN

Mark D. McLaughlin

President, Chief Executive Officer and Director

Date: September 17, 2015

**CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002**

I, Steffan C. Tomlinson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Palo Alto Networks, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) 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.

/s/ STEFFAN C. TOMLINSON

Steffan C. Tomlinson
Chief Financial Officer

Date: September 17, 2015

**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**

I, Mark D. McLaughlin, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Palo Alto Networks, Inc. for the fiscal year ended July 31, 2015, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Palo Alto Networks, Inc.

/s/ MARK D. MCLAUGHLIN

Mark D. McLaughlin

President, Chief Executive Officer and Director

Date: September 17, 2015

**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**

I, Steffan C. Tomlinson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Palo Alto Networks, Inc. for the fiscal year ended July 31, 2015, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Palo Alto Networks, Inc.

/s/ STEFFAN C. TOMLINSON

Steffan C. Tomlinson

Chief Financial Officer

Date: September 17, 2015